眾安在綫財產保險股份有限公司
ZhongAn Online P & C Insurance Co., Ltd.*

A joint stock limited company incorporated in the People's Republic of China with limited liability
And carrying on business in Hong Kong as "ZA Online Fintech P & C"

(Stock Code : 6060)

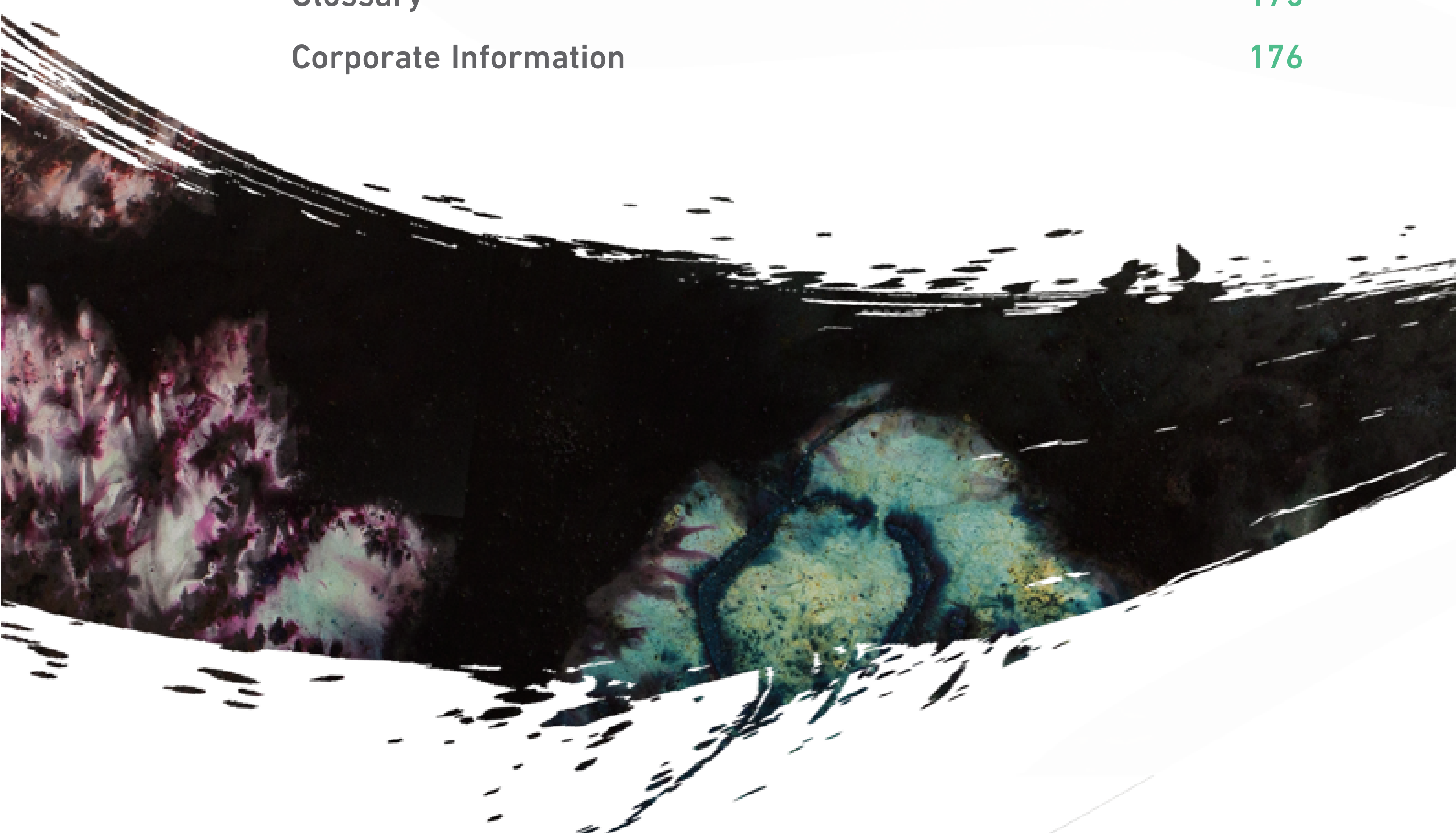
ANNUAL REPORT 2017

众安保险
ZhongAn Insurance

* For identification purposes only

Creative Construction, an artistic works created by Mr. Guoqiang Cai with its inspiration derived from explosive energy, features three flowers which are derivative from the logo of ZhongAn, representing dreams, innovation and a brand new world reconstructed with his signature gunpowder drawing. The amazing combination of wind strike, points and lines indicates the close correlation between the various ecosystem products of ZhongAn and the Internet. The concept portraited by the flowers reflects the magnificent advance made by ZhongAn with technology supports. The looming purple background comes from the old Chinese saying of "Ziqidonglai", indicating the successful listing of ZhongAn Online on the Hong Kong Stock Exchange.

CONTENTS



Four-Year Financial Summary

	CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME			
	Y2017 *per audit*	**Y2016** *per audit*	**Y2015** *per audit*	**Y2014** *per audit*
Gross written premiums	**5,954,475**	3,408,048	2,283,042	794,097
Net profit/(loss) for the year	**(996,356)**	9,372	44,257	36,981
Net profit/(loss) attributable to owners of the Company	**(997,250)**	9,372	44,257	36,981
Basic earnings/(loss) per share (in RMB)	**(0.77)**	0.01	0.04	0.04
Total assets	**21,149,492**	9,332,223	8,069,143	1,369,461
Total liabilities	**3,878,796**	2,473,251	1,170,825	348,899
Total equity	**17,270,696**	6,858,972	6,898,318	1,020,562
Equity attributable to equity owners of the Company	**17,126,913**	6,858,972	6,898,318	1,020,562
Combined ratio (%)	**133.1%**	104.7%	126.6%	108.6%
Net investment yield (%)	**3.8%**	3.6%	3.5%	4.8%
Total investment yield (%)	**7.7%**	1.8%	12.6%	7.3%
Comprehensive solvency margin ratio (%)	**1,178%**	722%	1,620%	715%

MESSAGE FROM THE CHAIRMAN AND CEO

We stepped up efforts in the exploration on advanced technologies, with the number of engineers and technicians accounting for

54.5%

of the total number of employees of the Company

Message from Chairman

Yaping Ou
Chairman

In 2017, with rapid changes undergoing around the world, ZhongAn also achieved breakthrough development.

Dear Shareholders,

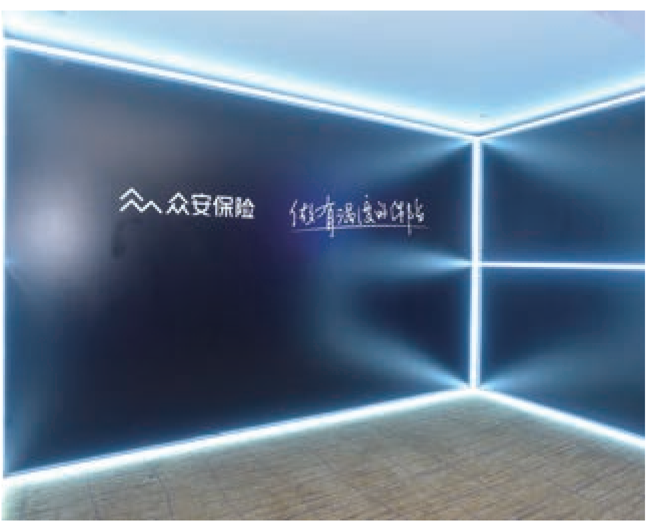
In 2017, with rapid changes undergoing around the world, ZhongAn also achieved breakthrough development. We are pleased to report that while maintaining rapid business growth, ZhongAn continued to increase investment in advanced technology development and completed its initial public offering, setting up a new layout in relation to the business, technology and capital operation and making full preparation for the development of ZhongAn "2.0".

I would like to take this opportunity to express my gratitude towards the capital market and all investors for their recognition of ZhongAn's services and products, support for the Fintech segment and collaboration with ZhongAn to build a bright future for the Fintech business. I believe your expectation will become a driving force for us to accomplish our mission. I also hope that all our staff will keep their original aspiration and passion to create our future with the entrepreneurship spirit, and leverage on our technology advantage to seize market opportunity, so as to create long-term value for the Shareholders.

We believe that art and technology share one common concept. In line with the concept expressed by the painting to celebrate our listing on the Stock Exchange named "Creative Construction", our innovation efforts in the Fintech business represent aspiration, innovation and breakthrough, with an aim to build a company with great potential and visionary aspiration, and striving to translate our exploration in the high-end difficult fields into new growth drivers. I believe, with our commitment in breaking traditional concepts and making innovation, we will make our dreams come true and turn our aspiration into driving force.

We believe in the potential of technology advancement. Let's work together to usher in a new era for the Fintech business.

Yaping Ou
Chairman



Providing insurance services with a caring hand

Listing of ZhongAn on HK Stock Exchange

Message from CEO

2017 marked an extraordinary year for ZhongAn since its establishment: promoting strong growth for its five major ecosystems, maintaining its leading advantage in the Insuretech segment and successfully listing on the Main Board of the Hong Kong Stock Exchange, developing into a public company with greater influence. In 2017, we achieved substantial progress in business development, putting ourselves into a well-prepared position for future success.

Jin Chen
Chief Executive Officer

2017 marked an extraordinary year for ZhongAn since its establishment: promoting strong growth for its five major ecosystems, maintaining its leading advantage in the Insuretech segment and successfully listing on the Main Board of the Hong Kong Stock Exchange, developing into a public company with greater influence. In 2017, we achieved substantial progress in business development, putting ourselves into a well-prepared position for future success.

Expanding Business Presence

Looking back, with the great support of our substantial shareholders including Ant Financial, Ping An Insurance and Tencent, and through product upgrade and technology innovation, ZhongAn continued to expand its business portfolio to gradually establish its five core ecosystems including lifestyle consumption, consumer finance, health, auto and travel. In 2017, we joined hand with 307 ecosystem partners to provide the ecosystem-oriented insurance products, and the number of customers reached 432 million, with the annual insurance policies per capita of 12.6. We devoted ourselves to promoting insurance knowledge and sale of insurance products to more and more users, enabling them to enjoy insurance benefits and coverage for more and more scenarios.

Message from CEO

With the mission of "Making financial life warmer", ZhongAn strove to develop its three emerging ecosystems such as consumer finance, health and auto while consolidating the development of the lifestyle consumption and travel ecosystems in 2017. Our product "Personal Clinic Policy (尊享e生)", which is recognized as the nationwide welcomed medical insurance product for the public, is in line with the national initiative of "Healthy China", and also promoted the rapid growth of the mid-end medical insurance market. The Baobiao Auto Insurance business expanded its footprint into 36 regions across the country in 2017, providing one-stop intelligent auto services and whole-scenario insurance coverage system. As to the consumer finance ecosystem, we offered our partners with risk control, credit guarantee and other insurance solutions based on big data risk control capacity, so as to create an inclusive financial system.

Promoting Technology Development

As the first financial institution in the world to operate its core system based on the cloud computing platform, ZhongAn maintained its leading position in both insurance and technology innovation. In 2017, we stepped up efforts in the exploration on advanced technologies, with the number of engineers and technicians accounting for 54.5% of the total number of employees of the Company, focusing on the development of seven sectors including artificial intelligence, internet of things, blockchain, cloud computing, big data, life science and digital economy. Annchain, which was independently developed by the Company, was accredited as one of the three open source projects on the first batch list in China by the Institute of Standards of the Ministry of Industry and Information Technology ("**MIIT**"). Furthermore, ZhongAn participated in the preparation of the "Blockchain Data Format", which became the second blockchain standard in China. The R&D strength of the big data laboratory in terms of internet big data risk control and auto ecosystem continued to improve, promoting the widespread application of technology in the consumer finance, auto and other fields. While constantly enhancing our technology strength, we also held an open attitude towards exporting technology solutions to peer companies. In 2017, ZhongAn Technology established its five core production lines including the S, X, T, F and H series of products, and formed cooperation relationship with over 200 customers in the inclusive finance, consumer finance, insurance, information security and medical and healthcare industries, extending technology application to a wider range of market and groups. We wish to join hand with all parties to promote intelligent operation of the industry and improvement of technology support.

Enhancing Capital Operation

On September 28, 2017, ZhongAn was listed on the Main Board of the Hong Kong Stock Exchange, marking a milestone in the IPO operation under the new economic pattern. ZhongAn became a constituent of Hang Seng LargeCap & MidCap Index on November 10, and was selected as a constituent stock of the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect on December 4, which demonstrated the recognition of ZhongAn by the Hong Kong market, and also enabled more investors to support and supervise the development of ZhongAn by providing its major users with investment access to ZhongAn at the capital market.

Standing at a new starting point, we will remain true to our original aspiration and continue to maintain enthusiasm. Through technology development, we will consolidate our competitive edge as a leader in the internet Insuretech market in the PRC, and enhance product innovation and diverse channel cooperation, so as to promote the healthy development, optimization and upgrade of the industry and create long-term value for the Shareholders and investors.

Outlook and Prospect

The development of the Fintech era is unwinding. Looking forward to 2018, we will continue to promote further development of all businesses, process and ecosystems with technology advancement. Meanwhile, the Company will continue to explore the three major ecosystems including auto, heath and consumer finance, so as to connect more users with services through insurance products. Moreover, the Company will continue to focus on exploration on advanced technologies, and proactively push forward the application of new technologies in financial scenarios, with an aim to facilitate the technological reform of the industry.

We are committed to undertaking our mission, with an aim to repay our customers' confidence in us. As a first-mover in the Fintech industry, the Company will continue to extend its business scope and expand individual capability, in an effort to create a new future for the Insuretech industry by breaking traditional concepts and creating more innovative solutions.

Corporate Milestone

Establishment of the Company
October 9, 2013

ZhongAn Online P & C Insurance Co., Ltd. was incorporated.

Wujieshan
April 2014

The proprietary technology platform called "Wujieshan" operated by ZhongAn was launched.

Series A Financing
June 2015

ZhongAn completed the pre-IPO investment with proceeds amounting to RMB5,775 million.

Baobiao Auto Insurance
November 2015

ZhongAn launched Baobiao Auto Insurance based on the co-insurance mode jointly developed with Ping An Insurance.

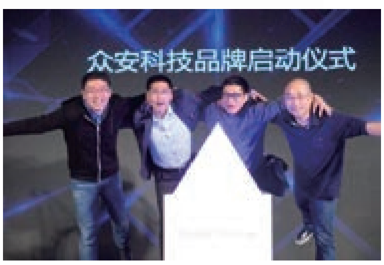
保骉车险

Fintech
December 2015

ZhongAn was rated No.1 among the global Fintech 100 jointly compiled by KPMG and H2Ventures (a Fintech investment firm in Australia).

ZhongAn Technology
July 7, 2016

ZhongAn Information and Technology Services Co., Ltd., a wholly-owned subsidiary, was incorporated.



Listing of H Shares
September 28, 2017

ZhongAn Online was listed on the Main Board of the Hong Kong Stock Exchange (stock code:

Hang Seng Indexes
November 10, 2017

ZhongAn Online became a constituent of Hang Seng Composite LargeCap & MidCap Index.

恒生指數
HANG SENG INDEXES

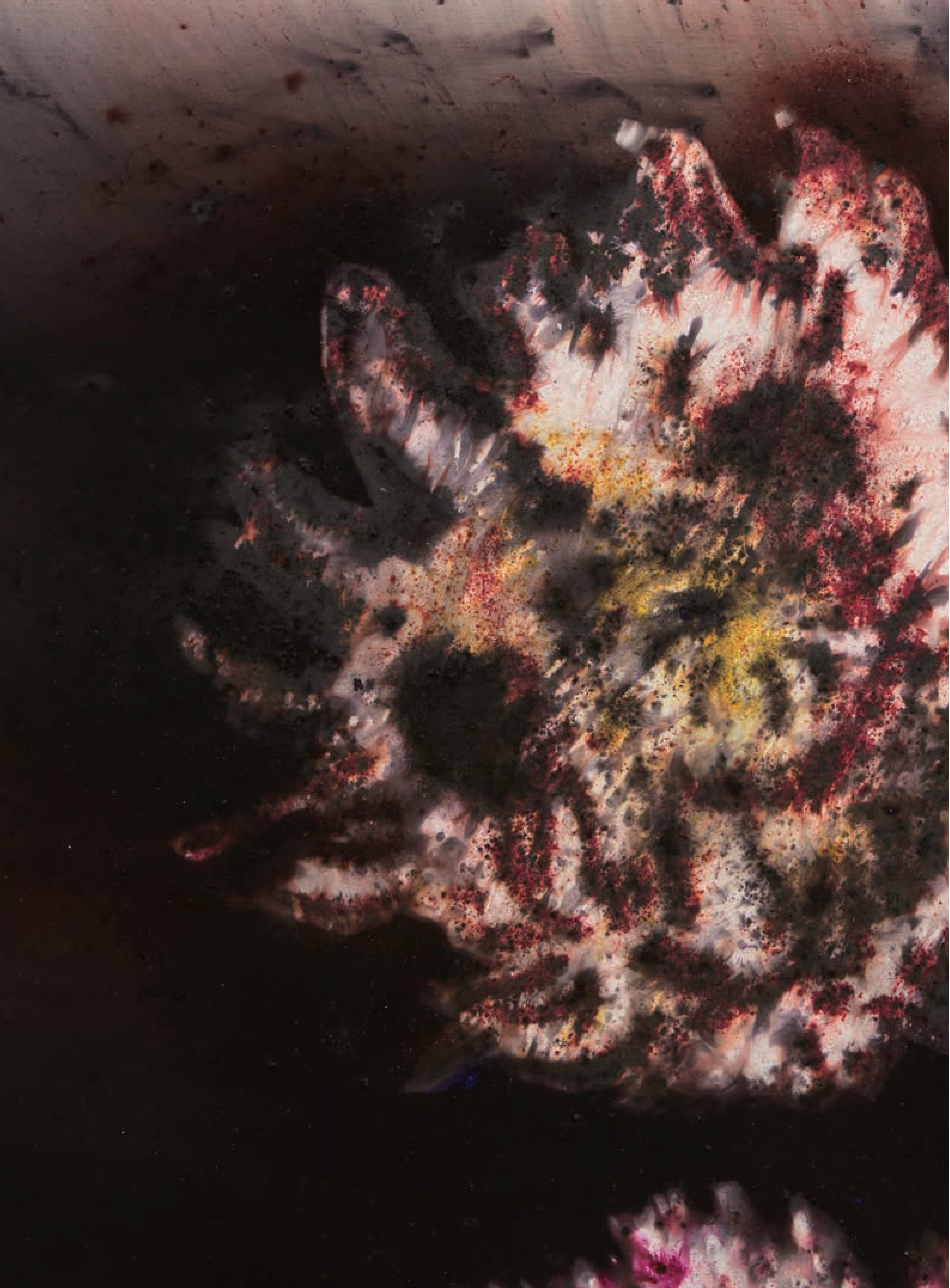
Hong Kong Stock Connect
December 4, 2017

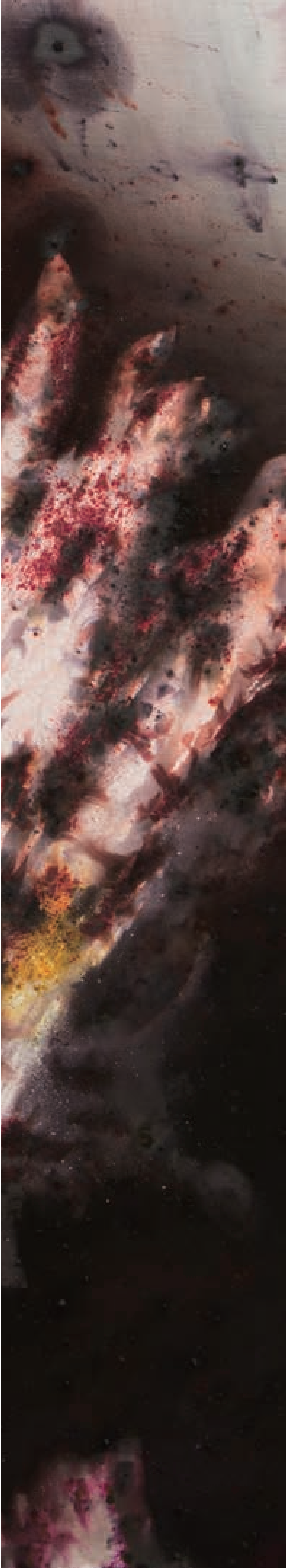
ZhongAn Online was selected as a constituent stock of the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect.

ZhongAn International
December 8, 2017

ZhongAn announced to establish a joint venture company - ZhongAn Technologies International Group Limited in Hong Kong, acting as an international development platform for ZhongAn Technology to explore international business development, cooperation and investment opportunities in relation to Fintech and Insuretech business in overseas markets.

众安国际
ZhongAn International





MANAGEMENT DISCUSSION AND ANALYSIS

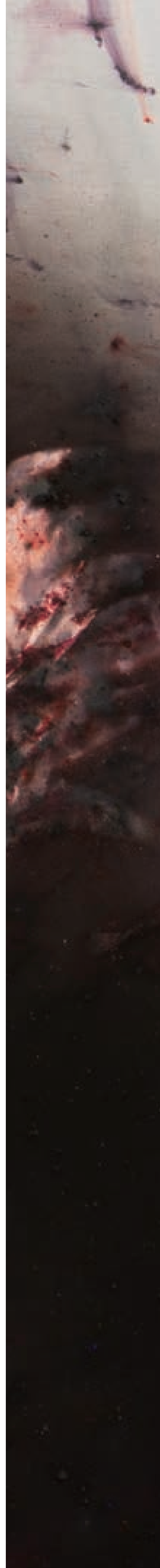
A market share of

31.6%

in the internet non-auto insurance market

We joined hand with 307 ecosystem partners to provide the ecosystem-oriented insurance products, and the number of customers reached

432 million



Management Discussion and Analysis

Management Discussion and Analysis of Operating Results and Financial Conditions

Business Review

Our Company

As a leading Internet Insuretech company in the PRC, ZhongAn had a market share of 31.6% in the internet non-auto insurance market in 2017, ranking No.1 among peer companies across the country. In 2017, we joined hand with 307 ecosystem partners to provide the ecosystem-oriented insurance products, and the number of customers reached 432 million, with the annual insurance policies per capita of 12.6 and the annual premium contribution per capita of approximately RMB13.8. In 2017, our GWP amounted to RMB5,954.5 million, representing an increase of 74.7% as compared with 2016, while the net premiums earned amounted to RMB4,614.1 million, representing an increase of 43.1% as compared with 2016. Our Company ranked the 18th in the PRC property and casualty insurance market in 2017 in terms of GWP, up by seven places as compared to that of 2016.

ZhongAn offers extensive property and casualty insurance products, covering accident insurance, bond insurance, health insurance, liability insurance, credit insurance, cargo insurance, household property insurance, etc. We design and offer ecosystem-oriented insurance products and solutions, and incorporate our products into the scenarios-based customer experience process. We focus on the integration of our products into the various scenarios, so as to optimize customer experience. The customers may purchase our insurance products and solutions during various consumption scenarios in their daily lives through the internet.

ZhongAn has built up a large-scale customer base when offering insurance products and solutions to our customers. Based on the in-depth understanding of our customers and the extensive information collected, we are able to offer dynamic pricing, automated claims settlement and ensure effective risk management. On product strategy, we continue to develop innovative products and solutions, and promote standardized and procedure-based operation, enabling us to duplicate such products and solutions to the platforms of various partners. On channel strategy, in addition to leading ecosystem partners, we gradually extend to small-scale vertical or offline ecosystem partners. With more and more customer information collected, the proportion of sales through our proprietary platforms also steadily increases. Our ecosystem partners have continuously become more diversified. The GWP generated from or through our top five ecosystem partners (groups) accounted for 60.5% of our GWP for 2017, compared with 80.8% for 2016.

ZhongAn has become a leader of the ecosystem-oriented Insuretech market segment by creating innovative business models with scale advantage. We have operated our core insurance system on the independently-developed proprietary cloud-based platform called Wujieshan, which enables us to quickly respond to the needs of our ecosystem partners and customers. We have also developed advanced artificial intelligence, internet of things and other technologies, providing great support in optimizing products and enhancing customer experience in an efficient manner. Our data-driven risk management system enables dynamic pricing and risk tracking, and we have adopted effective risk control policies to manage risks, enabling us to constantly optimize our products while effectively control risks. In addition, we have accumulated extensive user data originating from our large and expanding customer base and third-party data providers. The extensive application of our big data analytics throughout the insurance value chain enhances our results of operations.

Net Loss in 2017

We incurred a net loss of RMB996.4 million in 2017, which was primarily attributable to an increase in administrative expenses due to our efforts and investments in infrastructure, R&D and business expansion to strengthen our competitive advantage as our business was in an early stage of development, as well as the increase in unearned premium reserves as a result of rapid growth in the long-duration business. Specifically, 1) our business focused on short-duration business (such as lifestyle consumption and travel) prior to 2017, while our long-duration business (such as health and consumer finance) grew rapidly since 2017. The GWP generated from health, consumer finance and auto ecosystems as a percentages of our GWP increased from 16.4% in 2016 to 38.9% in 2017. Therefore, our provision for unearned premium reserves increased significantly, with an increase of approximately RMB948.1 million over that of 2016 and its contribution proportion to the net written premium rising to 19.1% in 2017 from 4.2% in 2016; 2) the handling charges, commissions, technical service charges and other consulting fees paid by us to the ecosystem partners increased. In 2016 and 2017, the channel fees[1] paid by us amounted to RMB1,313.0 million and RMB2,082.5 million respectively, which accounted for 39.0% and 36.5% of our net written premiums respectively; 3) the operation and administrative expenses increased due to the increase of investments in research and development; and 4) an exchange loss of RMB138.7 million was recorded on the proceeds raised from the IPO due to depreciation of Hong Kong dollar against Renminbi.

We believe that, with the strong scale effect of our business model, we will be able to keep our combined ratio for the operating stabilization period below 100% and realize an underwriting profit. The major measures taken to increase underwriting profit include: 1) the scale effect will help to improve the GWP contribution per capita and dilute our R&D, operation and administrative costs; 2) with our expanded customer base and extensive data collected, we will be able to have deeper customer insight, which will enable us to design more innovative products and brands (such as Personal Clinic Policy series), so as to enhance our bargaining power; 3) by accumulating and improving big data, we will continue to optimize our risk management capability, set reasonable prices and stabilize loss ratio; 4) leveraging on our business scale, brands and accumulated customer base, we will have more opportunity for cooperation with smaller vertical or offline ecosystem partners, and will strive to increase the proportion of sales on our proprietary platforms, so as to reduce the channel expense ratio; and 5) by enriching our product lines to cover every aspect of our daily life, we will promote customer transformation and cross-penetration through cross-selling to enhance customer value.

Note:

(1) Channel fees include handling charges and commissions, technical service fees and other channel fees, net of reinsurance expense recovered.

Five Major Ecosystems:

The following table sets forth a breakdown of (i) GWP, (ii) net written premiums, defined as gross written premium less premium ceded to reinsurers, (iii) insurance claims paid less claims paid ceded to reinsurers, and (iv) channel fees, in absolute amounts and as percentages of our net written premiums from or by each ecosystem for 2016 and 2017:

	For the Year Ended December 31,			
Ecosystems	**2017**		**2016**	
	RMB'000	**%**	**RMB'000**	**%**
Lifestyle consumption				
GWP	**1,787,234**		1,620,363	
Net written premiums	**1,787,234**	**100.0**	1,620,363	100.0
Insurance claims paid less claims paid ceded to reinsurers	**1,128,001**	**63.1**	1,073,197	66.2
Channel fees	**386,069**	**21.6**	280,988	17.3
Health				
GWP	**1,204,185**		235,927	
Net written premiums	**972,851**	**100.0**	203,456	100.0
Insurance claims paid less claims paid ceded to reinsurers	**202,266**	**20.8**	41,646	20.5
Channel fees	**237,521**	**24.4**	40,570	19.9

Management Discussion and Analysis

Ecosystems	For the Year Ended December 31, 2017 RMB'000	2017 %	2016 RMB'000	2016 %
Consumer finance				
GWP	1,033,762		318,079	
Net written premiums	1,033,762	100.0	318,079	100.0
Insurance claims paid less claims paid ceded to reinsurers	581,116	56.2	44,962	14.1
Channel fees	124,094	12.0	65,991	20.7
Auto				
GWP	78,901		3,724	
Net written premiums	78,901	100.0	3,724	100.0
Insurance claims paid less claims paid ceded to reinsurers	6,789	8.6	621	16.7
Channel fees	30,874	39.1	4,684	125.8
Travel				
GWP	1,436,350		1,081,643	
Net written premiums	1,429,170	100.0	1,076,793	100.0
Insurance claims paid less claims paid ceded to reinsurers	260,816	18.2	151,011	14.0
Channel fees	1,163,822	81.4	873,707	81.1

Competitive strength in our five major ecosystems were further enhanced in 2017.

Lifestyle consumption ecosystem: We provide protection to cover risks associated with product quality, logistics, post-sale service and merchant security deposits for main stream e-commerce platforms in China, such as Taobao Marketplace and Tmall. We are the leading player in the market and currently are expanding our products to cover the e-commerce platforms and offline retail platforms in certain long-tail and vertical fields. We also provide insurance for accidental damage and repair services for consumer electronic products such as cell phones and other smart devices for leading electronics manufacturers such as Xiaomi. The shift from new device sales market to maintenance market for great quantity of old devices will drive growth in our business. In 2017, the lifestyle consumption ecosystem recorded RMB1,787.2 million in GWP, representing a growth of approximate 10.3%, and provided services to around 0.38 billion customers.

Health ecosystem: We focus on customers' demands for insurance protection by offering insurance products and solutions as well as value-added services covering risks of customers in relation to medical and healthcare expenses, including group insurance and individual insurance business. The innovative product brands offered by us including Personal Clinic Policy (尊享e生), and Walk to Wellness Policy (步步保) are well received by the consumers and have become the major products marketed by many ecosystem partners. Customers can purchase our health insurance products through the platforms of our ecosystem partners (such as the insurance service platform of Ant Financial and iyunbao) and our proprietary platforms. Our group insurance products are sold to our corporate and institutional customers by our sales representatives and third party agents, so as to provide our customers with customized products and services and manage their employees' medical insurance schemes. In 2017, the health ecosystem recorded RMB1,204.2 million in GWP, representing a growth of 410.4%, and had approximately 39.5 million customers. The GWP generated from Personal Clinic Policy and Healthcare (好醫保) Ecosystem of Ant Financial amounted to RMB0.641 billion with around 1.4 million insured customers. As at the end of December 2017, Walk to Wellness Policy had obtained authority from a total of 16 million users, and its major ecosystem partners included Meizu, Huawei Health and Mi Fit, etc.

Consumer finance ecosystem: We offer credit guarantee insurance products and solutions, which protect capital security based on big data risk control capacity. We connect the financial institutions and diversified asset platforms through risk control and systems capacities. Our cooperated asset platforms include internet finance platforms such as Xiaoying, Lexin, Nongfenqi, Mime Financial and Billions Finance as well as consumption scenario platforms such as Mougujie, Treasury Treasurer, Bestpay, QK365 and 58klc.com, etc. By providing credit guarantee insurance products, we serve individual consumer financing as well as supply chain financing and rural financing for small and micro companies, so as to create an inclusive financial system. In 2017, with prudent risk control strategy, the consumer finance ecosystem recorded RMB1,033.8 million in GWP, representing a growth of 225.0%, and provided services to around 9.2 million customers. In 2017, our consumer finance business had connected with 53 partner platforms and 26 lenders. As at December 31, 2017, the underwritten balance amount was RMB39.57 billion.

Auto ecosystem: We offer insurance products to protect our customers against vehicle damage, personal injury and death, and vehicle theft and robbery. We launched Baobiao Auto Insurance based on the co-insurance mode jointly developed with Ping An Insurance. ZhongAn obtained licenses permitting our auto insurance product in only six regions as at the end of 2016, and have obtained licenses to underwrite auto insurance in all regions across the country in September 2017. The GWP from the auto ecosystem business increased from RMB3.7 million in 2016 to nearly RMB78.9 million in 2017. During the period from September to December 2017, the GWP from the auto insurance recorded a month-on-month growth rate of over 30%, and such explosive growth trend continues. We adopted various measures to expand our auto ecosystem business, including commencing the sale of auto insurance in the automotive aftermarket by means of software-as-a-service (SAAS), creating direct operation channels such as an auto insurance APP, a WeChat service account and direct sales mini programs, enhancing the depth of cooperation with new auto-retail platforms such as Guazi (瓜子), Maodou (毛豆) and Yixin (易鑫) and main engine manufacturers such as Changan (長安汽車) and BYD (比亞迪汽車) to consolidate the cooperation with its business partners in terms of technology and finance. From January 2018, ZhongAn plans to assume greater responsibility under the co-insurance mode, and the premiums, claim payments and costs shared between ZhongAn and Ping An P&C will be amended from a proportion of 30%:70% to a proportion of 50%:50%, which is still subject to Shareholders' approval. This represents an affirmation by both parties of the results of the existing cooperation, indicating the good expectation towards the development of the auto insurance business. Please refer to the circular dated February 9, 2018 for further details.

Travel ecosystem: Based on the internet tourism and travel platforms, we provide travel risk insurance for tourists for flight accident, flight delay, travel accident, ticket or hotel cancellation. In 2017, based on our original OTA channels, the travel ecosystem business further expanded marketing channels such as airlines and other long-tail markets, and continued to enrich our product portfolio to provide travel customers with travel accident insurance, flight cancellation insurance, hotel cancellation insurance and other products. In 2017, travel ecosystem recorded RMB1,436.4 million in GWP, representing a growth of approximately 32.8%, and provided services to around 38.80 million customers.

Asset Management:

Our investing activities consist of equity investment and entrustment of third-party asset management companies for purchase of stock, bonds and asset management products. We had total investment assets of RMB7,706.0 million, RMB7,837.3 million and RMB19,452.0 million in 2015, 2016 and 2017, respectively. Total investment assets represented 95.5%, 84.0% and 92.0% of our total assets in 2015, 2016 and 2017, respectively. As of December 31, 2017, stocks, fixed income investments and wealth management products represented approximately 6.1%, 34.5% and 17.5% of our total investment assets, respectively. Our total investment yield was 12.6%, 1.8% and 7.7% in 2015, 2016 and 2017, respectively. We strictly comply with the requirements of relevant PRC laws and regulations and implement prudent risk management by establishing a comprehensive and integrated asset management framework to ensure that our assets are properly managed.

Furthermore, in addition to the existing asset investment companies entrusted by us, we have engaged two additional insurance asset management companies including Taikang Asset Management Co., Ltd. ("**Taikang**") and Taiping Asset Management Co., Ltd. ("**Taiping**") after completion of IPO, so as to separately manage our investment assets.

Technology Development:

In 2017, ZhongAn invested RMB518.1 million for research and development activities, accounting for 8.7% of the Company's GWP, of which, investment for the insurance segment amounted to RMB387.1 million and investment for technology segment amounted to RMB131.0 million. As at the end of 2017, ZhongAn had a total of 1,385 engineers and technicians, representing 54.5% of our total employees, among which, 102 are responsible for data analysis, 22 are responsible for insurance system development and maintenance, 53 are responsible for artificial intelligence, 25 are responsible for blockchain technology, 329 are responsible for technology solution export, and the rest are mainly responsible for business-related system connection and maintenance. So far, we have been focused on seven sectors including artificial intelligence, internet of things, blockchain, cloud computing, big data, life science and digital economy, covering insurance, banking, consumer finance, internet finance, medical services, digital economy and other industry applications. These technologies have been applied in ZhongAn insurance business, including the development of the internet big data risk control applied in the consumer finance ecosystem and the big data laboratory applied in the auto ecosystem. We participated in the development of industry standards and data criteria of blockchain led by the MIIT, and was among the first batch of companies that have passed the examination. With our technology strength, we are able to create innovative business models with scale advantage, and also have the ability to export system solutions, risk control solutions and industry solutions based on blockchain technology, so as to help our partners in developing technology-empowered business model.

Currently, we have established five technology product lines, enabling us to export technology solutions.

The S series of Insuretech products provide technology products and solutions for the deficiencies in all respects of insurance business, so as to fully promote the development of Internet insurance industry from three perspectives including platform construction, operational capability and technological innovation. The existing products mainly cover e-commerce sales scenarios (next generation platform for brokers and agencies, distributed e-commerce platform and insurance salesman APP), customer service scenarios (smart customer service) and channel development scenarios (cloud sharing platform and merchant distribution platform). As of December 31, 2017, the S series had over 10 contracted clients, which were mainly insurance companies. Going forward in 2018, the S series will introduce more IT products including Internet insurance microkernel.

Based on extensive data sources and practical experience, the X series of intelligent data products provide customers with sophisticated risk management, model building, intelligent marketing and traffic analysis services, and improve customer service by applying technologies such as artificial intelligence, cloud platform and big data to various scenarios, so as to mitigate operational risks. The main products comprise intelligent risk control (X-data information verification, X-decision decision-making system, X-model risk control consulting), intelligent marketing (X-man intelligent marketing, X-flow traffic analysis platform) and intelligent data scenario application (Blackcat Background Check). As of December 31, 2017, the X series had nearly 200 contracted clients, covering Internet financial companies, insurance companies, business consulting companies, etc.

The T series of blockchain products are application products developed based on our independently-developed link "Annchain", which are provided on Anlink, the first blockchain and artificial intelligence cloud service platform in China. These products have been applied in various industry application scenarios including anti-counterfeit traceability (such as "Go Go Chicken (步步雞)" integrated solutions), blockchain operations (such as point management), data security storage (such as Ti-Capsule and Ti-Storage), health insurance services (such as ZhongAn health insurance business based on Ti-Contract). In 2017, our independently-developed blockchain system - Annchain was accredited as one of the three open source projects on the first batch list in China by the MIIT. Furthermore, ZhongAn participated in the preparation of the "Blockchain Data Format" which is the second blockchain standard in China issued by the Institute of Standards of the MIIT, and became the vice president unit of China Blockchain Technology and Industrial Development Forum. As of December 31, 2017, the T series had approximately 16 contracted clients.

The F series of financial product was introduced in the second half of 2017, which aims to establish two core platforms (i.e. Fund and Asset Platform and Credit Cloud System), providing business partners with integrated solutions for credit business to support their business development in consumer finance and industry chain finance fields and promote refined operation. As of December 31, 2017, the F series had several contracted clients, which were mainly consumer finance companies and small-and-medium-sized banks.

The H series of healthcare products was introduced in the second half of 2017, with an aim to realize interconnection and intercommunication of industry data by connecting medical and healthcare institutions (hospitals and health examination centers) and commercial insurance companies with authority from customers to share their information. Based on our exploration on advanced technologies such as blockchain and artificial intelligence, we conducted analysis and consolidation on medical data to explore added value and ensure data security, and provide these data to all participants in the medical and healthcare industry, so as to promote digital operation of medical and healthcare institutions and improve customers' medical service experience.

Industry

In 2017, benefiting from consumption upgrading and needs for household financial planning and driven by low insurance coverage, the PRC insurance industry recorded RMB3,658.1 billion in GWP, representing a year-on-year increase of 18.2%, of which the GWP from property and casualty insurance industry and life insurance industry grew by 13.8% and 20.0% respectively. From the perspective of property and casualty insurance industry, the non-auto insurance business benefited from the improvement in macro-economy and positive fiscal policies. The GWP from non-auto insurance business reached RMB302 billion, representing a year-on-year increase of 24.2%, which was 14 percentage points higher than that of the auto insurance business. Moreover, with the wide application of advanced technologies such as big data, artificial intelligence, blockchain, mobile internet and internet of things, the development of the insurance industry fitted in well with the economy and the society, playing a greater role in serving the development of the economy and the society.

Driven by the increase in internet penetration and optimization of online consumption experience in the PRC, according to the Oliver Wyman Report issued in 2017, the Insuretech market accounted for 13% of the PRC insurance market, and is expected to grow at an average rate of 31.2% during the five years from 2016 to 2021, among which the ecosystem-oriented Insuretech market achieving an average annual growth rate of 62%. With our advanced business model and strong capability, we have become the leading player in this segment.

Outlook

In 2017, the Company was committed to developing eco-oriented Insuretech business. The Company strove to develop new emerging ecosystems such as consumer finance, health and auto while consolidating its two existing major ecosystems (i.e. lifestyle consumption and travel). In 2017, the emerging ecosystems achieved explosive growth and have maintained its growth momentum. By deepening customer insight, innovating self-developed products, expanding diverse channels and establishing proprietary platforms, the Company significantly reduced its dependence on the top five ecosystem partners and also enhanced its service capability and bargaining power in the industry chain by exporting technology to our ecosystem partners.

In 2018, the Company will push forward the established development strategy of the Board with firm confidence and steady pace, with an aim to enhance customer value and enterprise value. With the mission of "Making financial life warmer" and upholding the value of "Simplicity, rapidness, breakthrough and win-win", the Company will focus on insurance and technology and strengthen product innovation and cooperation through diverse channels, so as to enhance our competitive strength as the leading company in the internet Insuretech market in China.

Key Operation Measures:

Improving operation and technology strength: The Company will further enhance the penetration of its core products and continue to develop innovative products and solutions, so as to improve customer experience and protection needs and enhance our brand effect. As to expansion of channels, the Company will expand and enhance cooperation with existing ecological platforms with its edge-cutting technology, proactively develop new long-tail vertical platform, and continue to establish its proprietary platform channel.

Improving big data risk control capability: The Company will continue to enrich and improve automated anti-fraud and credit risk assessment capability based on big data infrastructure by cumulating and applying scenario data, data from ZhongAn database and third party credit investigation data. The Company will strive to implement precise risk management before, during and after insurance by using advanced algorithms, models and strategies. Focusing on the establishment of three core risk control systems including channel cooperation, platform empowerment and scenario lending, the Company will optimize and consolidate its internal and external resources from various aspects including organization, talents, data, models, strategies as well as internal and external cooperation. The Company will leverage on big data and cloud computing system and focus on standardized and replicable key products, in an effort to promote scale economy. Furthermore, the Company will establish a distributed risk management module system with the application of platform, technology and module pattern.

Strengthening the construction of risk management system for corporate governance, continuing to operate in accordance with law of compliance: Pursuant to regulatory requirements and the basic requirements for our own sustainable and healthy development, we will continue to strengthen the construction of infrastructure and system process for risk management systems including risk control mechanism, risk preference and risk tolerance. The Group sets up all qualitative and quantitative indicators of risk management via the establishment of risk management system and every other system, which will be implemented and monitored in our daily operation and management activities. Moreover, by making continuous efforts in exploring the actual application of new technologies and new approaches in risk management, the Company will strive to enhance our corporate culture on risk management and strengthen the construction of risk management and internal control system, making the risk management in line with our business development.

Enhancing operating capacity: The Company will further enhance the automation level in underwriting and claims settlement services by using advanced technologies, and meanwhile continue to increase customer satisfaction by constantly improving application scenarios of intelligent customer service.

Promoting the development of quality asset management business: The Company will solidify its investment and research strength in traditional investment areas and strengthen its core competitiveness in asset management. The Company will steadily carry out strategic investment in relation to its ecological business and industrial chain. Upholding the principles of safety, soundness and compliance, the Company will proactively expand its allocation channels to increase allocation revenue. Apart from strengthening its investment and research strength, the Company will take initiatives to build up its mid-and-back office functions such as risk control, credit control, legal compliance and post-investment management, so as to enhance its capability for large-scale asset management and continuously improve its professional and standardized comprehensive investment management capability.

Financial Review

For the year ended December 31, 2017, we continued to take advantage of development opportunities in the PRC Insuretech market. We achieved rapid growth and continued to improve our market share in the PRC Insuretech market by continuing to develop innovative products using cutting-edge technologies and by enhancing our cooperation with our ecosystem partners. For the year ended December 31, 2017, the Company's GWP reached RMB5,954 million, representing a year-on-year increase of 74.7%. According to the data disclosed by the CIRC, we ranked 18th in the PRC property and casualty insurance market in terms of GWP in the year ended December 31, 2017, a significant improvement from our market ranking of 25th in the same period of last year, while further enhancing our leading position among the four online-only insurance companies.

The following table sets forth the comparative figures for the year ended December 31, 2017 and the year ended December 31, 2016:

	For the Year Ended December 31,	
	2017 RMB'000	**2016 RMB'000**
Gross written premiums	**5,954,475**	3,408,048
Net premiums earned	**4,614,107**	3,225,412
Total income	**5,583,193**	3,412,720
Net (loss)/profit for the year	**(996,356)**	9,372
Total comprehensive (loss) for the year	**(1,056,514)**	(45,978)
(Loss)/earnings per share		
– Basic (RMB yuan)	**(0.77)**	0.01
– Diluted (RMB yuan)	**(0.77)**	0.01

The following table sets forth our key financial ratios for the year ended December 31, 2017 and the year ended December 31, 2016:

	For the Year Ended December 31,	
	2017	2016
Retention ratio(1)	95.8%	98.8%
Loss ratio(2)	59.5%	42.0%
Expense ratio(3)	73.6%	62.7%
Combined ratio(4)	133.1%	104.7%
Net investment yield(5)	3.8%	3.6%
Total investment yield(6)	7.7%	1.8%
Return on assets(7)	-8.1%	0.1%
Return on equity(8)	-10.5%	0.1%
Gearing ratio(9)	18.3%	26.5%

Notes:

(1) Retention ratio equals net written premiums, which is gross written premiums less premiums ceded to reinsurer, as a percentage of gross written premiums.

(2) Loss ratio equals net claims incurred as a percentage of net premiums earned.

(3) Expense ratio equals insurance operating expenses expressed as a percentage of net premiums earned.

(4) Combined ratio equals the sum of loss ratio and expense ratio.

(5) Net investment yield equals the sum of net interest income and dividend income less interest expense relating to securities sold under agreements to repurchase for the period as a percentage of the average of the opening and closing balances of total investment assets of the period (in the case of 2016) or the weighted average of the opening and closing balances of total investment assets of the period (in the case of 2017) considering the impact of initial public offering near the end of September, 2017.

(6) Total investment yield equals total investment income (defined as the sum of net investment income and net fair value gains through profit or loss, less interest expense relating to securities sold under agreements to repurchase) for the period as a percentage of the average of the opening and closing balances of total investment assets of the period (in the case of 2016) or the weighted average of the opening and closing balances of total investment assets of the period (in the case of 2017) considering the impact of initial public offering near the end of September, 2017.

(7) Return on assets equals profit/(loss) for the year attributable to equity owners of the Company divided by the average of the opening and closing balances of total assets of the period (in the case of 2016) or the weighted average of the opening and closing balances of total assets of the period (in the case of 2017) considering the impact of initial public offering near the end of September, 2017.

(8) Return on equity equals profit/(loss) for the year attributable to equity owners of the Company divided by the average of the opening and closing balances of total equity attributable to equity owners of the Company of the period (in the case of 2016) or the weighted average of the opening and closing balances of total equity attributable to equity owners of the Company of the period (in the case of 2017) considering the impact of initial public offering near the end of September, 2017.

(9) Gearing ratio is represented by total liabilities (excluding capital supplementary bonds and subordinated term debts) divided by total assets.

Underwriting Business

The following table sets forth the selected financial indicators of the insurance business of the Company and its subsidiaries and their percentages to net earned premiums for the relevant periods:

	For the year ended December 31,			
	2017		2016	
	RMB'000	%	RMB'000	%
Net premiums earned	4,614,107	100.0	3,225,412	100.0
Net claims incurred	2,745,947	(59.5)	1,355,293	(42.0)
Insurance operating expenses	3,397,790	(73.6)	2,023,255	(62.7)
Underwriting loss	(1,529,630)	(33.1)	(153,136)	(4.7)

1. **Gross Written Premiums**

GWP primarily include premiums written by us on insurance contracts issued or renewed for a given period, without deduction for premiums ceded by us to reinsurers. We currently market and sell eight types of insurance products recognized by the CIRC, including:

- Accident insurance, including products such as Flight Accident and Delay Policy (航意航延險) and Train Accident Policy (火車意外險), mainly serving the travel ecosystem;
- Bond insurance, including products such as Zhong Le Bao (眾樂寶) and Can Ju Xian (參聚險), mainly serving the lifestyle consumption and consumer finance ecosystems;
- Health insurance, including products such as Personal Clinic Policy (尊享e生) and Group Health Insurance Plan (健康團險計劃), mainly serving the health ecosystem;
- Liability insurance, including products such as Phone Accident Policy (手機意外險) and Logistics Liability Insurance (物流責任險), mainly serving the lifestyle consumption ecosystem;
- Credit insurance, including products such as Mashanghua (馬上花), mainly serving the consumer finance ecosystem;
- Cargo insurance, including products such as Tmall Furniture Cargo Policy (天貓家裝貨運險), mainly serving the lifestyle consumption ecosystem;
- Household property insurance, including products such as General Screen Crack Policy (碎屏險) and Account Safety Policy (賬戶安全險), mainly serving the lifestyle consumption and consumer finance ecosystems;
- Motor insurance, including Baobiao Auto Insurance (保驫車險), mainly serving the auto ecosystem; and
- Others, including products such as Shipping Return Policy (退貨運費險) and Generic Buyer Version of Shipping Return Policy (任性退), mainly serving the lifestyle consumption ecosystem.

Gross written premiums increased by 74.7% from RMB3,408.0 million for the year ended December 31, 2016 to RMB5,954.5 million for the year ended December 31, 2017, primarily due to significant increases in gross written premiums from health insurance, accident insurance, credit insurance and bond insurance.

A breakdown of the GWP from our different insurance products for the periods indicated is shown below:

	For the Year Ended December 31,		
	2017	2016	(% of change)
Accident insurance	**1,476,141**	982,228	50.3%
Bond insurance	**818,454**	517,613	58.1%
Health insurance	**938,507**	205,014	357.8%
Liability insurance	**426,468**	185,097	130.4%
Credit insurance	**525,727**	102,826	411.3%
Cargo insurance	**111,792**	59,304	88.5%
Household property insurance	**56,674**	15,464	266.5%
Motor insurance	**77,901**	3,476	2,141.1%
Others(1)	**1,522,811**	1,337,026	13.9%
Of which:			
Shipping return insurance	**1,224,985**	1,193,562	2.6%
Total	**5,954,475**	3,408,048	74.7%

Note:

(1) The CIRC recognizes the following types of the property and casualty insurance products: accident insurance, bond insurance, health insurance, liability insurance, credit insurance, cargo insurance, household property insurance and others. "Others" primarily consists of shipping return insurance, which is categorized as such based on its policy terms in our periodic reports to the CIRC.

2. Premiums Ceded to Reinsurers

The premiums ceded to reinsurers increased from RMB39.6 million for the year ended December 31, 2016 to RMB249.3 million for the year ended December 31, 2017, of which the ceded premiums of accident insurance amounted to RMB65.1 million and the ceded premiums of health insurance amounted to RMB180.4 million. The Company did not operate any reinsurance business in 2017.

The Company continued to carry out the stable ceding policy in 2017. Reinsurance helps to diversify risk and support the Company's long term growth. The Company also continued to strengthen and deepen cooperation with reinsurers in other aspects. Now we have reinsurer partners including but not limited to General Reinsurance AG Shanghai Branch, China Property & Casualty Reinsurance Company Ltd. and Lloyd's Insurance Company (China) Limited.

3. Net Change in Unearned Premium Reserves

Net change in unearned premium reserves represents the change in unearned premium reserves, which are portions of written premiums relating to unexpired risk of insurance coverage. In 2017, our unearned premium reserves increased significantly mainly due to the change in product mix which includes more products with longer terms (mainly 1-year-term), such as the Group's health, consumer finance and auto insurance products. Compared with short-term insurance products, longer-term products generally lead to a larger amount of unearned premium reserves. As a result, net change in unearned premium reserves increased by 663.0% from RMB143.0 million for the year ended December 31, 2016 to RMB1,091.1 million for the year ended December 31, 2017.

4. Net Premiums Earned

Net premiums earned represent net written premiums less net change in unearned premium reserves. As a result of the foregoing, net premiums earned increased by 43.1% from RMB3,225.4 million for the year ended December 31, 2016 to RMB4,614.1 million for the year ended December 31, 2017.

5. **Net Claims Incurred**

Net claims incurred represent insurance claims paid less claims paid ceded to reinsurers, as adjusted by net change in claim reserve. Net claims incurred increased by 102.6% from RMB1,355.3 million for the year ended December 31, 2016 to RMB2,745.9 million for the year ended December 31, 2017, primarily due to the increase in our net premiums earned. As a percentage of net premiums earned, net claims incurred increased from 42.0% for the year ended December 31, 2016 to 59.5% for the year ended December 31, 2017, primarily due to (1) significant increase in insurance claims paid and net increase in claim reserve in relation to high increase in GWP; and (2) a significant increase in our unearned premium reserves mainly due to the rapid growth of longer-term products such as health insurance and credit insurance.

6. **Handling Charges and Commissions**

Handling charges and commissions represent fees paid to insurance agents for the distribution of our policies. Handling charges and commissions increased by 109.9% from RMB287.1 million for the year ended December 31, 2016 to RMB602.7 million for the year ended December 31, 2017, primarily due to an increase in commissions paid to agents and sales channels in relation to our fast-growing health insurance and accident insurance products.

7. **Finance Costs**

Finance costs represent interest paid on certain financial liabilities. Finance costs increased from RMB0.2 million for the year ended December 31, 2016 to RMB4.1 million for the year ended December 31, 2017, primarily because we held more securities sold under agreements to repurchase in the year ended December 31, 2017 than in the year ended December 31, 2016, resulting in an increase in interests incurred by such liabilities in the year ended December 31, 2017.

8. **General and Administrative Expenses**

General and administrative expenses primarily include consulting fees and service charges primarily paid to our ecosystem partners, employee salaries and benefits, promotion and marketing expenses, office rentals and other related expenses, and other miscellaneous operating and administrative expenses. General and administrative expenses increased by 64.5% from RMB1,754.1 million for the year ended December 31, 2016 to RMB2,885.6 million for the year ended December 31, 2017, primarily due to an increase in staff cost, technology and consulting service fee and advertising cost in order to support the rapid growth of the Company.

Investment Business

In 2017, the Company's investing activities consisted of (i) equity investment; and (ii) entrustment of third-party asset management companies for purchase of stock, bonds and other asset management products. For asset management business, we have entrusted two additional insurance asset management companies including Taikang and Taiping after completion of IPO, so as to separately manage our investment assets and to provide investment and asset management services with an investment mandate.

We strictly comply with the requirements of relevant PRC laws and regulations and implement prudent risk management by establishing a comprehensive and integrated asset management framework to ensure that our assets are properly managed.

9. Composition of Investment Assets

	December 31, 2017		December 31, 2016	
	Balance RMB'000	Percentage %	Balance RMB'000	Percentage %
By category:				
Cash and cash equivalents	5,256,367	27.0	1,139,953	14.5
Fixed income investments	6,704,163	34.5	3,175,349	40.5
Bonds	3,548,021	18.2	2,627,837	33.5
Other fixed income investments	3,156,142	16.3	547,512	7.0
Equity and investment funds	3,165,951	16.3	1,936,965	24.7
Stocks	1,192,382	6.1	1,491,395	19.0
Investment funds	1,784,079	9.2	420,570	5.4
Unlisted equity shares	189,490	1.0	25,000	0.3
Other investments	4,325,566	22.2	1,585,038	20.2
Wealth management products	3,409,737	17.5	864,359	11.0
Trust	915,829	4.7	720,679	9.2
Total investment assets	19,452,047	100.0	7,837,305	100.0

We had total investment assets of RMB7,837.3 million in 2016 and RMB19,452.0 million in 2017, respectively, representing an increase of RMB11,614.7 million. Total investment assets represented 84.0% and 92.0% of our total assets in 2016 and 2017, respectively. As of December 31, 2017, stocks, wealth management products and trusts represented approximately 6.1% and 22.2% of our total investment assets, respectively. Our total investment yield was 1.8% and 7.7% in 2016 and 2017, respectively.

10. Cash and Cash Equivalent/Equivalents

Cash and cash equivalent/equivalents primarily include cash and time deposit. Cash and cash equivalent/equivalents increased from RMB1,140.0 million for the year ended December 31, 2016 to RMB5,256.4 million for the year ended December 31, 2017. The primary reason for the increase was that the foreign exchange settlement of the IPO proceeds was substantially completed in the fourth quarter of 2017 which in turn increased the assets available for investment.

11. Bonds

Bonds included government bonds, financial bonds, corporate bonds and interbank deposits. As of December 31, 2017, 80.9% of the bonds the Company held received external ratings of AA level or above with more than 30.0% of them receiving external ratings of AAA level. Bonds increased from RMB2,627.8 million for the year ended December 31, 2016 to RMB3,548.0 million for the year ended December 31, 2017. The primary reason for the increase was that, as the Company engaged two new insurance asset managers (Taikang and Taiping) after the completion of the IPO, a small amount of bonds were purchased progressively as part of the new investment portfolio for investment configuration considerations.

12. Stocks

Qualified PRC insurance companies are permitted to invest a portion of their insurance funds directly in shares of companies listed on the Shanghai Stock Exchange, Shenzhen Stock Exchange and the Main Board of the Hong Kong Stock Exchange. The Company's investment in stocks decreased from RMB1,491.4 million for the year ended December 31, 2016 to RMB1,192.4 million for the year ended December 31, 2017, primarily due to the sale of profitable stocks by our insurance asset manager (Ping An Asset Management Co., Ltd ("**Ping An**")) in the fourth quarter of 2017 in order to lock in the earnings.

Management Discussion and Analysis

13. **Investment Funds**

PRC insurance companies are permitted to invest in close-ended and open-ended securities investment funds managed by mutual fund management companies as well as in private equity funds. The Company's investment in investment funds increased from RMB420.6 million for the year ended December 31, 2016 to RMB1,784.1 million for the year ended December 31, 2017. The primary reason for the increase was, again, as the Company engaged two new insurance asset managers (Taikang and Taiping), investment in funds was increased as part of the new investment portfolio for investment configuration considerations, as well as to enhance liquidity management and the flexibility of investment configuration at later stage.

14. **Other investments**

Other investments include: (i) wealth management products, which include asset management plans issued by reputable financial institutions such as Ping An Asset Management Co., Ltd.; and (ii) trust products, which typically have longer terms and higher return over investment as compared to traditional fixed income products and receive external ratings of AA level or above. The Company's investment in these other investments increased from RMB1,585.0 million for the year ended December 31, 2016 to RMB4,325.6 million for the year ended December 31, 2017, primarily due to all fixed asset management products (from Taikang) were brought under this category. The inclusion of fixed asset management products in the new investment portfolio was to build up some safety net returns and pave the way for a resilient investment strategy later.

Investment Income

	For the Year Ended December 31,		
	2017 RMB'000	2016 RMB'000	(% of change)
Interest income			
– Bank deposits	26,260	20,268	29.6
– Bond investments	141,173	139,610	1.1
– Securities purchased under agreements to resell	7,943	12,191	(34.9)
– Loans	108,487	86,493	25.4
Dividend income			
– Fund investment	105,887	17,599	501.7
– Equity investment	19,544	6,874	184.3
– Wealth management products	9,184	—	—
Realized gain/(loss), net	360,417	(184,411)	295.4
	778,895	98,624	689.8

15. **Net Investment Income**

Net investment income is comprised of interest income from trust products, term deposits, securities purchased under agreements to resell and debt securities, dividend income from investment funds and equity securities, and realized gains or losses on securities through profit or loss and available-for-sale securities. We had net investment income of RMB98.6 million for the year ended December 31, 2016 and net investment income of RMB778.9 million for the year ended December 31, 2017, primarily due to the stock market opportunity in 2017. The correct sectors were chosen at the beginning of the year which gained the excess return through the year. Other steady yield came from bonds and trust investments as well as bank deposits.

16. **Net Fair Value Gains through Profit or Loss**

Net fair value gain through profit or loss represent net fair value change on financial assets measured at fair value through profit or loss. Net fair value gain through profit or loss increased from RMB41.8 million for the year ended December 31, 2016 to RMB58.8 million for the year ended December 31, 2017. The changes were primarily due to general condition of the PRC capital markets in 2017.

Technology Business

In July 2016, the Company established a wholly-owned subsidiary in China, ZhongAn Technology, which focuses on the research and development of cutting-edge financial technologies. ZhongAn Technology currently develops and offers five series of technology services: the S series of Insuretech products, the X series of intelligent data products, the T series of blockchain products, the F series of financial products and the H series of healthcare products. ZhongAn Technology began to generate revenue in the second quarter of 2017. Revenue generated by ZhongAn Technology for the year ended December 31, 2017 amounted to RMB40.7 million.

Overall Results

17. Other Income

Other income primarily includes technology service income and government grants. Other income increased from RMB46.8 million for the year ended December 31, 2016 to RMB131.4 million for the year ended December 31, 2017, primarily due to a significant increase in information technology service income generated by our subsidiary ZhongAn Technology.

18. Total Income

Total income represents the sum of net premiums earned, net investment income, net fair value changes through profit or loss and other income. As a result of the foregoing, total income increased by 63.6% from RMB3,412.7 million for the year ended December 31, 2016 to RMB5,583.2 million for the year ended December 31, 2017.

19. Total Profit/Loss

Total loss before tax of the Company was RMB1,002.2 million for the year ended December 31, 2017 compared with total profit before tax of RMB13.0 million for the year ended December 31, 2016.

20. Income Tax Expense

Under the Enterprise Income Tax Law of the People's Republic of China (中華人民共和國企業所得稅), the Company and its subsidiaries are subject to the statutory rate of 25%. We had income tax expense of RMB3.6 million and income tax credit of RMB5.8 million for the year ended December 31, 2016 and 2017, respectively, which were primarily generated from changes in deferred income tax liabilities.

21. Net Profit/(Loss) for the Period

The Company incurred a net loss of RMB996.4 million for the year ended December 31, 2017 compared to a net profit of RMB9.4 million in 2016. The net loss was mainly due to (i) the significant increase in unearned premium reserves due to the change in product mix which includes more products with longer terms, such as the Group's health and consumer finance insurance products; (ii) the significant increase in operating and administrative expenses due to the increased headcount and investment in research and development in order to support the rapid growth of the Company; and (iii) the significant increase in handling charges and commissions, and consulting fees and service charges due to significant growth of the Group's GWP generated from the sales on the platforms of the Group's ecosystem partners.

CASH FLOW

The following table sets forth our cash flows for the periods indicated:

	For the Year Ended December 31,	
	2017 RMB'000	2016 RMB'000
Net cash (outflow)/inflow from operating activities	(709,794)	853,387
Net cash outflow from investing activities	(6,310,001)	(1,355,921)
Net cash inflow from financing activities	11,269,604	280,872
Effect of exchange rate changes on cash and cash equivalents	(142,794)	9
Net increase/(decrease) in cash and cash equivalents	4,107,015	(221,653)
Cash and cash equivalents at the beginning of period	1,153,244	1,374,897
Cash and cash equivalents at the end of period	5,260,259	1,153,244

Our cash inflows from operating activities primarily consist of cash premiums received for insurance products we issued. Our cash outflows used in operating activities primarily consist of cash payments of insurance claims, consulting fees and service charges, employee salaries and benefits, and handling charges and commissions. We had net cash outflows used in operating activities of RMB709.8 million for the year ended December 31, 2017 compared with net cash inflows from operating activities of RMB853.4 million for the year ended December 31, 2016, primarily due to (1) cash outflow amounting to RMB556.3 million used in redemption of previously outstanding investment-linked insurance products, which we stopped selling in January 2017 in accordance with a new CIRC regulation; (2) net cash outflow amounting to RMB130.9 million to support operation of our subsidiary ZhongAn Technology and its subsidiaries.

We had net cash outflows used in investing activities of RMB6,310.0 million for the year ended December 31, 2017 compared with net cash outflows of RMB1,355.9 million used in investing activities for the year ended December 31, 2016, primarily due to the use of proceeds from Global Offering in purchase of investments.

We had net cash inflows from financing activities of RMB11,269.6 million for the year ended December 31, 2017 compared with net cash inflows from financing activities of RMB280.9 million for the year ended December 31, 2016, primarily due to (1) the proceeds received from our Global Offering amounting to RMB11,335.1 million and (2) capital injection from our non-controlling Shareholders amounting to RMB151.0 million.

Indebtedness

We did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities as of December 31, 2017. We did not have any banking facilities as of December 31, 2017.

22. Material Investments

(a) References are made to the section headed "History and Corporate Structure – Plan in Establishing a Small Loan Company" of the Prospectus and the section headed "Material Investments" in the interim report of the Company dated September 29, 2017. On October 11, 2017, ZhongAn Technology entered into a joint venture agreement with Sinolink Worldwide (HK) to establish a microfinance company in the Dazu District of Chongqing with a registered capital of RMB300 million, of which ZhongAn Technology agreed to contribute 70% (approximately HK$249.9 million) of the registered capital and Sinolink Worldwide (HK) agreed to contribute 30% (approximately HK$107.1 million) of the registered capital. The transaction constitutes a connected transaction under the Listing Rules. Further details of the transaction are set out in the Company's announcement dated October 11, 2017.

(b) On December 8, 2017, ZhongAn Technology entered into the joint venture agreement with Sinolink Worldwide to jointly invest in a joint venture which will be ZhongAn Technology's platform for international development for the purpose of exploring international business development, collaboration and investment opportunities in the areas of Fintech and Insurtech in overseas market. The transaction constitutes a connected transaction under the Listing Rules. Further details of the transaction are set out in the Company's announcement dated December 8, 2017.

23. Material Acquisitions and Disposals

Save as disclosed in this annual report, we did not have any material acquisitions or disposals of subsidiaries, associated companies or joint ventures during the year ended December 31, 2017.

24. Pledge of Assets

As at December 31, 2017, none of the Group's assets were pledged.

25. Gearing Ratio

As of December 31, 2017, our gearing ratio, calculated as total liabilities (excluding capital supplementary bonds and subordinated term debts) divided by total assets, was approximately 18.3%, representing a decrease of 8 percentage points as compared with 26.5% as of December 31, 2016. The decrease was primarily due to the increase in our equity base as a result of the Global Offering in September 2017.

26. Foreign Exchange Exposure

During the year ended December 31, 2017, we mainly operated in the PRC and majority of the transactions were settled in Renminbi, the Company's functional currency. As of December 31, 2017, we had limited foreign currency exposure amounting to RMB366.8 million, which is primarily from financial assets and cash and cash equivalents denominated in foreign currencies.

27. Contingent Liabilities

As of December 31, 2017, we did not have any material contingent liabilities.

28. Off-balance Sheet Commitments and Arrangements

As of December 31, 2017, we have not entered into any off-balance sheet arrangements.

29. Events After the Reporting Period

(a) Reference is made to the section headed "Relationship with Connected Persons — Transactions with Ping An Group — Cooperation agreement for the provision of auto coinsurance, between Ping An P&C and us" of the Prospectus. On January 1, 2018, the Company entered into an amendment agreement (the "**Amendment Agreement**") with Ping An P&C to amend the terms of the auto co-insurance cooperation agreement dated January 25, 2015. Pursuant to the Amendment Agreement, the premiums and claim payments shared between the Company and Ping An P & C will be amended from a proportion of 30%:70% to a proportion of 50%:50%, effective on January 1, 2018 subject to Shareholders' approval. The transaction constitutes a connected transaction under the Listing Rules. Further details of the transaction are set out in the Company's announcement dated January 1, 2018.

(b) References are made to the announcements of the Company dated December 1, 2017, December 28, 2017 and March 11, 2018 in respect of the proposed amendments (the "**Proposed Amendments**") to certain provisions of the Articles of Association of the Company. At the first extraordinary general meeting of the Company held on January 16, 2018 and the second extraordinary general meeting of the Company held on March 26, 2018, the Shareholders considered and approved the Proposed Amendments. Further details of the Proposed Amendments are set out in the announcements of the Company dated December 1, 2017, December 28, 2017 and March 11, 2018 and the circular of the Company dated December 2, 2017, the supplemental notice of the Company dated December 29, 2017 and the supplemental circular of the Company dated March 12, 2018.

30. Employees and Remuneration Policies

As at December 31, 2017, the Group had 2,541 full-time employees (December 31, 2016: 1,574). The number of employees employed by the Group varies from time to time depending on need. Employee remuneration is determined in accordance with prevailing industry practice and employees' educational backgrounds, experiences and performance. The remuneration policy and package of the Group's employees are periodically reviewed. Apart from pension funds, in-house training programs, discretionary bonuses, medical insurance and mandatory provident fund, share awards may be granted to employees according to the assessment of individual performance.

Compensation of key executives of the Group is determined by the Company's remuneration committee which reviews and determines executives' compensation based on the Group's performance and the executives' respective contributions to the Group.

The total employee benefit cost (including directors' and supervisors' remuneration) incurred by the Group for the year ended December 31, 2017 was RMB725.2 million, including RMB103.5 million incurred by ZhongAn Technology and its subsidiaries (2016: RMB302.5 million).

Directors, Supervisors and Senior Management

Basic Information of Directors, Supervisors and Senior Management

Name	Position/Title	Age	Date of Appointment
Yaping Ou[(1)]	Chairman of the Board and executive Director	55	November 14, 2013
Jin Chen	Executive Director	49	November 14, 2014
	Chief executive officer		June 9, 2014
Hugo Jin Yi Ou[(1)]	Executive Director	25	November 27, 2017
Xinyi Han	Non-executive Director	40	November 23, 2016
Jimmy Chi Ming Lai	Non-executive Director	45	November 29, 2013
Guoping Wang	Non-executive Director	54	December 9, 2016
Xiaoming Hu	Non-executive Director	47	November 29, 2013
Fang Zheng	Non-executive Director	53	March 9, 2017
Shuang Zhang	Independent non-executive Director	46	November 14, 2016
Hui Chen	Independent non-executive Director	51	December 21, 2016
Li Du	Independent non-executive Director	37	December 21, 2016
Yifan Li	Independent non-executive Director	50	December 21,2016
Ying Wu	Independent non-executive Director	58	July 4, 2017
Yuping Wen	Chairman of the Supervisory Committee	37	November 29, 2013
Baoyan Gan	Supervisor	43	November 14, 2014
Lei Xiang	Employee representative Supervisor	38	May 25, 2017
Xing Jiang	Vice general manger and chief technology officer	40	June 9, 2014
Wei Xu	Vice general manager and chief operating officer	38	November 21, 2014
Ti Wu	Vice general manager and chief marketing officer	40	June 24, 2015
Yongbo Zhang	Chief legal officer	39	November 7, 2013
	Secretary of the Board		July 4, 2016
Huichuan Zhou	Finance director	44	June 4, 2014
Hui Teng	Actuary director	39	November 1, 2013
Min Wang	Assistant general manager and strategic development director	32	August 8, 2017
Mingyu Ma	Vice general manager and chief risk management officer	44	June 8, 2016

Note:

(1) Hugo Jin Yi Ou is the son of Yaping Ou.

Directors, Supervisors and Senior Management

Major Working Experiences and Concurrent Positions of Directors, Supervisors, Senior Management and Key Personnel

Executive Directors

Yaping Ou (歐亞平), aged 55, has been the chairman of the Board since November 2013. Mr. Ou is responsible for overall strategic planning and business direction, and is also an executive Director and a member of the Remuneration and Nomination Committee. Mr. Ou obtained a bachelor's degree in Engineering Management from the Beijing Institute of Technology (北京理工大學) in July 1984. Mr. Ou has around 30 years of experience in investing and corporate management. He served as the chairman and executive director of Sinolink Worldwide Holdings Limited (百仕達控股有限公司), a company listed on the Hong Kong Stock Exchange (Stock Code: 1168), between December 1997 and August 2013, and has served as its non-executive director since August 2013. Mr. Ou has been the chairman of Cnhooray Internet Technology Co. Ltd (深圳日訊網絡科技股份有限公司), a substantial shareholder of the company since 2000.

Jin Chen (陳勁), aged 49, is an executive Director and chief executive officer of the Company and the chairman of the Investment Strategy Committee. Mr. Chen is responsible for the overall management of the Company and oversees day-to-day operations at the Company. Mr. Chen obtained a bachelor's degree in engineering and a master's degree in engineering management from Huazhong University of Technology (華中理工大學) in July 1991 and June 1994, respectively. In addition, Mr. Chen also obtained an executive master of business administration degree from the Cheung Kong Graduate School of Business (長江商學院) in 2012. He is currently serving as a visiting professor of the Chinese University of Hong Kong. Mr. Chen has nearly 20 years' experience in finance and business management. He was president of the credit card centre of CITIC Bank Co., Ltd. (中信銀行股份有限公司) from August 2006 to May 2014 and a vice president from July 2005 to August 2006. Prior to that, he worked as a vice president in China Merchants Fund Management Co., Ltd. (招商基金管理有限公司) from 2003 to 2005 and as a vice president at China Merchants Securities Co., Ltd. (招商證券股份有限公司) from 2002 to 2003. Mr. Chen was also the vice head of the director's office at China Merchants Bank Co., Ltd. from March 1999 to July 2001.

Hugo Jin Yi Ou (歐晉羿), aged 25, has been an executive Director of the Company. He is also a member of the Investment Strategy Committee. He is primarily responsible for providing professional opinion and judgment to the Board. He has been a non-executive director of Sinolink Worldwide Holdings Limited (stock code: 1168), a company whose shares are listed on the Hong Kong Stock Exchange, since January 2016. Mr. Ou is also a director of ZhongAn Technologies International Group Limited, a subsidiary of the Company, and Youwozai (Beijing) Internet Technology Co., Ltd.. Mr. Hugo Ou obtained a bachelor's degree in East Asian studies from Princeton University in July 2015. He worked as an associate at Thrive Capital from August 2015 to August 2016 and also served as manager of the planning and development department of Sinolink Worldwide from 2010 to 2015. Mr. Hugo Ou is a son of Mr. Ou Yaping who is the chairman of the Board.

Non-Executive Directors

Xinyi Han (韓歆毅), aged 40, is a non-executive Director and a member of the Investment Strategy Committee. Mr. Han obtained a bachelor's degree in economics and a master's degree in economics from Tsinghua University (清華大學) in July 1999 and June 2001, respectively. Mr. Han has over 15 years of experience in finance. Mr. Han has been vice president of Ant Financial, a substantial shareholder of the Company, since July 2014. Prior to that, Mr. Han was a vice president at Alipay (Hong Kong) Holding Limited (支付寶(香港)控股有限公司) from September 2011, and had also worked at China International Capital Corporation Limited (中國國際金融有限公司) from July 2001 to September 2011. He has served as a director of Hundsun Technologies Inc., a company listed on the Shanghai Stock Exchange ("**SSE**") (SSE Stock Code: 600570) since February 2016.

Jimmy Chi Ming Lai (賴智明), aged 45, is a non-executive Director and a member of the Investment Strategy Committee. Mr. Lai obtained a master's degree in business administration from Harvard University in June 2006. He has been the head of the financial technology group of Tencent since 2015. Mr. Lai was formerly the general manager of Tencent from 2011 to 2015, and general manager of the QQ membership division from 2009 to 2011. In addition, he has been a non-executive director of Yixin Group Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 2858), since June 2017 and HowBuy Wealth Management Co., LTD. (好買財富管理股份有限公司), a company listed on the SSE (SSE Stock Code: 834418) since February 2017 and was a director of Shanghai E-Money Software Technology Holdings Co., Ltd (上海益盟軟件技術股份有限公司) (SSE Stock Code: 832950) from December 2015 to February 2017.

Guoping Wang (王國平), aged 54, is a non-executive Director and a member of the Audit Committee. Mr. Wang obtained a bachelor's degree in engineering and master's degree in engineering from Tsinghua University (清華大學) in July 1988 and June 1994, respectively. Mr. Wang has been a vice general manager of Ping An P&C since June 2016.

Xiaoming Hu (胡曉明), aged 47, is a non-executive Director and a member of the Risk Management Committee. Mr. Hu graduated from Zhejiang University (浙江大學), majoring in finance by correspondence, in June 2002 and a master of business administration from China Europe International Business School (中歐國際工商學院) in September 2010. Mr. Hu has been the president of Alibaba Cloud Computing Ltd. (阿里雲計算有限公司) since November 2014. Mr. Hu has been vice president of Zhejiang Alibaba Microfinance Co., Ltd. (浙江阿里巴巴小額貸款股份有限公司) from 2010 to 2011, and a senior supervisor and president's assistant of Alipay (China) Network Technology Co., Ltd. (支付寶 (中國)網絡技術有限公司) from 2005 to 2008. He serves as a non-executive director of Sinosoft Technology Group Limited (中國擎天軟件科技集團有限公司), a company listed on the Hong Kong Stock Exchange (Stock Code: 1297). He served as an independent director of Zhejiang Daily Media Group Co., Ltd. (浙報傳媒集團股份有限公司), a company listed on the Shanghai Stock Exchange (SSE Stock Code: 600633) from April 2016 to March 2017 and served as a director of Hundsun Technologies Inc (恒生電子股份有限公司)., a company listed on the SSE (SSE Stock Code: 600570) from October 2014 to February 2016.

Fang Zheng (鄭方), aged 53, is a non-executive Director and chairman of the Risk Management Committee. Mr. Zheng obtained a bachelor's degree in engineering from the Shaanxi Institute of Mechanical Engineering (陝西機械學院) in July 1984, a master's degree in economics from Foreign Economic and Trade University (對外經濟貿易大學) in June 1990 and a master of business administration degree from Harvard University in June 1996. Mr. Zheng has over 20 years of experience in finance. Mr. Zheng has been managing director and chief investment officer of Keywise Capital Management (HK) Limited (凱斯博投資管理(香港)有限公司) since 2006.

Independent Non-Executive Directors

Shuang Zhang (張爽), aged 46, is an independent non-executive Director and chairman of the Remuneration and Nomination Committee. Mr. Zhang graduated from Nanjing University (南京大學), majoring in natural resources management, in July 1994 and a master's degree in science from James Madison University in the United States in May 2002. He has been chief executive officer of The Paradise International Foundation (桃生源生態保護基金會) since 2015. Mr. Zhang has been a project director of the China region at The Nature Conservancy (大自然保護協會) from 2005 to 2015.

Hui Chen (陳慧), aged 51, is an independent non-executive Director and chairman of the Audit Committee. Ms. Chen obtained a bachelor's degree in business management and a master's degree in business management from Shanghai Jiao Tong University (上海交通大學) in June 1988 and January 1991, respectively. Prior to joining the Company, she served as chief financial officer at Huazhu Hotels Group (華住酒店集團) between December 2014 and March 2016, and at Home Inns Group (如家酒店集團) between March 2003 and May 2006. She was financial controller of Beijing Ctrip International Travel Agency Limited (北京攜程國際旅行社有限公司)between December 1999 and February 2003.

Li Du (杜力), aged 37, is an independent non-executive Director and a member of the Remuneration and Nomination Committee. Mr. Du obtained a bachelor's degree in economics from Tianjin Institute of Finance and Economics (天津財經學院) in July 2002 which was later re-named Tianjin University of Finance and Economics (天津財經大學) in 2004, a master's degree in finance from Peking University (北京大學) in July 2008 and an executive master of business administration degree from the Cheung Kong Graduate School of Business (長江商學院) in October 2012. Mr. Du has been the chairman of the board of directors of Guosheng Securities Co., Ltd. (國盛證券有限責任公司) since September 2016, Guangzhou Tech-Long Packaging Machinery Co., Ltd. (廣州達意隆包裝機械股份有限公司), a company listed on the Shenzhen Stock Exchange ("**SZSE**") (SZSE Stock Code: 002209), since May 2016 and Guosheng Financial Holding Inc. (國盛金融控股集團股份有限公司), a company listed on the SZSE (SZSE Stock Code: 002670), since July 2015, and a director of Qudian Group (趣店集團), a company listed on The New York Stock Exchange ("**NYSE**") (NYSE Stock Code: QD), since February 2016.

Directors, Supervisors and Senior Management

Yifan Li, aged 50, is an independent non-executive Director and a member of the Audit Committee. Mr. Li obtained a bachelor's degree in economics from Fudan University (復旦大學) in July 1989, a master's degree in management and administration sciences from the University of Texas at Dallas (德克薩斯大學達拉斯分校) in May 1994 and a master of business administration degree from the University of Chicago (Booth School of Business) (芝加哥大學布斯商學院) in June 2000. Mr. Li has over 17 years of experience in finance. Mr. Li has been an independent director of Zhejiang Tiantie Industry Co., Ltd. (浙江天鐵實業股份有限公司), a company listed on the SZSE (SZSE Stock Code: 300587), since December 2017, an independent director of Qudian Group (趣店集團), a company listed on the NYSE (NYSE Stock Code: QD), since October 2017, a director of Zhejiang Qianjiang Motocycle Co., Ltd. (浙江錢江摩托股份有限公司), a company listed on the SZSE (SZSE Stock Code: 000913), since November 2016, an independent director of Shanghai International Port (Group) Co., Ltd. (上海國際港務 (集團) 股份有限公司), a company listed on the SSE (SSE Stock Code: 600018), since September 2015, an independent director of Heilongjian Interchina Water Co., Ltd. (黑龍江國中水務股份有限公司), a company listed on the SSE (SSE Stock Code: 600187), since May 2015, and a vice president of Zhejiang Geely Holding Group Co., Ltd. (浙江吉利控股集團有限公司) since October 2014. Prior to that, Mr. Li served as a vice president and chief financial officer of Sanpower Group Limited (三胞集團有限公司) between April 2014 and September 2014. Prior to that, Mr. Li served as a vice president and chief financial officer of China Zenix Auto International Limited (正興車輪集團有限公司) between December 2010 and February 2014. Mr. Li is a certified public accountant in the United States and a member of the Chartered Institute of Management Accountants.

Ying Wu (吳鷹), aged 58, is an independent non-executive Director of the Company and a member of the Risk Management Committee. Mr. Wu obtained a bachelor's degree in electronic engineering from the Beijing Institute of Technology (北京工業大學) in July 1982 and a master's degree in science from the New Jersey Institute of Technology in the United States in May 1988. Mr. Wu has over 30 years of experience in the telecom industry. Mr. Wu has been a director of CN Capital Management Limited (中澤嘉盟投資有限公司) from October 2008. Mr. Wu is currently an independent non-executive director of Zall Group Ltd., a company listed on the Hong Kong Stock Exchange (Stock Code: 2098), and chairman of the board of supervisors of Huayi Brothers Media Corporation Ltd. (華誼兄弟傳媒股份有限公司), a company listed on the SZSE (SZSE Stock Code: 300027). Mr. Wu was an independent director of TCL Corporation Ltd. (TCL集團股份有限公司), a company listed on the SZSE (SZSE Stock Code: 000100).

Supervisors

Yuping Wen (溫玉萍), aged 37, is the chairman of the Supervisor Committee. Ms. Wen obtained a master's degree in management from the Xi'an University of Architecture and Technology (西安建築科技大學) in July 2005. Ms. Wen has been a director and a chief financial officer in the financial affairs department of Cnhooray Internet Technology Co., Ltd. (深圳日訊網絡科技股份有限公司) since 2010.

Baoyan Gan (干寶雁), aged 43, is a Supervisor. Ms. Gan obtained a bachelor's degree in engineering from Tongji University (同濟大學) in July 1997. Ms. Gan has worked in the president's office at Luminggu Consultancy Management Co., Ltd. (鹿鳴谷諮詢管理有限公司) since June 2015. Prior to that, she worked in the president's office at Unifront Holding Limited (優孚控股有限公司) from March 2013.

Lei Xiang (向雷), aged 38, is the employee representative Supervisor. Mr. Xiang obtained a bachelor's degree in science from South-Central Institute for Nationalities (中南民族學院) in July 2000, which was later renamed South-Central University for Nationalities (中南民族大學). Mr. Xiang worked in various positions at Kindee Software (China) Co., Ltd. (金蝶軟件(中國)有限公司) between 2000 and 2013, including positions as systems architect and product supervisor.

Senior Management

Xing Jiang (姜興), aged 40, is the vice general manager and chief technology officer of our Company and an executive director and legal representative of ZhongAn Technology, a subsidiary of the Company. He is primarily responsible for overseeing information technology, operations & safety of the Company. He is also responsible for the health ecosystem, e-commerce ecosystem and insurance businesses of the Company. Mr. Jiang obtained a bachelor's degree in computer and applications from the Hunan Finance and Economics Institute (湖南財經學院) in July 1999. He was in charge of the insurance division at Zhejiang Rongxin Internet Technology Co., Ltd. (浙江融信網絡技術有限公司), which is wholly-owned by Ant Financial, a substantial shareholder of the Company, from December 2013 to March 2014. From January 2011 to March 2012, he was a senior director at Alibaba (China) Network Technology Co., Ltd. (阿里巴巴(中國)網絡技術有限公司).

Wei Xu (許煒), aged 38, is the vice general manager and chief operating officer of our Company. He is primarily responsible for overseeing products and operations at the Company in addition to overseeing car, direct sales and travel insurance businesses of the Company. Mr. Xu obtained a bachelor's degree in computer communications from the Nanjing Institute of Posts and Telecommunications (南京郵電學院) (now known as Nanjing University of Posts and Telecommunications (南京郵電大學)) in July 2000. He then obtained a master's degree in computer software and theory from the Beijing University of Posts and Telecommunications (北京郵電大學) in April 2003 and a master's degree in business management from Tsinghua University (清華大學) in June 2009. Mr. Xu has over 10 years of experience in internet product development and management. He was a product manager at Google from May 2006 to February 2014. Prior to that, he was a project manager at China Mobile Communications Corporation (中國移動通信集團公司) from April 2003 to May 2006.

Ti Wu (吳逖), aged 40, is the vice general manager and chief marketing officer of our Company. He is primarily responsible for overseeing products, information management and financial management of the Company in addition to overseeing consumer finance of the Company. Mr. Wu obtained a bachelor's degree in insurance studies from the Jiangxi University of Finance and Economics (江西財經大學) in July 2000. He has over 10 years of insurance and management experience. He was the deputy general manager of the product research and development department of Shanghai Lujiazui International Financial Trading Market Co., Ltd. (上海陸家嘴國際金融交易市場股份有限公司) from 2010 to 2014 and of the membership management department from July 2012 to December 2014. He was the deputy general manager of the marketing department from April 2009 to July 2011 and was the head of the chairman's office from June 2007 to April 2009 at Ping An P&C.

Yongbo Zhang (張勇博), aged 39, is the chief legal officer of our Company and secretary of the Board. He is primarily responsible for overseeing compliance and legal affairs, internal control and corporate governance of the Company. Mr. Zhang obtained a master's degree in international economic law from the East China University of Political Science and Law (華東法政大學) in December 2007. Mr. Zhang served as a legal officer of Yongcheng Property Insurance Co., Ltd (永誠財產保險股份有限公司) between 2011 and 2013. Prior to that, he was involved in compliance matters at Manulife-Sinochem Life Co., Ltd. (中宏人壽保險有限公司) from February 2007 to February 2011. Mr. Zhang has been an accredited lawyer in the PRC since March 2001.

Huichuan Zhou (周會船), aged 44, is the finance director of our Company. He is primarily responsible for overseeing the financial operations of the Company. Mr. Zhou obtained a master's degree in finance from Graduate School of Chinese Academy of Social Sciences (中國社會科學院研究生院) in April 2001. Mr. Zhou was the division head of the finance and accounting department of China Continent Property & Casualty Insurance Co., Ltd (中國大地財產保險股份有限公司) from June 2003 to May 2012. Prior to that, Mr. Zhou was the vice manager of the finance and accounting department of China Reinsurance (Group) Corporation (Shanghai branch) (中國再保險集團股份有限公司上海分公司) from January 2002 to October 2003. Mr. Zhou has been admitted as a member of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in May 1998, a Certified Enterprise Risk Manager for the Asia Association of Risk and Crisis Management since February 2012, a chief financial officer by the China Association of Chief Financial Officers (中國總會計師協會) since March 2010, a fellow of the Institute of Public Accountants since April 2016 and a fellow of the Institute of Financial Accountants since April 2016.

Hui Teng (滕輝), aged 39, is the actuary director of our Company. He is primarily responsible for overseeing the actuary and re-insurance operations of the Company. Mr. Teng obtained a bachelor's degree in science in June 2001 and a master's degree in economics in June 2004 from Fudan University (復旦大學). Mr. Teng has worked as an actuary at Sompo Japan Insurance (China) Limited (日本財產保險(中國)股份有限公司) from November 2008 to May 2013 and worked as chief actuary at Tianan Company Ltd. (天安保險股份有限公司) from February 2006 to September 2008. Mr. Teng has been an actuary accredited by the CIRC since April 2008.

Min Wang (王敏), aged 32, is currently the assistant general manager and the strategic development director of our Company, in charge of the strategic development center and new business incubation work. He obtained a bachelor's degree in economics and master's degree in economics from Nankai University (南開大學) in July 2008 and July 2010 respectively. He has worked in insurance supervision at the CIRC, and was involved in the development of a number of insurance regulatory measures.

Directors, Supervisors and Senior Management

Mingyu Ma (馬明宇), aged 44, is the vice general manager and chief management risk officer of our Company, and is responsible for overseeing risk management. He obtained a master of business administration from the Smith School of Business at the University of Maryland in June 2006, a master of laws from the Renmin University of China in July 1999 and a bachelor's degree in law from Inner Mongolia University School of Law (內蒙古大學法學院) in July 1993. From August 2014 to June 2015, he was the general manager of the risk management department of Huabao Trust Co., Ltd. (華寶信託公司). From September 2006 to March 2012, he was an operations officer to the East Asian and Pacific region of the International Finance Corporation (IFC) of the World Bank Group.

Changes to Directors' Information

Pursuant to Rule 13.51(B)(1) of the Listing Rules, the changes in information of Directors are set out below:

1. Mr. Jimmy Chi Ming Lai has been a non-executive director of Yixin Group Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 2858).

2. Mr. Yifan Li has been an independent director of Zhejiang Tiantie Industry Co., Ltd (浙江天鐵實業股份有限公司), a company listed on the SZSE (SZSE Stock Code: 300587), a director of Zhejiang Qjiang Motocycle Co., Ltd. (浙江錢江摩托股份有限公司), a company listed on the SZSE (SZSE Stock Code: 000913), an independent director of Qudian Group (趣店集團), a company listed on the NYSE (NYSE Stock Code: QD) since October 2017, an independent director of Shanghai International Port (Group) Co., Ltd. (上海國際港務 (集團) 股份有限公司), a company listed on the SSE (SSE Stock Code: 600018) and an independent director of Heilongjian Interchina Water Co., Ltd. (黑龍江國中水務股份有限公司), a company listed on the SSE (SSE Stock Code: 600187).

3. Mr. Ying Wu ceased to be an independent director of TCL Corporation Ltd. (TCL集團股份有限公司), a company listed on the SZSE (SZSE Stock Code: 000100).

4. Mr. Li Du has a director of Qudian Group (趣店集團), a company listed on the NYSE (NYSE Stock Code: QD), since February 2016.

Corporate Governance Report

The Board of Directors is pleased to report to the Shareholders on the corporate governance of the Company for the period from the Listing Date to December 31, 2017 (the "**Reporting Period**").

Corporate Governance Practices

The Company is committed to maintaining and promoting stringent corporate governance. The principle of the Company's corporate governance is to promote effective internal control measures and to enhance the transparency and accountability of the Board to all Shareholders.

The Company has adopted the principles and code provisions of the CG Code as the basis of the Company's corporate governance practices, and the CG Code has been applicable to the Company with effect from the Listing Date.

Since the Listing Date and up to the date of this annual report, the Company has complied with all applicable code provisions set out in the CG Code.

Model Code for Securities Transactions

The Company has adopted the Model Code as the code of conduct regarding the Directors' dealings in the securities of the Company. Specific enquiry has been made of all the Directors and they have confirmed that they have complied with the Model Code since the Listing Date and up to the date of this annual report.

Board of Directors

The Board currently comprises three executive Directors, five non-executive Directors and five independent non-executive Directors.

The composition of the Board is as follows:

Executive Directors:
Yaping Ou *(Chairman)*
Jin Chen *(Chief Executive Officer)*
Hugo Jin Yi Ou

Non-executive Directors:
Xinyi Han
Jimmy Chi Ming Lai
Guoping Wang
Xiaoming Hu
Fang Zheng

Independent Non-executive Directors:
Shuang Zhang
Hui Chen
Li Du
Yifan Li
Ying Wu

Hugo Jin Yi Ou is the son of Yaping Ou. Save as disclosed, none of the members of the Board is related to one another.

The biography for each of the Directors is set out in the section headed "Directors, Supervisors and Senior Management" on pages 31 to 36 of this annual report.

Board Meetings

Code provision A.1.1. of the CG Code stipulates that Board meetings should be held at least four times a year at approximately quarterly intervals with active participation of the majority of the Directors, either in person or through electronic means of communications.

Apart from regular Board meetings, the chairman of the Board also held meetings with the non-executive Directors (including independent non-executive Directors) without the presence of executive Directors during the year.

During the Reporting Period, the Company convened nine meetings. A summary of the attendance record of the Directors is set out in the table below:

Name of Directors	Number of meetings attended/held during the Reprting Period	Attendance rate
Executive Directors		
Yaping Ou	9/9	100%
Jin Chen	9/9	100%
Hugo Jin Yi Ou	6/6	100%
Non-executive Directors		
Xinyi Han	9/9	100%
Jimmy Chi Ming Lai	9/9	100%
Guoping Wang	9/9	100%
Xiaoming Hu	8/9	88.9%
Fang Zheng	9/9	100%
Independent Non-executive Directors		
Shuang Zhang	8/9	88.9%
Hui Chen	9/9	100%
Li Du	9/9	100%
Yifan Li	9/9	100%
Ying Wu	6/6	100%

Chairman and Chief Executive Officer

The positions of chairman and chief executive officer are held by Yaping Ou and Jin Chen, respectively. The chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The chief executive officer focuses on the Company's business development and the daily management and operations generally. The respective responsibilities are clearly defined and set out in writing.

Independent Non-executive Directors

During the year ended December 31, 2017, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing at least one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Board has received from each of the independent non-executive Directors a written annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and considers each of them to be independent.

Appointment and Re-election of Directors

All the Directors are subject to retirement by rotation and re-election at annual general meeting. Directors shall be elected at the shareholders' general meeting with a term of office of three (3) years, however, pursuant to Article 176 of the Articles of Association, an independent non-executive Director shall serve no more than six (6) years. Upon expiry of the term, a Director shall be eligible to offer himself/herself for re-election and reappointment. In addition, any new Director appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the next following annual general meeting and be eligible for re-election and reappointment.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company, and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision on all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities. The insurance coverage would be reviewed on an annual basis.

Corporate Governance Report

Board Committees

The Board has established four committees, namely, the Audit Committee, the Risk Management Committee, the Remuneration and Nomination Committee and the Investment Strategy Committee, for overseeing particular aspects of the Company's affairs. Each of these committees are established with defined written terms of reference. The terms of reference of the Audit Committee, the Risk Management Committee and the Remuneration and Nomination Committee are available on the websites of the Company and the Hong Kong Stock Exchange.

Risk Management and Audit Committees

The Company has established Risk Management Committee and Audit Committee in compliance with Rule 3.21 of the Listing Rules and the CG Code. The primary duties of the Risk Management and Audit Committees are to supervise the risk management, internal control system, financial information disclosure and financial reporting matters.

In accordance with the requirements of the Listing Rules, the Company changed the composition of the Audit Committee on May 31, 2017. The Audit Committee, after change of composition, comprises Mr. Guoping Wang, Mr. Yifan Li and Ms. Hui Chen. Mr. Guoping Wang is a non-executive Director, and Mr. Yifan Li and Ms. Hui Chen are independent non-executive Directors. Ms. Hui Chen is the chairman of the Audit Committee. In accordance with the requirements of the Listing Rules, the Company changed the composition of the Risk Management Committee on May 31, 2017. The Risk Management Committee, after change of composition, comprises Mr. Ying Wu, Mr. Fang Zheng and Mr. Xiaoming Hu. Mr. Fang Zheng and Mr. Xiaoming Hu are non-executive Directors, and Mr. Ying Wu is an independent non-executive Director. Mr. Fang Zheng is the chairman of the Risk Management Committee.

During the period from May 31, 2017 to December 31, 2017, the Audit Committee convened five meetings. The attendance record of the meetings is set out in the table below:

Name of Committee Members	Number of meetings attended/ held from May 31, 2017 through December 31, 2017	Attendance rate
Guoping Wang	5/5	100%
Yifan Li	5/5	100%
Hui Chen	5/5	100%

During the meetings, the Audit Committee reviewed the interim results announcement and interim report of the Group for the six months ended June 30, 2017 and the relevant financial disclosure, issues on operations and compliance control, risk management and internal control system and the effectiveness of the internal audit function of the Company, scope or work appointment of external auditors and non-audit related services, the connected transactions, as well as arrangements for employees to raise concerns about possible improprieties, and made recommendations to the Board.

The Audit Committee also held two meetings with the external auditors without the presence of executive Directors during the year.

During the period from May 31, 2017 to December 31, 2017, the Risk Management Committee convened two meetings. The attendance record of the meetings is set out in the table below:

Name of Committee Members	Number of meetings attended/ held from May 31, 2017 through December 31, 2017	Attendance rate
Ying Wu	2/2	100%
Fang Zheng	2/2	100%
Xiaoming Hu	2/2	100%

During the meetings, the Risk Management Committee reviewed the risk strategy and risk management system of the Company, and made recommendations to the Board.

Remuneration and Nomination Committee

The Company established a Remuneration and Nomination Committee in compliance with Rule 3.25 of the Listing Rules and the CG Code. The terms of reference of the Remuneration and Nomination Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration and Nomination Committee include reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, the remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration, to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors and senior management, and to assess the independence of independent non-executive Directors.

In assessing the Board composition, the Remuneration and Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's board diversity policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and regional and industry experience. The Remuneration and Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Remuneration and Nomination Committee would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

In accordance with the requirements of the Listing Rules, the Company changed the composition of the Remuneration and Nomination Committee on May 31, 2017. The Remuneration and Nomination Committee, after change of composition, comprises Mr. Yaping Ou, Mr. Shuang Zhang and Mr. Li Du. Mr. Yaping Ou is executive Director, and Mr. Shuang Zhang and Mr. Li Du are independent non-executive Directors. Mr. Shuang Zhang is the chairman of the Remuneration and Nomination Committee.

During the period from May 31, 2017 to December 31, 2017, the Remuneration and Nomination Committee convened two meetings. The attendance record of the meeting is set out in the table below:

Name of Committee Members	Number of meetings attended/ held from May 31, 2017 through December 31, 2017	Attendance rate
Shuang Zhang	2/2	100%
Yaping Ou	2/2	100%
Li Du	2/2	100%

During the meetings, the Remuneration and Nomination Committee reviewed the remuneration packages of the Directors and senior management of the Group and other related matters, structure, size and composition of the Board and the independence of the independent non-executive Directors, and made recommendations to the Board.

Details of the remuneration payable to each Director of the Company for the year ended December 31, 2017 are set out in Note 14 to the Financial Statements.

Corporate Governance Report

The remuneration of the members of senior management by band for the year ended December 31, 2017 is set out below:

Remuneration bands (RMB)	Number of persons
0-1,000,000	6
1,000,000-2,000,000	4
2,000,000-3,000,000	1
Total	11

Board Diversity Policy

The Company has adopted a board diversity policy (the "**Diversity Policy**") which sets out the approach to achieve diversity of the Board. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

The Remuneration and Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy. In relation to reviewing and assessing the Board composition, the Remuneration and Nomination Committee will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, and industry and regional experience.

The Board will consider setting measurable objectives to implement the Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. At present, the Board has not set any measurable objectives.

The Remuneration and Nomination Committee will review the Diversity Policy, as appropriate, to ensure its effectiveness.

The Remuneration and Nomination Committee considered that the Board is sufficiently diverse.

Investment Strategy Committee

The Company has established an Investment Strategy Committee. The primary responsibilities of our Investment Strategy Committee include, among others, the following:

- to consider the management system for the use of insurance funds and to make recommendations to the Board;
- to make recommendations to the Board on the management of the use of insurance funds;
- to consider investment decision-making procedures and authorize mechanisms and make recommendations to the Board;
- to consider asset strategic allocation planning, annual investment plan and investment guidance and related adjustment plan;
- to consider major investment matters and make recommendations to the Board;
- to consider the investment strategy and operation plan of the new investment variety and make recommendations to the Board;
- to consider the use of performance appraisal system and submit recommendations to the Board;
- to consider the relevant management system of insurance assets and liabilities, and to establish and improve the management mechanism of assets and liabilities of the Company; and
- to promote the establishment of periodic risk analysis mechanism to prevent the risk of asset and liability mismatch.

In accordance with the requirements of the Listing Rules, the Company changed the composition of the Investment Strategy Committee on May 31, 2017. The Investment Strategy Committee, after change of composition, comprises Mr. Jin Chen, Mr. Xinyi Han, Mr. Jimmy Chi Ming Lai and Mr. Hugo Jin Yi Ou. Mr. Hugo Jin Yi Ou and Mr. Jin Chen are executive Directors, and Mr. Xinyi Han and Mr. Jimmy Chi Ming Lai are non-executive Directors. Mr. Jin Chen is the chairman of the Investment Strategy Committee.

During the period from May 31, 2017 to December 31, 2017, the Investment Strategy Committee convened three meetings. The attendance record of the meeting is set out in the table below:

Name of Committee Members	Number of meetings attended/ held from May 31, 2017 through December 31, 2017	Attendance rate
Jin Chen	3/3	100%
Xinyi Han	3/3	100%
Jimmy Chi Ming Lai	3/3	100%
Hugo Jin Yi Ou	3/3	100%

The Investment Strategy Committee considered the system and management of the use of insurance funds, major investments and other matters and made relevant recommendations to the Board on the meetings.

Corporate Governance Function

The Board is responsible for performing the functions set out in code provision D.3.1 of the CG Code.

The Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

Directors' Responsibility in Respect of the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2017.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Continuous Professional Development of Directors

Directors keep abreast of the responsibilities as a director of the Company and of the conduct, business activities and development of the Company.

Every newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for the Directors would be arranged and reading material on relevant topics would be provided to the Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended December 31, 2017, the Company organized two training sessions conducted by qualified professionals/lawyers, for the Directors on their duties, responsibilities and obligations under the Listing Rules. In addition, relevant reading materials including Directors' manual, legal and regulatory update and seminar handouts have been provided to the Directors for their reference and studying, to ensure that the Directors understand the business and operations of the Group and their duties and obligations.

Corporate Governance Report

During the year ended December 31, 2017, the following continuous professional training topics were offered to the Directors:

(A) Training courses, including but not limited to briefings, conferences, meetings and workshops

(B) Reading news, journals, magazines and/or other reading materials regarding legal and regulatory changes and matters of relevance to the Directors in discharging their duties

Name of Directors	Training received
Executive Directors	
Yaping Ou	B
Jin Chen	B
Hugo Jin Yi Ou	B
Non-executive Directors	
Xinyi Han	B
Jimmy Chi Ming Lai	B
Guoping Wang	B
Xiaoming Hu	B
Fang Zheng	B
Independent Non-executive Directors	
Shuang Zhang	B
Hui Chen	B
Li Du	B
Yifan Li	B
Ying Wu	B

Auditors' Responsibility and Remuneration

The Company appointed PricewaterhouseCoopers, Certified Public Accountants, Hong Kong ("**PricewaterhouseCoopers**") as the external auditor for the year ended December 31, 2017. A statement by PricewaterhouseCoopers about their reporting responsibilities for the financial statements is included in the Independent Auditors' Report on pages 94 to 97.

Details of the fees paid/payable in respect of the audit and non-audit services provided by PricewaterhouseCoopers for the year ended December 31, 2017 are set out in the table below:

Services rendered for the Company	Fees paid and payable
	RMB '000
Audit services	5,150
Non-audit services	250
Total	5,400

Risk Management and Internal Controls

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee and Risk Management Committee are responsible for assisting the Board in leading the management and monitoring and overseeing the risk management and internal control systems through the internal audit department, and reporting and making recommendations to the Board where appropriate.

The internal audit department oversees the risk management and internal control systems under the supervision of the Audit Committee by performing independent audit on the effectiveness and completeness of the risk management and internal control systems. It identifies any material risks and makes recommendations on the improvement and rectification plans and measures and conducts follow-up audits with regard to the identified issues to ensure the planned remedial measures that have been duly implemented. The internal audit department operates independently from the Company's business centers and departments and directly reports the audit findings and follow-up status to the Audit Committee on a quarterly basis.

The management has confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended December 31, 2017.

The Board, as supported by the Audit Committee as well as the management report and the internal audit findings by the internal audit department, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended December 31, 2017, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

Arrangements are in place to facilitate employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

Joint Company Secretaries

Mr. Yongbo Zhang (張勇博) and Ms. Ella Wai Yee Wong (黃慧兒) have been both appointed as the joint company secretaries of our Company. See disclosure in "Directors, Supervisors and Senior Management — Senior Management" in this annual report for the biography of Mr. Zhang.

Ella Wai Yee Wong, aged 42, is a director of Corporate Services of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services.

Ms. Wong has over 20 years of experience in the corporate services field. She has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Wong is a Chartered Secretary and an Associate of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom. Ms. Wong holds a Bachelor of Economics from The University of Hong Kong and a Postgraduate Diploma in Corporate Administration from the City University of Hong Kong.

For the year ended December 31, 2017, Mr. Zhang and Ms. Wong have undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

Corporate Governance Report

Shareholders' Rights

Convening of Extraordinary General Meetings ("EGM") by Shareholders

EGM may be convened on written requisition of any two or more Shareholders jointly holding 10% or more of the Company's issued and outstanding shares carrying voting rights pursuant to Article 71 of the Articles of Association. Such requisition shall state clearly the matters required to be considered at the general meetings and must be signed by the requisitionists and submitted to the Board in written form. Shareholders should follow the requirements and procedures as set out in the Articles of Association for convening an EGM.

Putting Forward Proposals at Shareholders' General Meetings

When a general meeting is held by the Company, the Board, the Supervisory Committee or Shareholder(s) who individually or jointly holding more than 3% of the Shares may propose resolutions to the Company.

Shareholder(s) who individually or jointly holding more than 3% of the Shares may submit extra proposals in writing to the Board at least 10 days prior to the shareholders' general meeting.

The contents of a proposal shall be within the scope of duties and responsibility of the shareholders' general meetings. It shall have a definite topic and specific matters to be resolved on, and shall be in compliance with relevant requirements of the laws, administrative regulations and the Articles of Association.

Putting Forward Enquiries to the Board and Contact Details

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Shareholders may send their enquiries or requests as mentioned above to the following:

Address:	4–5/F, Associate Mission Building 169 Yuanmingyuan Road Shanghai, PRC (For the attention of the Office of the Board of Directors)
Telephone:	021-60278677
Fax:	021-60272335
Email:	Dongshihui@zhongan.com

Communication with Shareholders and Investors Relations

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the forthcoming annual general meeting, Directors (or their delegates as appropriate) will be available to meet Shareholders and answer their enquiries.

Changes in Constitutional Documents

Proposals were made to amend the Articles of Association in the first EGM of 2018 held on January 16, 2018 and the second EGM of 2018 held on March 26, 2018. The details of the amendments are set out in the circular dated December 2, 2017, the supplemental notice dated December 29, 2017 and the supplemental circular dated March 12, 2018, which were published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company.

The abovementioned amendments to the Articles of Association have been approved by the relevant regulatory authorities and became effective on April 16, 2018.

Report of Directors

The Board is pleased to present this Directors' Report together with the consolidated financial statements of the Group for the year ended December 31, 2017.

Directors

The Directors who held office during the year ended December 31, 2017 and up to the date of this annual report are:

Executive Directors:

Yaping Ou *(Chairman)*
Jin Chen *(Chief Executive Officer)*
Hugo Jin Yi Ou

Non-executive Directors:

Xinyi Han
Jimmy Chi Ming Lai
Guoping Wang
Xiaoming Hu
Fang Zheng

Independent Non-executive Directors:

Shuang Zhang
Hui Chen
Li Du
Yifan Li
Ying Wu

Biographical details of the Directors and senior management of the Group are set out in the section headed "Directors, Supervisors and Senior Management" on pages 31 to 36 of this annual report.

Global Offering

The Company was incorporated in the PRC on October 9, 2013 and carries on business in Hong Kong as "ZA Online Fintech P & C". The Company's Shares were listed on the Main Board of the Hong Kong Stock Exchange on September 28, 2017.

Principal Activities

The Company is an online Insuretech company incorporated in the PRC with limited liability. The Company offers extensive property and casualty insurance products, covering accident insurance, bond insurance, health insurance, liability insurance, credit insurance, cargo insurance, household property insurance, etc. We design and offer ecosystem-oriented insurance products and solutions, and incorporate our products into the scenarios-based customer experience process. We focus on the integration of our products into the various scenarios, so as to optimize customer experience. Customers may purchase our insurance products and solutions during various consumption scenarios in their daily lives through the internet.

An analysis of the principal activities of the Group during the year ended December 31, 2017 is set out in the sections headed "Message from the Chairman and CEO" on pages 5 to 8, and "Management Discussion and Analysis" on pages 13 to 30 of this annual report.

Business Review

A fair review of the business of the Group as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including an analysis of the Group's financial performance, an indication of likely future developments in the Group's business and the Group's key relationships with its stakeholders who have a significant impact on the Group and on which the Group's success depends, is set out in the section headed "Management Discussion and Analysis" of this annual report. These discussions form part of this annual report. Events affecting the Company that have occurred since the end of the financial year is set out in the section headed "Events After the Reporting Period" in this annual report.

Financial Information

The financial information of the Company is set out in the section headed "Financial Information" of this annual report.

Principal Risks and Uncertainties

The following list is a summary of certain principal risks and uncertainties facing by the Group, some of which are beyond its control. Some of the major risks we face include:

- We may continue to incur net loss;
- Risks associated with operating in an emerging, dynamic and competitive industry, our limited operating history, and our ability to effectively manage our growth, control our expenses or implement our business strategies;
- Our recent business growth and profitability might not be indicative for future periods;
- Our dependence on partnering with our Shareholders and their related parties as well as our cooperation with other ecosystem partners and other participants in the ecosystems;
- Difference in actual benefits and claims from the assumptions used in pricing and setting reserves for our insurance products may materially and adversely affect our results of operations and financial condition;
- Competition in the PRC insurance market, in particular, our business model being replicated quickly by internet companies as well as traditional insurance companies and financial institutions aiming to engage in Insuretech business;
- Failure to meet solvency margin ratio requirements, which could expose us to regulatory actions and could force us to change our business strategies or slow down our growth;
- Credit cycle risk and the risk of deterioration of credit profiles of borrowers in our consumer finance ecosystem;
- Credit or other information we receive about a borrower not being accurate or not accurately reflective of borrower's credit worthiness;
- The success and growth of our business rely on the development of the e-commerce industry in China;
- Effectiveness of our risk management and internal control systems, as well as the risk management tools available to us in identifying or mitigating risks to which we are exposed;
- Risks relating to our intellectual property, technology infrastructure and data analytics; and
- Risks relating to government regulations on insurance companies, internet insurance and internet financial service businesses.

However, the above is not an exhaustive list. Investors are advised to make their own judgment or consult their own investment advisors before making any investment in the Shares.

Employees

As at December 31, 2017, the Group had 2,541 employees (2016: 1,574). As of December 31, 2017, 1,982 of the Company's employees are primarily based at our headquarters in Shanghai, China, 171 of our employees are based in Hangzhou, China, 187 of our employees are primarily based in Beijing, China, 193 of our employees are primarily based in Shenzhen, China, and the remaining are primarily based in Guangzhou, Chengdu and Chongqing, China. The following table sets forth the number of employees by function as of December 31, 2017:

Function	Number of Employees	% of Total
Technology	1,385	54
Product Managers	473	19
Operations	177	7
Support	280	11
Sales and Marketing	173	7
General administrative	53	2
Total	2,541	100

The Company primarily recruits employees in China through recruitment agencies, on-campus job fairs and online channels including our corporate website and social networking platforms. We have adopted a training policy, pursuant to which management, technology and other trainings are regularly provided to our employees by internally sourced speakers or externally hired consultants. Our employees may also attend external trainings upon their supervisors' approvals. We believe our lean structure and corporate culture have contributed to our ability to recruit and retain qualified employees.

As required under PRC regulations, we participate in various employee social security plans that are organized by applicable local municipal and provincial governments, including housing, pension, medical, work-related injury and unemployment benefit plans. We are required under PRC laws to make contributions to employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the local government from time to time. Bonuses are generally discretionary and based in part on employee performance and in part on the overall performance of our business.

We believe that we maintain a good working relationship with our employees and we had not experienced any material labor disputes or any difficulty in recruiting staff for our operations during the year ended December 31, 2017 and up to the date of this annual report.

Major Customers

We define our customers as the insured under our insurance policies, including customers who choose to purchase our products, as well as customers who are allocated with our products by our ecosystem partners. For the year ended December 31, 2017, our top five policyholders combined accounted for approximately 9.5% of our GWP, while our top policyholder accounted for 3.1% of our GWP.

During the year ended December 31, 2017, our top five policyholders were independent third parties.

None of the Directors, their respective close associates, or any shareholder of the Company who, to the knowledge of the Directors, owns more than 5% of the Company's issued capital, has any interest in any of the Group's top five customers in respect of our business segments.

During the year ended 31 December 2017, the Group did not experience any significant disputes with its customers.

Financial Summary

A summary of the audited consolidated results and the assets and liabilities of the Group for the last four financial years, as extracted from the audited consolidated financial statements, is set out on page 2 of this annual report. This summary does not form part of the audited consolidated financial statements.

Subsidiaries

Particulars of the Company's subsidiaries are set out in Note 5 to the consolidated financial statements.

Share Capital and Shares Issued

Details of the share capital of the Company for the year ended December 31, 2017 is set out below.

Number	Class of Shares	Number of Shares	Approximate percentage of the Company's total issued share capital
1	Domestic Shares	1,000,000,000	68.04%
2	H Shares	469,812,900	31.96%
	Total	1,469,812,900	100%

Dividends

In order to retain resources for the Group's business development, the Board does not recommend the payment of a final dividend for the year ended December 31, 2017. (2016: nil)

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at December 31, 2017, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Model Code are as follows:

Interest in the Company

Name of Director	Class of Shares	Nature of interest	Number of Shares	Approximate percentage in Shares of the same class[1]	Approximate percentage of the Company's total share capital[1]
Yaping Ou[2]	Domestic Shares	Interest of controlled corporation	81,000,000 (Long position)	8.10%	5.51%
Fang Zheng[3]	H Shares	Interest of controlled corporation	61,189,167 (Long position)	13.02%	4.16%

Notes:

(1) The shareholding percentages are calculated on the basis of 1,000,000,000 Domestic Shares and 469,812,900 H Shares.

(2) Cnhooray Internet Technology Co. Ltd. (深圳日訊網絡科技股份有限公司) is a subsidiary of Timeway Holdings Limited (中宇集團有限公司). The entire interest of Timeway Holdings Limited (中宇集團有限公司) is held by Sinolink Worldwide (百仕達) which is listed on the Hong Kong Stock Exchange (Stock Code: 1168) and is owned by Asia Pacific Promotion Limited, a company wholly owned by Mr. Yaping Ou, as to approximately 45.10%. As such, Timeway Holdings Limited (中宇集團有限公司), Sinolink Worldwide (百仕達), Asia Pacific Promotion Limited and Mr. Yaping Ou are deemed to be interested in the Shares held by Cnhooray Internet Technology Co. Ltd. (深圳日訊網絡科技股份有限公司).

(3) Keywise ZA Investment is an investment of Keywise Greater China Opportunities Master Fund. The investment advisor is Keywise Capital Management (HK) Limited which in turn owns 23.00% interest in Keywise ZA Investment. Other investors own 77.00% interest in Keywise ZA Investment. Keywise ZA Investment is accustomed to taking instructions from Mr. Fang Zheng. As such, Mr. Fang Zheng is deemed to be interested in the Shares held by Keywise ZA Investment.

Save as disclosed above, as at December 31, 2017, so far as is known to any Director or the chief executive of the Company, none of the Directors nor the chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Part XV of the SFO (including the interests and short positions which the Director is taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and the Hong Kong Stock Exchange.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at December 31, 2017, within the knowledge of the Directors, the following persons (other than the Directors or chief executive of the Company) had an interest or a short position in the Shares or underlying Shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Class of Shares	Nature of interest	Number of Shares[1]	Approximate percentage in Shares of the same class[2]	Approximate percentage of the Company's total issued share capital[2]
Ant Financial[3]	Domestic Shares	Beneficial interest	199,000,000	19.90%	13.53%
Hangzhou Junao Equity Investments Partnership (Limited Partnership)[3]	Domestic Shares	Interest of controlled corporation	199,000,000	19.90%	13.53%
Hangzhou Junhan Equity Investments Partnership (Limited Partnership)[3]	Domestic Shares	Interest of controlled corporation	199,000,000	19.90%	13.53%
杭州雲鉑投資諮詢有限公司[3]	Domestic Shares	Interest of controlled corporation	199,000,000	19.90%	13.53%
Yun Ma[3]	Domestic Shares	Interest of controlled corporation	199,000,000	19.90%	13.53%
Tencent Computer System[4]	Domestic Shares	Beneficial interest	150,000,000	15.00%	10.20%
Huateng Ma[4]	Domestic Shares	Interest of controlled corporation	150,000,000	15.00%	10.20%
Tencent[4]	Domestic Shares	Interest of controlled corporation	150,000,000	15.00%	10.20%
Ping An Insurance[5]	Domestic Shares	Beneficial interest	150,000,000	15.00%	10.20%
Shenzhen Jia De Xin Investment Limited[6]	Domestic Shares	Beneficial interest	140,000,000	14.00%	9.52%
Shenzhen Huaxinlian Investment Limited[6]	Domestic Shares	Interest of controlled corporation	140,000,000	14.00%	9.52%

Report of Directors

Name of Shareholder	Class of Shares	Nature of interest	Number of Shares[1]	Approximate percentage in Shares of the same class[2]	Approximate percentage of the Company's total issued share capital[2]
Yafei Ou[6]	Domestic Shares	Interest of controlled corporation	140,000,000	14.00%	9.52%
Unifront Holding Limited[7]	Domestic Shares	Beneficial interest	90,000,000	9.00%	6.12%
Shanghai Songlu Investment Management Co., Ltd. [7]	Domestic Shares	Interest of controlled corporation	90,000,000	9.00%	6.12%
Shanghai Jianglu Investment Management Co., Ltd. [7]	Domestic Shares	Interest of controlled corporation	90,000,000	9.00%	6.12%
Shanghai Xinlu Investment Management Co., Ltd. [7]	Domestic Shares	Interest of controlled corporation	90,000,000	9.00%	6.12%
Shanghai Youlu Investment Management Co., Ltd. [7]	Domestic Shares	Interest of controlled corporation	90,000,000	9.00%	6.12%
Zhen Zhang[7]	Domestic Shares	Interest of controlled corporation	90,000,000	9.00%	6.12%
Cnhooray Internet Technology Co. Ltd. [8]	Domestic Shares	Beneficial interest	81,000,000	8.10%	5.51%
Timeway Holdings Limited[8]	Domestic Shares	Interest of controlled corporation	81,000,000	8.10%	5.51%
Sinolink Worldwide[8]	Domestic Shares	Interest of controlled corporation	81,000,000	8.10%	5.51%
Asia Pacific Promotion Limited[8]	Domestic Shares	Interest of controlled corporation	81,000,000	8.10%	5.51%
Qingdao Huilijun Trading Company Limited[9]	Domestic Shares	Beneficial interest	50,000,000	5.00%	3.40%
Gongqingcheng Shengchuang Investment Partnership (Limited Partnership)[9]	Domestic Shares	Interest of controlled corporation	50,000,000	5.00%	3.40%
Shengchuang Weiye (Xiamen) Equity Investment Fund Management Limited[9]	Domestic Shares	Interest of controlled corporation	50,000,000	5.00%	3.40%
Shenzhen Qianhai Lihui Fund Management Limited[9]	Domestic Shares	Interest of controlled corporation	50,000,000	5.00%	3.40%

Name of Shareholder	Class of Shares	Nature of interest	Number of Shares[1]	Approximate percentage in Shares of the same class[2]	Approximate percentage of the Company's total issued share capital[2]
Yu Chen [9]	Domestic Shares	Interest of controlled corporation	50,000,000	5.00%	3.40%
Zuojie Peng [9]	Domestic Shares	Interest of controlled corporation	50,000,000	5.00%	3.40%
Shanghai Yuanqiang Investment Company Limited[10]	Domestic Shares	Beneficial interest	50,000,000	5.00%	3.40%
Song Zou [10]	Domestic Shares	Interest of controlled corporation	50,000,000	5.00%	3.40%
Morgan Stanley Asia Securities Products LLC[11]	H Shares	Beneficial interest	30,730,833	6.54%	2.09%
Morgan Stanley Hong Kong Limited[11]	H Shares	Interest of controlled corporation	30,730,833	6.54%	2.09%
Morgan Stanley Hong Kong 1238 Limited[11]	H Shares	Interest of controlled corporation	30,730,833	6.54%	2.09%
Morgan Stanley Hong Kong 1239 Limited[11]	H Shares	Interest of controlled corporation	30,730,833	6.54%	2.09%
Morgan Stanley (Hong Kong) Holdings Limited[11]	H Shares	Interest of controlled corporation	30,730,833	6.54%	2.09%
Morgan Stanley[11]	H Shares	Interest of controlled corporation	32,660,684 (Long position) 1,549,193 (Short position)	6.95% 0.32%	2.22% 0.10%
CICC Securities (HK) Limited [12]	H Shares	Beneficial interest	31,250,000	6.65%	2.12%
Ciccjiazi Holdings Limited[12]	H Shares	Interest of controlled corporation	31,250,000	6.65%	2.12%
CICC Active Global Investments Holding Limited[12]	H Shares	Interest of controlled corporation	31,250,000	6.65%	2.12%
CICC Capital (Cayman) Limited[12]	H Shares	Interest of controlled corporation	31,250,000	6.65%	2.12%

Report of Directors

Name of Shareholder	Class of Shares	Nature of interest	Number of Shares[1]	Approximate percentage in Shares of the same class[2]	Approximate percentage of the Company's total issued share capital[2]
China International Capital Corporation (Hong Kong) Limited[12]	H Shares	Interest of controlled corporation	31,300,900	6.66%	2.12%
China International Capital Corporation Limited[12]	H Shares	Interest of controlled corporation	31,300,900	6.66%	2.12%
CDH Avatar, L.P. [13]	H Shares	Beneficial interest	62,000,000	13.19%	4.21%
CDH China HF Holdings Company Limited[13]	H Shares	Interest of controlled corporation	62,000,000	13.19%	4.21%
CDH Wealth Management Company Limited[13]	H Shares	Interest of controlled corporation	62,000,000	13.19%	4.21%
CDH China Management Company Limited[13]	H Shares	Interest of controlled corporation	62,000,000	13.19%	4.21%
China Diamond Holdings Company Limited[13]	H Shares	Interest of controlled corporation	62,000,000	13.19%	4.21%
Keywise ZA Investment[14]	H Shares	Beneficial interest	61,189,167	13.02%	4.16%
Equine Forces Limited Partnership[15]	H Shares	Beneficial interest	55,455,000	11.80%	3.77%
Equine Forces Limited[15]	H Shares	Interest of controlled corporation	55,455,000	11.80%	3.77%
SAIF Hong Kong Holdings Limited[15]	H Shares	Interest of controlled corporation	55,455,000	11.80%	3.77%
SAIF Management II Ltd[15]	H Shares	Interest of controlled corporation	55,455,000	11.80%	3.77%
Andrew Y. Yan [15]	H Shares	Interest of controlled corporation	55,455,000	11.80%	3.77%
SVF Zen Subco (Singapore) Pte. Ltd. [16]	H Shares	Beneficial interest	71,909,800	15.30%	4.89%
SVF Holdco (Singapore) Pte. Ltd. [16]	H Shares	Interest of controlled corporation	71,909,800	15.30%	4.89%
SVF Holdings (Cayman) Ltd. [16]	H Shares	Interest of controlled corporation	71,909,800	15.30%	4.89%
SVF Holdings (UK) LLP[16]	H Shares	Interest of controlled corporation	71,909,800	15.30%	4.89%

Name of Shareholder	Class of Shares	Nature of interest	Number of Shares[1]	Approximate percentage in Shares of the same class[2]	Approximate percentage of the Company's total issued share capital[2]
SoftBank Vision Fund L.P.[16]	H Shares	Interest of controlled corporation	71,909,800	15.30%	4.89%
Vision Technology Investment Company[16]	H Shares	Interest of controlled corporation	71,909,800	15.30%	4.89%
Public Investment Fund[16]	H Shares	Interest of controlled corporation	71,909,800	15.30%	4.89%
SVF GP (Jersey) Limited[16]	H Shares	Interest of controlled corporation	71,909,800	15.30%	4.89%
Softbank Group Corp.[16]	H Shares	Interest of controlled corporation	71,909,800	15.30%	4.89%

Notes:

(1) All the Shares are held in long position (as defined under Part XV of the SFO) unless otherwise specified.

(2) The shareholding percentages are calculated on the basis of 1,000,000,000 Domestic Shares and 469,812,900 H Shares.

(3) Hangzhou Junao Equity Investments Partnership (Limited Partnership) (杭州君澳股權投資合夥企業 (有限合夥)) holds 34.15% shares in Ant Financial and Hangzhou Junhan Equity Investments Partnership (Limited Partnership) (杭州君瀚股權投資合夥企業 (有限合夥)) holds 42.28% shares in Ant Financial. As such, Hangzhou Junao Equity Investments Partnership (Limited Partnership) (杭州君澳股權投資合夥企業 (有限合夥)) and Hangzhou Junhan Equity Investments Partnership (Limited Partnership) (杭州君瀚股權投資合夥企業 (有限合夥)) are deemed to be interested in the Shares held by Ant Financial. The voting rights of Hangzhou Junao Equity Investments Partnership (Limited Partnership) (杭州君澳股權投資合夥企業 (有限合夥)) and Hangzhou Junhan Equity Investments Partnership (Limited Partnership) (杭州君瀚股權投資合夥企業 (有限合夥)) are controlled by Hangzhou Yunbo Investment Consulting Co., Ltd. (杭州雲鉑投資諮詢有限公司) which in turn is entirely owned by Yun Ma (馬雲). As such, Hangzhou Yunbo Investment Consulting Co., Ltd. (杭州雲鉑投資諮詢有限公司) and Yun Ma (馬雲) are deemed to be interested in the Shares held by Ant Financial.

(4) Tencent Computer System is a consolidated affiliated entity (through contractual arrangements) of Tencent, a company listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 0700), and is one of its principal PRC domestic operating entities. Tencent Computer System is a leading provider of internet value added services in the PRC and a clear holder of the Company's Shares. As such, Tencent is deemed to be interested in the Shares held by Tencent Computer System. Huateng Ma (馬化騰) holds 54.29% shares in Tencent Computer System.

(5) Ping An Insurance is a joint-stock company incorporated in the PRC and listed on Main Board of the Hong Kong Stock Exchange (Stock Code: 2318) and the Shanghai Stock Exchange (Stock Code: 601318).

(6) Shenzhen Jia De Xin Investment Limited (深圳市加德信投資有限公司) is a subsidiary of Shenzhen Huaxinlian Investment Limited (深圳市華信聯投資有限公司). As such, Shenzhen Huaxinlian Investment Limited (深圳市華信聯投資有限公司) is deemed to be interested in the Shares held by Shenzhen Jia De Xin Investment Limited (深圳市加德信投資有限公司). Shenzhen Huaxinlian Investment Limited (深圳市華信聯投資有限公司) is controlled by Yafei Ou (歐亞非). As such, Yafei Ou (歐亞非) is deemed to be interested in the Shares held by Shenzhen Jia De Xin Investment Limited (深圳市加德信投資有限公司).

(7) Unifront Holding Limited (優孚控股有限公司) is owned by Shanghai Songlu Investment Management Co., Ltd. (上海松鹿投資管理有限公司) as to 25.00%, Shanghai Jianglu Investment Management Co., Ltd. (上海江鹿投資管理有限公司) as to 16.90% and Shanghai Xinlu Investment Management Co., Ltd. (上海鑫鹿投資管理有限公司) as to 13.10%. The entire interest of Shanghai Songlu Investment Management Co., Ltd. (上海松鹿投資管理有限公司), Shanghai Jianglu Investment Management Co., Ltd. (上海江鹿投資管理有限公司) and Shanghai Xinlu Investment Management Co., Ltd. (上海鑫鹿投資管理有限公司) are held by Shanghai Youlu Investment Management Co., Ltd. (上海游鹿投資管理有限公司), which in turn is controlled by Zhen Zhang (張真). As such, Shanghai Youlu Investment Management Co., Ltd. (上海游鹿投資管理有限公司), Shanghai Songlu Investment Management Co., Ltd. (上海松鹿投資管理有限公司), Shanghai Jianglu Investment Management Co., Ltd. (上海江鹿投資管理有限公司) and Shanghai Xinlu Investment Management Co., Ltd. (上海鑫鹿投資管理有限公司) are deemed to be interested in the Shares held by Unifront Holding Limited (優孚控股有限公司). As such, Zhen Zhang (張真) is deemed to be interested in the Shares held by Unifront Holding Limited (優孚控股有限公司).

(8) Cnhooray Internet Technology Co. Ltd. (深圳日訊網絡科技股份有限公司) is a subsidiary of Timeway Holdings Limited (中宇集團有限公司). The entire interest of Timeway Holdings Limited (中宇集團有限公司) is held by Sinolink Worldwide (百仕達), which is listed on the Hong Kong Stock Exchange (Stock Code: 1168) and is owned by Asia Pacific Promotion Limited, a company wholly owned by Mr. Yaping Ou, as to approximately 45.10%. As such, Timeway Holdings Limited (中宇集團有限公司), Sinolink Worldwide (百仕達), Asia Pacific Promotion Limited and Mr. Yaping Ou are deemed to be interested in the Shares held by Cnhooray Internet Technology Co. Ltd. (深圳日訊網絡科技股份有限公司).

Report of Directors

(9) Qingdao Huilijun Trading Company Limited (青島惠麗君貿易有限公司) is a wholly owned subsidiary of Gongqingcheng Shengchuang Investment Partnership (Limited Partnership) (共青城盛創投資合夥企業 (有限合夥)).The general partner of Gongqingcheng Shengchuang Investment Partnership (Limited Partnership) (共青城盛創投資合夥企業 (有限合夥)) is Shengchuang Weiye (Xiamen) Equity Investment Fund Management Limited (盛創偉業 (廈門) 股權投資基金管理有限公司), which is wholly owned by Shenzhen Qianhai Lihui Fund Management Limited (深圳前海力匯基金管理有限公司). Each of Yu Chen (陳宇) and Zuojie Peng (彭作杰) holds 50.00% of Shenzhen Qianhai Lihui Fund Management Limited (深圳前海力匯基金管理有限公司). As such, Gongqingcheng Shengchuang Investment Partnership (Limited Partnership) (共青城盛創投資合夥企業 (有限合夥)), Shengchuang Weiye (Xiamen) Equity Investment Fund Management Limited (盛創偉業 (廈門) 股權投資基金管理有限公司), Shenzhen Qianhai Lihui Fund Management Limited (深圳前海力匯基金管理有限公司), Yu Chen (陳宇) and Zuojie Peng (彭作杰) are deemed to be interested in the Shares held by Qingdao Huilijun Trading Company Limited (青島惠麗君貿易有限公司).

(10) Shanghai Yuanqiang Investment Company Limited (上海遠強投資有限公司) is owned by Song Zou (鄒松) as to 80.00%. As such, Song Zou (鄒松) is deemed to be interested in the Shares held by Shanghai Yuanqiang Investment Company Limited (上海遠強投資有限公司).

(11) The 32,660,684 Shares (Long position) and 1,549,193 (Short position) comprises 30,730,833 Shares (Long position) directly held by Morgan Stanley Asia Securities Products LLC, 1,558,251 Shares (Long position) and 1,449,193 Shares (Short position) directly held by Morgan Stanley & Co. International plc, 176,200 Shares (Long position) and 100,000 Shares (Short position) directly held by Morgan Stanley & Co. LLC, 145,400 Shares (Long position) directly held by Morgan Stanley Capital Services LLC and 50,000 Shares (Long position) directly held by Morgan Stanley Capital Products LLC. Morgan Stanley Asia Securities Products LLC is wholly owned by Morgan Stanley Hong Kong Limited, which in turn is wholly owned by Morgan Stanley Hong Kong 1238 Limited. Morgan Stanley Hong Kong 1238 Limited is owned by Morgan Stanley Hong Kong 1239 Limited and Morgan Stanley (Hong Kong) Holdings Limited as to 29.14% and 70.85% respectively and the ultimate parent company is Morgan Stanley, whose shares are listed on the New York Stock Exchange (Stock Code: MS).

(12) The 31,300,900 Shares comprises 31,250,000 Shares directly held by CICC Securities (HK) Limited and 50,900 Shares directly held by China International Capital Corporation Hong Kong Securities Limited. CICC Securities (HK) Limited is wholly owned by Ciccjiazi Holdings Limited, which in turn is wholly owned by CICC Active Global Investments Holding Limited, which in turn is wholly owned by CICC Capital (Cayman) Limited. Both CICC Capital (Cayman) Limited and China International Capital Corporation Hong Kong Securities Limited are wholly owned subsidiaries of China International Capital Corporation (Hong Kong) Limited. China International Capital Corporation (Hong Kong) Limited is a wholly owned subsidiary of China International Capital Corporation Limited (Stock Code: 3908).

(13) The general partner of CDH Avator, L.P. is CDH China HF Holdings Company Limited which is wholly owned by CDH Wealth Management Company Limited, which is owned by CDH China Management Company Limited as to 50.00%. China Diamond Holdings Company Limited holds approximately 74.20% of CDH China Management Company Limited.

(14) Keywise ZA Investment is an investment of Keywise Greater China Opportunities Master Fund. The investment advisor is Keywise Capital Management (HK) Limited which in turn owns 23.00% interest in Keywise ZA Investment. Other investors own 77.00% interest in Keywise ZA Investment. Keywise ZA Investment is accustomed to taking instructions from Mr. Fang Zheng. As such, Mr. Fang Zheng is deemed to be interested in the Shares held by Keywise ZA Investment.

(15) Equine Forces Limited Partnership is an exempted limited partnership registered under the laws of the Cayman Islands. The general partner of Equine Forces Limited Partnership is Equine Forces Limited, an exempted limited liability company incorporated in the Cayman Islands, which in turn is wholly owned by SAIF Hong Kong Holdings Limited, which is wholly owned by SAIF Management II Limited. Mr. Andrew Y. Yan holds 49.00% shares in SAIF Management II Limited and is deemed to be interested in the Shares held by Equine Forces Limited Partnership.

(16) SVF Zen Subco (Singapore) Pte. Ltd. is wholly owned subsidiary of SVF Holdco (Singapore) Pte. Ltd., which is wholly owned by SVF Holdings (Cayman) Ltd. SVF Holdings (Cayman) Ltd. is wholly owned subsidiary of SVF Holdings (UK) LLP, which is wholly owned by SoftBank Vision Fund L.P., which is owned by Vision Technology Investment Company as to 48.31%. Vision Technology Investment Company is wholly owned by Public Investment Fund. The general parter of SoftBank Vision Fund L.P. is SVF GP (Jersey) Limited and the ultimate parent company is SoftBank Group Corp., which is a Japanese corporation listed on the Tokyo Stock Exchange (Stock Code: 9984).

Save as disclosed above, according to the register kept by the Company under Section 336 of the SFO, there was no other person who had a substantial interest or short positions in the Shares or underlying Shares as at December 31, 2017.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed in this annual report, at no time during the Reporting Period was the Company or any of its subsidiaries, a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

Emolument Policy and Directors' Remuneration

In compliance with the CG Code as set out in Appendix 14 to the Listing Rules, the Company has established the Remuneration and Nomination Committee of the Company to formulate remuneration policies. The remuneration is determined and recommended based on each Director's and senior management personnel's qualification, position and seniority. As for the independent non-executive Directors, their remuneration is determined by the Board upon recommendation from the Remuneration and Nomination Committee. Details of the remuneration of the Directors and the five highest paid individuals are set out in Note 14 and Note 15 to the consolidated financial statements.

None of the Directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the Directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

Connected Transactions

During the year ended December 31, 2017, the Group engaged in certain transactions with the following persons that constituted connected transactions ("**Connected Transactions**") under the Listing Rules.

- Our Directors and Supervisors and certain associates of our Directors and Supervisors: Pursuant to Rule 14A.07(1) and 14A.12 of the Listing Rules, Directors and Supervisors and their associates are connected persons of the Company.
- Mr. Yaping Ou, an executive Director and chairman of the Board. Mr. Ou is interested in approximately 45.11% of Sinolink Worldwide. Pursuant to Rule 14A.12 of the Listing Rules, Sinolink Worldwide is an associate of Mr. Ou. Pursuant to Rule 14A.07(4) of the Listing Rules, an "associate" of a director is a "connected person" of the Company. Any transaction between the Company and Sinolink Worldwide is accordingly a connected transaction.

1. Joint Venture with Sinolink Worldwide (HK)

References are made to the section headed "History and Corporate Structure – Plan in Establishing a Small Loan Company" of the Prospectus and the section headed "Material Investments" in the interim report of the Company dated September 29, 2017. On October 11, 2017, ZhongAn Technology entered into a joint venture agreement with Sinolink Worldwide (HK) to establish a microfinance company in the Dazu District of Chongqing with a registered capital of RMB300 million, of which ZhongAn Technology agreed to contribute 70% (approximately HK$249.9 million) of the registered capital and Sinolink Worldwide (HK) agreed to contribute 30% (approximately HK$107.1 million) of the registered capital. The transaction constitutes a connected transaction under the Listing Rules.

Further details of the transaction are set out in the Company's announcement dated October 11, 2017.

2. Joint Venture with Sinolink Worldwide

On December 8, 2017, ZhongAn Technology entered into the joint venture agreement with Sinolink Worldwide to jointly invest in a joint venture which will be ZhongAn Technology's platform for international development for the purpose of exploring international business development, collaboration and investment opportunities in the areas of Fintech and Insurtech in overseas market. The transaction constitutes a connected transaction under the Listing Rules.

Further details of the transaction are set out in the Company's announcement dated December 8, 2017.

Continuing Connected Transactions

During the year ended December 31, 2017, the Group engaged in certain transactions with the following persons that constituted continuing connected transactions ("**Continuing Connected Transactions**") under the Listing Rules.

- Our Directors and Supervisors and certain associates of our Directors and Supervisors: Pursuant to Rule 14A.07(1) and 14A.12 of the Listing Rules, Directors and Supervisors and their associates are connected persons of the Company.
- Mr. Yaping Ou, an executive Director and chairman of the Board. Mr. Ou is interested in approximately 45.11% of Sinolink Worldwide. Pursuant to Rule 14A.12 of the Listing Rules, Sinolink Worldwide is an associate of Mr. Ou. Pursuant to Rule 14A.07(4) of the Listing Rules, an "associate" of a director is a "connected person" of the Company. Any transaction between the Company and Sinolink Worldwide is accordingly a connected transaction.
- Ant Financial Group is considered a "connected person" under the Listing Rules by virtue of it being a substantial Shareholder holding 13.54% of the Shares. Pursuant to Rules 14A.07(1), 14A.07(4) and 14A.12 of the Listing Rules, any transaction between the Company and Ant Financial and its subsidiaries are considered as connected transactions.
- By virtue of it controlling the exercise of 10.21% of the voting power of the Company through Tencent Computer System, Tencent is considered a "connected person" and a substantial Shareholder under Rule 14A.07(1) of the Listing Rules. Pursuant to Rule 14A.12 of the Listing Rules, Tencent Computer System and their respective associates are considered as "connected persons" of the Company. Accordingly, any transaction between the Company and Tencent, Tencent Computer System and their respective associates are considered as connected transactions.
- Ping An Group is considered a "connected person" under the Listing Rules by virtue of it being a substantial Shareholder holding 10.21% of the Shares. Pursuant to Rules 14A.07(1) and 14A.12 of the Listing Rules, any transaction between the Company and Ping An Insurance and its associates are considered as connected transactions.

Set out below is a summary of the non-exempt Continuing Connected Transactions of the Group for the year ended December 31, 2017, which are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

1. Continuing Connected Transactions with Sinolink Worldwide and its subsidiaries

Provision of insurance products to Sinolink Worldwide and its subsidiaries by us

We and Sinolink Worldwide entered into a framework agreement for the provision of corporate insurance products by us to Sinolink Worldwide ("**Insurance Products Framework Agreement**"). The Insurance Products Framework Agreement is for a term of 3 years commencing on the Listing Date. Relevant subsidiaries which are subsidiaries of Sinolink Worldwide will enter into separate agreements with us which will set out the specific terms and conditions (including pricing) according to normal commercial terms.

Reasons for the Transaction

We are one of only four insurance companies with an online insurance license in China and it is in our ordinary course of business to provide innovative corporate insurance products to all types of organizations. The subsidiaries of Sinolink Worldwide conduct a variety of financial services that require our insurance service and it is beneficial to us to expand our business into the financial industry.

Pricing Policies

The premiums received by us are comparable to those paid by independent third parties for similar types of insurance products or to the prevailing market prices. For pricing of the premiums we take into account the risk portfolio of the product itself, the product expense ratio and market competitive prices. They are determined after careful examination and verification by our business management committee of the department. Members of the committee conduct market analysis and various other procedures to determine all aspects of the product including the pricing. These prices must conform with the terms and regulations set by our Company and be approved by other relevant departments such as the actuary department and the operations management centre. Premium rates of these products are either approved by or filed with the CIRC. For example, in accordance with the CIRC filing, for corporate accounts receivable credit insurance, the total premium we charge is based on the following formula:

Insurance Coverage x Fixed Ratio x Floating Ratio

The Fixed Ratio ranges between 0.33% to 0.88% for products with different underlying assets duration. The Floating Ratio is calculated based on a number of factors regarding the insured corporate, including its corporate nature, risk management level and loss history, generally this would be no less than 0.3.

The below table sets out the comparison between the annual cap and actual transaction amount of the continuing connected transactions with Sinolink Worldwide for the year ended December 31, 2017:

Name	Type of transaction	Annual cap for the year ended December 31, 2017 (RMB thousand)	Transaction amount for the year ended December 31, 2017 (RMB thousand)
Sinolink Worldwide	Provision of insurance products to Sinolink Worldwide and its subsidiaries by us	40,000	10,136

2. Continuing Connected Transactions with Associates of Tencent

(a) Provision of insurance products to associates of Tencent by us

We entered into two agreements with two different entities that are associates of Tencent on June 1, 2017 and August 21, 2017, respectively. Each agreement has a duration of one year. The agreements provide different insurance plans for different levels of employees of these entities. Each plan has its specific premium calculations, and injury and disability assessment standards. We receive a premium from associates of Tencent according to the premium schedule under each plan.

Reasons for the Transaction

We are one of only four companies with an online insurance license in China and it is in our ordinary course of our business to provide different types of insurance products to a wide range of clients. This includes corporate clients that purchase insurance plans for their employees.

We provide a wide range of insurance products in the ordinary and usual course of our business to associates of Tencent. Specifically, associates of Tencent purchase accident injury insurance and disease, death and disability insurance products from us for their employees. These insurance product agreements were entered into between us and these entities at arm's length. Associates of Tencent do not receive any preferential treatment for purchasing these insurance products. It is beneficial to us to provide these insurance products to large corporations that have a large number of employees, such as Tencent and its associates.

Pricing Policies

The premiums received by us are comparable to those paid by independent third parties for similar types of insurance products or to the prevailing market prices. For pricing of the premiums we take into account the risk portfolio of the product itself, the product expense ratio and market competitive prices. The total premium under the policies is also based on the cover period and the number of employees covered during the period, and is adjusted in accordance with the employment period of the insured company's employees. They are determined after careful examination and verification by our business management committee of the department. Members of the committee conduct market analysis and various other procedures to determine all aspects of the product including the pricing. These prices must conform with the terms and regulations set by our Company and be approved by other relevant departments such as the actuary department and the operations management centre. Premium rates of these products are either approved by or filed with the CIRC.

(b) Online platform cooperation agreement between associates of Tencent Computer System and us

We entered into two agreements with one of Tencent Computer System's associates on April 12, 2016 and August 1, 2017, with a duration of one year and two years respectively. Both parties have agreed to extend the first agreement for a further one year. This can be further renewed unless one party provides written notice to terminate before the expiration of one year.

The first agreement allows us to use online platform operated by Tencent Computer System's subsidiary to sell credit card safety insurance and the second agreement allows us to sell auto co-insurance.

Reasons for the Transaction

We are the leading online-only Insuretech company in China and one of the only four companies with an online insurance licence. It is necessary as part of our online business expansion to utilize various online platforms to reach a wider customer base. As a provider of online insurance products, we use online platforms operated by associates of Tencent Computer System to sell various insurance products to end users of the online platforms in our ordinary course of business by paying a technical service fee. These agreements were entered into between us at arm's length negotiation. The continuous cooperation with Tencent Computer System and its subsidiaries will be beneficial to us in light of Tencent Computer System's dominant market position in its online platform in the PRC market.

Pricing Policies

The monthly technical service fees either depends on the volume of insurance products sold and the amount of promotional services (such as website notification service and website display service) this online platform provides. Under current arrangements: (i) for credit card safety insurance policy, a fixed fee is payable for each policy transacted through the online platform, for example under current arrangements, the fixed fee may be up to approximately 50% of the premium we receive from each policy; (ii) for auto co-insurance, the fee is based on the number of promotions through web appearances and on the online platform. The fees chargeable by Tencent Computer System and its associates are comparable to fees chargeable by them to other independent third parties.

Name	Type of transaction	Annual cap for the year ended December 31, 2017 (RMB thousand)	Transaction amount for the year ended December 31, 2017 (RMB thousand)
Tencent Group	Provision of insurance products to associates of Tencent by us	10,164	2,457
	Online platform cooperation agreement between associates of Tencent Computer System and us	6,050	5,063

3. Continuing Connected Transactions with Ping An Group

(a) Online information technology system support services agreement between Ping An P&C and us

On December 6, 2016, we entered into a framework agreement for our provision of online information technology system support services to Ping An P&C, automatically renewable for another year. Ping An P&C utilizes our distribution networks to sell its various insurance products. In return, Ping An P&C pays us a monthly technical service fee in respect of these services. The technical service fee is based on normal commercial terms. We expect to continue to enter into agreements with Ping An P&C on similar terms in the future.

Reasons for the Transaction

We are one of only four companies with an online insurance license in China and it is in our interest to collaborate with fellow insurance providers whereby we share our comparative advantage in relation to technology. It is beneficial to us to enter into such transactions in order for us to fully utilize our technical advantage.

Pricing Policies

The technical service fee is charged as a percentage of the premium charged on the particular insurance product sold. For different types of insurance products, the percentage of technical service fees may vary. It is agreed by both parties after arm's length negotiations and the technical service fee rates charged by us to Ping An P&C are within the scope of technical service fees for comparable services determined between us and our other ecosystem partners. Typically, the technical service fee will not exceed 35% of the total premium received.

(b) Provision of asset management services by Ping An Asset Management to us

We have entered into various asset management agreements with Ping An Asset Management, a subsidiary of Ping An Group, one of which was entered into in January 13, 2014 and two others that were entered into on April 8 and June 17, 2016, together with supplemental agreements entered into on September 6, 2017 for all agreements, pursuant to which Ping An Asset Management agreed to provide asset management services to us. We may enter into further asset management agreements with Ping An Asset Management from time to time and the abovementioned transactions are expected to continue following the Listing.

Pursuant to these agreements the annual management fees chargeable by Ping An Asset Management (inclusive of investment management fees and custodian fees) are less than 0.5% of the total value of our assets that we engage them to manage.

The agreements have a term of 8 years, renewable for an additional 8 years, and it can be renewed without a limit on the number of times unless terminated by either party within 30 business days written notice before the term expires.

Reasons for the Transaction

We have received asset management services from Ping An Asset Management since 2014. Ping An Asset Management provides a range of insurance, asset management, annuities and banking services. The asset management services provided by Ping An Asset Management are highly reputable in the market and the continuous use of this service will be beneficial to us in light of Ping An Asset Management's experience in particular in long-term investments.

Pricing Policies

The pricing of the asset management services is determined at a market rate or as agreed by both parties after arm's length negotiations having regard to the amount of asset management services required by us and the prices for comparable services charged by other asset management service providers. We will only enter into these transactions when the management fees charged by Ping An Group are in line with or lower than the rates offered by other competent and independent third party service providers and the agreement is in the best interests of our Shareholders as a whole. Under current arrangements, the annual management fees chargeable by Ping An Asset Management (inclusive of investment management fees and custodian fees) are less than 0.5% of the total value of our assets that we engage them to manage, which are comparable to or less than the fees charged by independent third parties for similar asset management services.

(c) Cooperation agreements for the provision of auto co-insurance, between Ping An P&C and us

On January 25, 2015, we entered into a five years term of co-insurance agreement with Ping An P&C, a subsidiary of Ping An Insurance, to provide auto co-insurance to the public.

On 1 September 2016, the Company entered into a framework agreement for the company's provision of online information technology system support services to Ping An P&C. Ping An P&C utilizes the distribution networks of the company to sell its various insurance products. The agreement was entered for a term of 1 year, automatically renewable for another year.

We and Ping An P&C share the premiums and claim payments in 30% and 70% proportions, respectively.

Ping An P&C is primarily responsible for operating the duties under the agreement and payments will be made to Ping An P&C which will then be settled with us.

Reasons for the Transaction

Ping An Group is one of the largest insurance providers in the PRC. Property and casualty insurance has been the foundation of its business with steady growth since its inception. The co-insurance cooperation agreement allows us not only to share the risk of claims with Ping An Group but also reach a wider base of customers.

Pricing Policies

The auto insurance premiums are heavily regulated in the PRC and the premium charged under the cooperation agreement is determined at a market rate and approved by the CIRC. They are determined after careful examination and verification by the business management committee of the department. Members of the committee conduct market analysis and various other procedures to determine all aspects of the product including the pricing. These prices must conform with the terms and regulations set by our Company and be approved by other relevant departments such as the actuary department and the operations management centre. The premium and claim payment sharing ratio between us and Ping An Group is agreed by both parties after arm's length negotiations having regard to the fact that Ping An Group will be responsible for the daily operations of the agreement including receiving reports of claims, investigating the claims and maintaining customer records. Under the current agreement, the ratio in which premiums and claims are shared is 70% and 30% between Ping An P&C and us, respectively.

The below table sets out the comparison between the annual cap and actual transaction amount of the continuing connected transactions with the Ping An Group for the year ended December 31, 2017:

Name	Type of transaction	Annual cap for the year ended December 31, 2017 (RMB thousand)	Transaction amount for the year ended December 31, 2017 (RMB thousand)
Ping An Group	Cooperation agreement for the provision of auto co-insurance	120,000	77,901
	Online information technology system support services agreement between Ping An P&C and us	15,112	10,647
	Provision of asset management services provided by Ping An Asset Management to us	19,420	40,889 (Note)

Note: Please refer to the announcement of the Company dated March 18, 2018.

4. Continuing Connected Transaction with Ant Financial Group and its Associates

(a) Reward points purchase agreement between associates of Ant Financial Group and us

We have entered into an agreement with Ant Financial Group for the purchase of reward points, "Jifenbao" for the use of our marketing activities. The agreement is entered into in our ordinary course of business and is entered into on normal commercial terms. It is expected that such transaction will continue in the future.

The agreement was entered into on October 31, 2016 for a term of three years pursuant to the supplemental agreement entered into on September 6, 2017. We purchase "Jifenbao" from an associate of Ant Financial Group and either distribute it to target customers of our insurance products directly or instruct Alipay to distribute the reward points. These reward points can be used on Tmall and Taobao as discounts when those target customers purchase products using Alipay.

Reasons for the Transaction

As part of our promotion program to award purchasers of our insurance products, we have entered into this agreement with associates of Ant Financial to leverage off Alipay's customer reach and in order to differentiate our product from others that are also sold through the platforms. It is beneficial to us to enter into such transactions as "Jifenbao" is a popular reward points system in the PRC and will be able to help us attract more customers.

Pricing Policies

We are charged the face value of the "Jifenbao" and the relevant handling fee. Under current arrangements, the fee payable by us for every 100 units of "Jifenbao" (the units after the Jifenbao reward points system) is RMB1.10, which represents the market value that Ant Financial charges an independent third party for similar quantities of purchase. The fee includes platform services fees related to the use of the Jifenbao platform. The relevant handling fee chargeable by Ant Financial is comparable to that as charged from an independent third party.

(b) Online platform cooperation agreement between Ant Financial and/or its associates and us

We and Ant Financial have entered into an online platform cooperation framework agreement for the provision of insurance products to various parties ("**Online Platform Cooperation Framework Agreement**"). As a provider of online insurance products we use online platforms operated by Ant Financial and/or its associates to sell various insurance products to end users of their online platforms in our ordinary course of business.

The Online Platform Cooperation Framework Agreement is for a term of 3 years commencing on the Listing Date. Relevant subsidiaries of Ant Financial Group will enter into separate agreements with us which will set out the specific terms and conditions (including pricing) according to normal commercial terms provided in the Online Platform Cooperation Framework Agreement.

Reasons for the Transaction

We are one of only four companies with an online insurance licence in China. It is necessary as part of our online business expansion to utilise various online platforms to reach a wider customer base. The cooperation with Ant Financial Group will be beneficial to us in light of Ant Financial Group's dominant market position in online platforms in the PRC market.

Pricing Policies

The platform service fees paid to Ant Financial and/or its associates by us are determined based on arm's length negotiations between us and Ant Financial and/or its associates. They are determined according to the following principles:

- if there exist comparable market rates paid by independent third parties, the platform service fees shall be based on such prevailing market rates.
- if there exist no comparable rates, the platform service fees shall be based on arm's length negotiations.
- if there exist no comparable rates and there are difficulties with regards to arm's length negotiations, the platform service fees can be based on similar transactions' market rates.

Currently the platform service fees charged by Ant Financial and its associates are comparable to fees charged by Ant Financial to other independent third parties. The fees are calculated with reference to the total premium we receive from the insurance products sold through such platforms. The calculation is either based on (a) a fixed rate of the total premium; or (b) a formula based on the actual settlement claim in relation to the insurance products. For example, under current arrangements, the technical services fee in relation to shipping return insurance is based on the following formula: Total Premium x (Settlement Limit — Actual Settlement Rate) x Fixed Rate.

The Actual Settlement Rate is calculated based on, and is adjusted from time to time in accordance with, the actual claim settlements of the insurance product. The Settlement Limit is based on the claim settlement limit set for each policy.

The fixed rates used in both calculation methods are determined based on a number of factors specific to each insurance product, including the product's risk management level, the promotion offered by the online platform, prevailing market prices for similar insurance products and the scale of the product business. The technical services fees are typically between 5% to 35% of the total premium received.

We consider Ant Financial an important ecosystem partner and the customer reach offered by Ant Financial is incomparable to other online platform service providers. Nevertheless, before entering into any agreement under the Online Platform Cooperation Framework Agreement, we will assess our needs, and we will only enter into these transactions when the agreement is in the best interests of our Shareholders as a whole.

(c) Provision of insurance products to Ant Financial and/or its associated by us

We and Ant Financial Group have entered into a provision of insurance products framework agreement ("**Provision of Insurance Products Framework Agreement**"). We, in the ordinary and usual course of our business, sell various insurance products to Ant Financial and/or its associates including trust plan guarantee insurance, group health insurance and various other forms of insurance products. We expect to continue to enter into agreements with Ant Financial and/or its associates on similar terms following the Listing.

The Provision of Insurance Products Framework Agreement is for a term of 3 years commencing on the Listing Date. Relevant subsidiaries of Ant Financial Group will enter into separate agreements with us which will set out the specific terms and conditions (including pricing) according to normal commercial terms provided in the Provision of Insurance Products Framework Agreement.

Reasons for the Transaction

Ant Financial Group provides a wide range of financing services to the public. We cater for their various services through the provision of customised insurance products. In light of Ant Financial Group's market size in the financing industry, this cooperation will contribute to our revenue and be beneficial to us.

Pricing Policies

The premiums paid by Ant Financial and/or its associates to us are determined based on arm's length negotiations between us. They are determined according to the following principles:

- if there exist comparable market rates paid by independent third parties, the premiums shall be based on such prevailing market rates.
- if there exist no comparable rates, the premiums shall be based on arm's length negotiations.
- if there exist no comparable rates and there are difficulties with regard to arm's length negotiations, the premiums can be based on similar transactions' market rates.

Currently the premiums charged by us are comparable to market rates charged to independent third parties. Our pricing of the premiums is based on factors such as potential claim payments, product expense ratio, back-office service volume required, product scale and competitiveness against other insurance products offered on the online platforms of Ant Financial and its associates. The total premium under the policies is also based on other factors specific to the category of policy provided. For example, for health insurance products under current arrangements, the calculation of the total premium also takes into account the cover period and the number of employees covered during the period, and is adjusted in accordance with the employment period of the insured company's employees. Premium rates of these products are either approved by or filed with the CIRC. They are determined after careful examination and verification by our the business management committee of the department. Members of the committee conduct market analysis and various other procedures to determine all aspects of the product including the pricing. These prices must conform with the terms and regulations set by our Company and be approved by other relevant departments such as the actuary department and the operations management centre. Once we propose the premiums that we will charge, we will then undergo a tender process, whereby Ant Financial and its associates compare our premium charges against those other independent third parties.

The below table sets out the comparison between the annual cap and actual transaction amount of the continuing connected transactions with the Ant Financial Group for the year ended December 31, 2017:

Name	Type of transaction	Annual cap for the year ended December 31, 2017 (RMB thousand)	Transaction amount for the year ended December 31, 2017 (RMB thousand)
Ant Financial Group	Provision of insurance products to Ant Financial and/or its associates by us	11,613	9,856
	Online Platform Cooperation Agreement between Ant Financial and/or its associates and us	448,493	426,957
	Reward points purchase agreement between associates of Ant Financial Group and us	20,500	7,710

Confirmation from Independent Non-executive Directors

The Company's independent non-executive Directors have reviewed the Continuing Connected Transactions and confirmed that the transactions have been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better; and

(iii) according to the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Confirmations from the Company's Independent Auditor

PricewaterhouseCoopers, the auditor of the Company, has confirmed in a letter to the Board that, with respect to the aforesaid Continuing Connected Transactions conducted during the year ended December 31, 2017:

(a) nothing has come to their attention that causes PricewaterhouseCoopers to believe that the disclosed Continuing Connected Transactions have not been approved by the Board;

(b) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes PricewaterhouseCoopers to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

(c) nothing has come to their attention that causes PricewaterhouseCoopers to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(d) with respect to the aggregate amount of each of the Continuing Connected Transactions, except for the Asset Management Services provided by Ping An Asset Management Co., Ltd. which has exceeded the annual cap, nothing has come to their attention that causes PricewaterhouseCoopers to believe that the disclosed Continuing Connected Transactions have exceeded the annual cap as set by the Company.

During the year ended December 31, 2017, save as disclosed in the sections headed "Connected Transactions" and "Continuing Connected Transactions" of this annual report, no other related party transactions disclosed in Note 42 to the financial statements constituted a connected transaction or continuing connected transaction which should be disclosed pursuant to the Listing Rules. The Company has complied with the disclosure requirements prescribed in Chapter 14A of the Listing Rules with respect to the Continuing Connected Transactions entered into by the Group during the year under review, except for the Asset Management Services provided by Ping An Asset Management Co., Ltd. which has exceeded the annual cap.

Material Litigation

The Group was not involved in any material litigation or arbitration during the year ended December 31, 2017. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group since the Listing Date and up to December 31, 2017.

Distributable Reserves

Details of the movements in the reserves of the Company during the year ended December 31, 2017 are set out in Note 35 to the financial statements. There is no reserves available for distribution to shareholders as at 31 December 2017.

Use of net Proceeds from Listing

On September 28, 2017, the Shares of the Company were listed on the Main Board of the Hong Kong Stock Exchange. The gross proceeds from the above Global Offering were approximately HK$13,682.5 million, which will be used for the purpose as set out in the Prospectus.

Charitable and other Donations

Details of the charitable and other donations made by the Group during the year ended December 31, 2017 are set out in the section headed "2017 Environmental, Social and Governance (ESG) Report" of this annual report.

Fixed Assets and Investment Property

Details of the fixed assets and investment property of the Company during the reporting period are set out in the "Financial Information" section of this annual report.

Share Options

During the Reporting Period, the Shareholders do not have share options under relevant PRC laws and the Articles of Association.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Company and the Group during the year ended December 31, 2017 are set out in Note 30 to the consolidated financial statements.

Pre-emptive Rights

There are no provisions regarding pre-emptive rights under the Company Law of the PRC or the Articles of Association, which would oblige the Company to issue new shares to its existing Shareholders in proportion to their existing shareholdings.

Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company since the Listing Date up to December 31, 2017.

Management Contracts

No contract, concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended December 31, 2017.

Directors' Service Contracts

Each of the Directors has entered into a service contract with the Company for an initial term of three years with effect from the date of their respective appointment or until the third annual general meeting of the Company.

None of the Directors proposed for re-election at the annual general meeting has a service contract with members of the Group that is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Directors' Interests in Transactions, Arrangements or Contracts of Significance

Save as disclosed in the section headed "Continuing Connected Transactions", none of the Directors nor any entity connected with the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during or at the end of the year ended December 31, 2017.

Directors' and Supervisors' Interests in Competing Business

Save and except for the interests of the Controlling Shareholders in the Group, during the year ended December 31, 2017, neither the Controlling Shareholders nor any of the Directors had any interest in a business, apart from the business of the Group, which competes or is likely to compete, directly or indirectly, with the Group's business, which would require disclosure under Rule 8.10 of the Listing Rules.

Contracts with Controlling Shareholders

No contract of significance has been entered into among the Company or any of its subsidiaries and the Controlling Shareholders during the year ended December 31, 2017.

Permitted Indemnity

The Company has arranged appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities.

Environmental Policies and Performance

The Group is committed to fulfilling social responsibility, promoting employee benefits and development, protecting the environment and giving back to community and achieving sustainable growth.

Compliance With The Relevant Laws And Regulations

As far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended December 31, 2017, there was no material breach of, or non-compliance, with applicable laws and regulations by the Group.

Auditor

The consolidated financial statements of the Group have been audited by PricewaterhouseCoopers. A resolution for its re-appointment as auditor for the coming year will be proposed at the forthcoming AGM.

Sufficiency Of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, at all times during the year December 31, 2017, not less than 25% of the issued share capital of the Company (being the public float applicable to the shares of the Company) were held in public hands.

By the order of the Board

Yaping Ou
Chairman

Hong Kong
March 20, 2018

Report of the Supervisory Committee

During the Reporting Period, all the members of the Supervisory Committee of the Company duly carried out their supervisory duties in a stringent manner and adhered to the principles of fairness and honesty to effectively protect the rights and interests of the Shareholders, the Company and its employees in accordance with the laws and regulations, regulatory requirements and the Articles of Association of the Company.

The Work of the Supervisory Committee

During the Reporting Period, the Supervisory Committee held five meetings. All such meetings were convened in accordance with the Articles of Association by way of physical meeting, electronic means of communication or written resolutions, and were attended by all Supervisors entitled to be present. No proxy had been authorized to attend such meetings on their behalves. Details of Supervisors' attendance at meetings of the Supervisory Committee are set out as follows:

No.	Class of Supervisors	Date of appointment	Name	Meetings required to attend	Meetings attended	Meetings attended by proxies	% of attendance
1	Shareholder Representative Supervisor	November 29, 2013	Yuping Wen	5	5	0	100%
2	Shareholder Representative Supervisor	November 14, 2014	Baoyan Gan	5	5	0	100%
3	Employee Representative Supervisor	May 25, 2017	Lei Xiang	4	4	0	100%
4	Employee Representative Supervisor	February 18, 2014	Jin Ding	1	1	0	100%

Independent Opinion on Relevant Issues from the Supervisory Committee

(1) Lawful Operation

During the Reporting Period, the Company operated and managed its businesses in accordance with the laws and regulations, and its operational results were objective and true. There was substantial development and improvement in the depth and breadth of internal control management. The Company's operational decision-making processes were legitimate. The Directors and other senior management were royal, diligent and dedicated in the business operations and management processes, and they were not found to have breached any laws, regulations or the Articles of Association or harmed the interests of the shareholders.

(2) Authenticity of the Financial Statements

PricewaterhouseCoopers have issued the standard unqualified auditor's reports in accordance with Hong Kong Standards on Auditing on the Company's financial statements for 2017. The consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standard ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

(3) Use of Proceeds

The Company successfully completed the initial public offering of its overseas listed foreign shares (H Shares) on September 28, 2017. An aggregate of 229 million shares (upon exercise of the over-allotment option) were issued, and the gross proceeds raised from the offering were approximately HK$13,683 million. All of the proceeds raised from the offering, net of relevant offering expenses, will be used to strengthen the capital base of the Company to support its business development.

(4) Connected-party Transactions

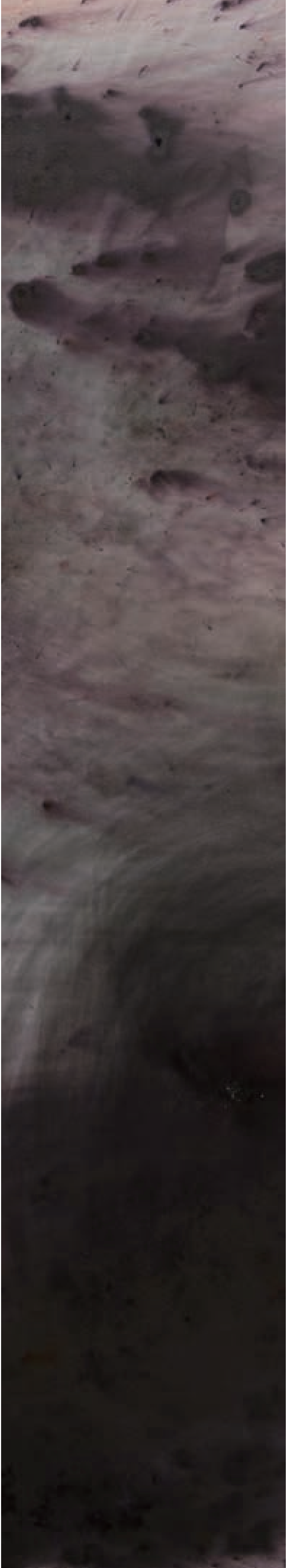
The Supervisory Committee regarded the connected-party transactions of the Company conducted during the Reporting Period to be fair and reasonable, without prejudice to the interests of the shareholders and the Company.

(5) Internal Control System

During the Reporting Period, the management of the Company paid great attention to the establishment of internal control system. The Company has set up a relatively complete, rational and effective internal control system, and continued to improve its internal control management. The Supervisory Committee has reviewed and considered the Corporate Governance Report for the Year 2017 and had no objection to the report.

(6) Implementation of the Resolutions Approved by the General Meetings

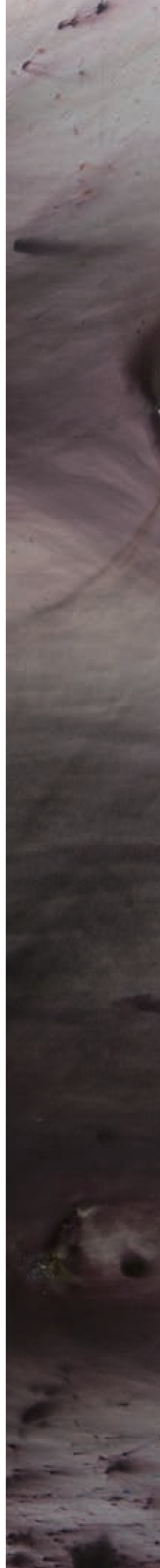
The members of the Supervisory Committee had attended the Board meetings, and certain members had attended the general meetings. The Supervisory Committee had no objection to the resolutions submitted by the Board for approval by the Shareholders at the general meetings. The Supervisory Committee has monitored the implementation of the resolutions approved by the general meetings, and was of the opinion that the Board was able to implement the resolutions approved by the general meetings earnestly. The Supervisory Committee has monitored the implementation of resolutions and proposals of the Board and the Supervisory Committee, and was of the opinion that the operation management was able to implement the relevant resolutions earnestly, paid better attention to and adopted such proposals.



2017 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

To formulate the Group's sustainable development strategy, which was divided into

4 major areas - "People First", "Talnt Oriented", "Green Ecology" and "Contribution to Society"



2017 Environmental, Social and Governance (ESG) Report

1. About The ESG Report

This is the first Environment, Social and Governance report ("ESG report") published by ZhongAn Online P & C Insurance Co., Ltd. and its subsidiaries ("ZhongAn Insurance" or the "Group"), which outlines the principles and sustainability philosophy of the Group in fulfilling its corporate social responsibility (CSR) and illustrates the relationships between the Group and its major stakeholders with a vision and commitments for its CSR.

This report is prepared in accordance with the ESG Reporting Guide (the "Guide") as set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the covering scope of which is in compliance with the disclosure principles under the Guide.

The content of the ESG report mainly focuses on the core businesses of the Group, its practices in sustainable development from January 1, 2017 to December 31, 2017 (the "Year") and overall performance in fulfilling CSR.

Unless otherwise specified, this report covers the businesses directly controlled by ZhongAn Insurance. Unless otherwise specified, the "Group" stated in this report refers to ZhongAn Insurance and its subsidiaries.

The preparation of the ESG report gains joint supports from the various stakeholders of the Group and allows us to better understand the current development of the Group on both environmental and social aspects. This report marks not only the beginning of the Group's commitments to the environment and society, but also represents the basis on which the Group develops its short-term and long-term strategies for sustainable development.

For more details of the Group's corporate governance, please refer to the section of Corporate Governance Report set out in this Annual Report and the official website of ZhongAn Insurance at https://www.zhongan.com/. Your opinions on this report are treasured by us. For any enquiries or recommendation, please feel free to contact us via e-mail at dongshihui@zhongan.com.

2. Sustainable Development Strategy

ZhongAn Insurance insists on promoting its business development with the concept of "Providing insurance services with a caring hand" and prioritizes CSR in the entire business operation while sparing no effort to reduce its impact on the environment and society. In the spirit of "fast response, user-oriented", we exchange opinions with stakeholders through various channels to formulate the Group's sustainable development strategy, which was divided into four major areas — "User First", "Talent Oriented", "Green Ecology" and "Contribution to Society."

We identify stakeholders in different sectors, including shareholders, customers, employees, investors, governments and regulatory authorities, suppliers and the general public, and listen to and understand their concerns with an open and proactive attitude to determine the scope of this report in respect of environment, society and governance. Prior to the preparation of this report, we conducted seven interviews with internal stakeholders. Through communication and exchange with stakeholders, we understand their views and expectations on the Group and establish long-term and trustful relationship with them. The main communication methods prefer by ZhongAn Insurance and other stakeholders are as follows:

Major stakeholders	Main Engagement methods
Shareholders	• General meetings • Annual reports and announcements • Shareholders visits • Investor conferences
Customers	• Customer satisfaction survey and opinion form • Customer service centre • Daily operation/exchange • Hotline • Website and emails of the Group
Employees	• Channels for employees to express their opinions • Performance assessment • Group discussion • Business briefings • Volunteering activities • Seminar/Workshop/Lecture • Town hall meetings
Investors	• Results announcement • Senior management meetings • Meetings and interviews
Business partners	• Meetings • Site-visits • Lecture
Regulatory authorities	• Meetings • Response to public consultation in writing • Compliance report
Media	• Press conference • Press release • Senior management visits • Results announcement • Media gatherings
Community/ Non-governmental organizations	• Volunteering activities • Donations • Seminar/Lecture/Workshop • Meetings
Peers in the insurance industry	• Strategic cooperation projects
Suppliers	• Supplier management procedure • Supplier evaluation system • Site-inspection

2017 Environmental, Social and Governance (ESG) Report

2.1. ESG Organizational Structure

As a responsible corporate citizen, ZhongAn Insurance formulated the Standards for ESG Reporting during the year, which clearly illustrate the Group's objectives and management guidelines on the environment, society and governance with an aim to improving the environmental management system and incorporating the sustainable development strategy into all of the Group's businesses, products and services. We look forward to utilising resources in a more effective way and reduce the energy and other resources consumed in our business operations through the establishment of an efficient operating model.

It is also a requirement of Standards for ESG Reporting that a specific team on environment, society and governance (ESG) should be established this year to implement and promote the Group's sustainable development. The Board takes full responsibility for the Group's environmental, social and governance strategies and reporting, and leads the specific team consisting of the Chief Executive Officer (CEO) and representatives from various major departments of the Group to assess and determine its risk management and internal control system in terms of environmental, social and governance, thereby enhancing its overall environmental and social performance.

The main responsibilities of the specific team on environment, society and governance are as follows:

- Identify operations that are relevant and significant to the Group and environmental, social and governance issues that affect shareholders and other key stakeholders;
- Maintain the operation of the CSR management system and enhance employees' awareness of CSR;
- Promote all departments to implement various policies on environmental, social and governance;
- Ensure that the Group meets relevant legal and regulatory requirements and monitors and responds to the latest environmental, social and governance issues; and
- Make relevant recommendations to the Board to enhance the Group's environmental, social and governance performance.

3. User First

The Group adheres to the principle of "User first" and continues to provide high-quality and caring insurance products and services to customers. We strictly comply with all relevant laws and regulations and formulate the Staff Code of Conduct of ZhongAn Insurance (《眾安保險員工行為準則》) and the Administrative Provisions on Anti-fraud and Whistleblower Protection of ZhongAn Insurance (《眾安保險反舞弊及舉報人保護管理規定》) and implement the Administrative Requirements for Information System Security (《信息系統安全管理要求》) and the Administrative Provisions on Customer Complaint Management of ZhongAn Insurance (《眾安保險客戶投訴管理規定》) to maintain the core competitive advantage of our business.

3.1. Innovative Development

Through product and service innovation, ZhongAn is committed to providing high-quality and professional services to customers with an integration of various technologies, such as the Internet, big data and artificial intelligence, to satisfy various needs of different customers. In 2017, ZhongAn had more than 5.4 billion insurance policies and provided services to 432 million insured.

During the Reporting Period, numerous services and products of the Group successfully obtained recognition from domestic and international institutions, reflecting the outstanding contributions made by its leadership in the industry and its commitment to continuously provide high-quality services to customers in different regions. As the leader of financial technology, ZhongAn Insurance has been ranked as one of Fintech 100 companies in the world for three consecutive years and ranked second in the list this year, which signifies its leading position in the industry and the exemplary role in Fintech. Other awards obtained by ZhongAn Insurance are as follows:

Awarded Unit	Prize	Awarded Items	Hosting/Awarding Institutions
Vice general manager and chief operating officer Wei Xu (許煒)		Most Creative People in Business 100	Fast Company, a well-known business magazine in the United States
ZhongAn Technology		Influence Brand in Fintech	China Finance Summit
ZhongAn Insurance	Baobei Open Platform	Golden Shell Award - 2017 New Innovation in Consumer Finance Solutions	the 21st Century Business Herald
ZhongAn Insurance		Chinese Insurance Leader's List 2017 - N ew Insurance Company	National Business Daily
ZhongAn Insurance		Fintech Investment Value Platform	The Economic Observer
ZhongAn Insurance		FinTech Leading Enterprise	Modern Service Industry Alliance of the Ministry of Science and Technology
ZhongAn Insurance		Jin Yin Award - China Best Customer Contact Center of Year Award 2017	The International Big Data and Customer Contact Center Summit
ZhongAn Technology	X-model Anti-fraud product	Datayuan Award - 2017 Outstanding Fintech Products Award	Big Data Media and Enterprise Application Service Platform — DataYuan
ZhongAn Insurance		Customer Experience Excellence Award 2017	Organizing Committee of Loyalty China Programme Summit
ZhongAn Insurance		2017 China Automobile Dealers Industry - Automobile Financial Services Innovation Award	2017 China Automobile Dealers Industry Convention
ZhongAn Online		2017 China New Financial Industry List Award - Top 50 New Finances	National Business Daily
ZhongAn Insurance		The Most Influential Fintech Enterprise 2017	91huodong.cn
ZhongAn Insurance	Insurance benefits	Applet Industry Innovation Model Award	www.aldwx.com
ZhongAn Insurance	Airport delays insurance	Applet Industry Travel Award	www.aldwx.com
ZhongAn Insurance		Global Top 100 Fintech Companies (No.2)	KPMG
ZhongAn Insurance		China Financial Value Ranking 2017 - Insurance Company of the Year (property insurance)	Yicai Financial
ZhongAn Insurance		China Financial Innovation Ranking 2017 - Insurance Technology Company of the Year	Yicai Financial
ZhongAn Insurance		2017 Beijing Top 10 Financial Brands Appraisal - Outstanding CSR Award	Beijing Business Today and Beijing Brand Association
ZhongAn Insurance		Best Insurance Technology Company	21st Century Business Review and 21st Century Business Herald

2017 Environmental, Social and Governance (ESG) Report

Awarded Unit	Prize	Awarded Items	Hosting/Awarding Institutions
ZhongAn Insurance	Airport delays insurance	China Wealth Management Summit cum the 8th Session of "GoFortune" Appraisal - Innovative Insurance Product Outstanding Award of the Year	Shanghai Securities News
ZhongAn Insurance		2017 Annual Internet Influence Forum of New Finance - 2017 Pioneer Innovative Institution of New Finance and 2017 Institution with Internet Influence of New Finance (two awards)	GD.QQ.COM
ZhongAn Online		The 3rd Yiou Innovation Awards Ceremony - 2017 Most Influential Company of China	i-yiou
ZhongAn Insurance		Best Automobile Financial Service Provider 2017	China Internet Automobile Finance Development Conference
General Manager and chief executive officer (Jin Chen)		Excellent Financier of the Year	wallstreetcn
Zhongan Automobile		Property Insurance Brand of the Year	ThePaper.cn
General Manager and chief executive officer (Jin Chen)		Fintech Champions Award	GLOBAL PEOPLE
ZhongAn Insurance		Innovative Fintech Company of the Year	Hexun.com
ZhongAn Insurance		2017 Golden Hong Kong Stock Award Competition - Most Popular New Listing Award	Zhitong Financial and Tonghuashun Finance
ZhongAn Insurance		Top 50 New Financial Companies - 2018 Hurun Top 100 New Financial Companies	Hurun
ZhongAn Insurance		China's Best IPO	The Asset

3.2. Anti-Money Laundering and Counter-Terrorist Financing

ZhongAn Insurance has pursued a policy of anti-corruption and prevention of money laundering and terrorist financing activities, as well as implemented risk management and internal controls. Pursuant to the Anti-money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》), the Company has established the Administrative Provisions on Anti-Money Laundering Management of ZhongAn Insurance (《眾安保險反洗錢管理規定》) and the Administrative Provisions on Customer Money Laundering and Terrorist Financing Risk Assessment and Classification of ZhongAn Insurance (《客戶洗錢及恐怖融資風險評估及分類管理規定》) and strictly complied with relevant laws and regulations, such as Hong Kong Anti-Money Laundering Ordinance (香港《打擊洗錢條例》),Drug Trafficking (Recovery of Proceeds) Ordinance (《販毒(追討得益)條例》), Organized and Serious Crimes Ordinance (《有組織及嚴重罪行條例》) and United Nations (Anti-Terrorism Measures) Ordinance (《聯合國(反恐怖主義措施)條例》).

When operating the insurance business, the Company (ZhongAn Insurance) fully follows the principle of "know your customers" and applies various targeted measures to understand its customers and their purposes and nature of trading according to the characteristics of different businesses. In addition, the Company actively explores ways to distinguish customer identification based on the characteristics of the Internet insurance business. The Company strictly fulfills the customer identification obligations required under Administrative Measures for Customer Identification and Customer Identity and Transaction Record of Financial Institutions (《金融機構客戶身份識別及客戶身份資料及交易記錄保存管理辦法》) through distinguishing customer identification and obtaining customer identity in compliance with laws and regulations to ensure that the Company does not provide services to or conduct transactions with unidentified customers.

The Company also introduced a service pledge of completing the initial risk classification within 10 working days after establishing a business relationship with its customer. If any suspicious transaction is found, we will submit our suspicious transaction report to the China Anti-Money Laundering Monitoring & Analysis Center and either by electronic means or in writing to the local People's Bank of China and cooperate with the anti-money laundering investigation.

In addition, the Company has designated its legal and compliance department as the leading department for anti-money laundering, which is responsible for organizing and coordinating the Company's relevant departments to carry out anti-money laundering work and large and suspicious transaction identification reports, and organizing anti-money laundering publicity and training activities as well as supervising the performance of anti-money laundering responsibilities by various departments of the Company. We have also clearly specified the anti-money laundering responsibilities of various departments in the Regulations on Anti-Money Laundering Management of ZhongAn Insurance (《眾安保險反洗錢管理規定》), and incorporated anti-money laundering performance into staff performance evaluation criteria. Furthermore, we have established a leading group on anti-money laundering to comprehensively supervise the system of anti-money laundering and terrorist fundraising of financial institutions, and continuously monitored the effectiveness of the system. If necessary and on reasonable ground, we will add new indicators of risk assessment.

3.3. Information Security and Customers' Privacy

ZhongAn Insurance attaches great importance to the protection of information security and customers' privacy and commits to making the Group more information-based and safeguarding customers' information with the most stringent criteria. We have established the Information Security Management Strategy (《信息安全管理策略》) in compliance with relevant requirements and standards under the Guidelines for the Management of Informatization of Insurance Companies (《保險公司信息化建設管理指引》) and Requirements for Information System Security Management (《信息系統安全管理要求》) issued by the China Insurance Regulatory Commission (referred below as "CIRC") to improve the information security system of the Group and ensure its capabilities to protect the system. In addition, we also set up a working committee of informatisation to review and make decisions on the Group's information security issues.

In strict compliance with relevant laws and regulations of the State and the Personal Data (Privacy) Ordinance in Hong Kong (香港《個人資料(私隱)條例》), the Group has issued the Standards for Data Permission Management (《數據權限管理規範》) to regulate the use of various types of data, specify the purposes of collecting and using customer data and restrictions on customers' information disclosure and methods of safekeeping of these data to prevent information leakage and fully protect customers' information and privacy.

We have also improved the Integrated Documents Management System (《檔案綜合管理體系》), under which the operation management center is responsible for supervising and inspecting the documents management during the business processing and serving process of the Group, such as underwriting, preservation, claims settlement and customer service. We have the duty to keep all customers' personal data confidential and employees are strictly prohibited from divulging the data without their permission. The operation management center conducts an internal inspection of the Group's documents management on yearly basis. Only the relevant departments have the right to access customer information. Any employee who needs to access customers information must obtain approval from the supervisor in-charge. We also guide our employees to be responsible for the confidentiality of all confidential or special data provided by customers and business partners, not to leak or disclose relevant information to third parties without obtaining customers' consent.

2017 Environmental, Social and Governance (ESG) Report

3.4. Handling Comments and Complaints from Clients

The Group attaches great importance to the opinions and rights of customers and resolves the dissatisfaction in a timely and effective manner to maintain the integrity image for the Group and promote the healthy development of its business. According to the Administrative Measures for Handling the Complaints of Insurance Consumption (《保險消費投訴處理管理辦法》), the Notice of Opinions on Enhancing the Protection of Rights and Interests of Insurance Consumers (《關於加強保險消費者權益保護工作的意見的通知》) and the Guidelines for Further Strengthening the Letters and Visits Work in the Insurance Industry by the General Office of the CIRC issued by the CIRC, we formulated the Administrative Measures for Customers' Complaint of ZhongAn Insurance (《眾安保險客戶投訴管理規定》), under which the insurance consumer affairs committee headed by the director general is responsible for implementing the regulatory requirements for safeguarding the legitimate rights and interests of consumers and reviewing and optimizing the complaint management system on a regular basis.

Upon receiving an inquiry or complaint, we will follow the established standard procedures, which require us to contact the customer concerned within one working day after the customer service department receiving the complaint to confirm the circumstance, complaint request, major facts and reasons, and we have promised that the opinions and complaints received are provided with timely and appropriate response and follow-up.

3.5. Codes on Anti-Bribery and Prevention of Anti-Financial Crime

ZhongAn Insurance consistently conducts business activities with recognizing integrity and compliance as its core value. In order to abide by this commitment, we have formulated the Administrative Provisions on Anti-fraud and Whistleblower Protection of ZhongAn Insurance (《眾安保險反舞弊及舉報人保護管理規定》), requiring employees and non-regular employees to integrate the value of integrity into business contact with external partners such as suppliers, to prevent them from engaging in illegal behaviours, such as receiving benefits, corruption or bribery.

In order to prevent and control fraud and strengthen internal control, the Group has set up the Anti-Corruption and Whistleblower Protection and Management Committee, which is chaired by the General Manager with an aim to independently deal with its anti-fraud matters in a fair and transparent way. We have constantly advocated an integrity-based corporate culture and created an anti-fraud environment. In this regard, the Company regularly organizes anti-fraud training to remind its employees to refrain from accepting any improper gifts, remuneration or commissions at any time and to understand the Group's serious attitude towards the anti-fraud act.

3.6. Supplier Management

ZhongAn Insurance attaches great importance to supplier management and actively conducts surveys and assessments on suppliers' performance of social responsibility to enhance their sense of responsibility.

The services and products provided by our major suppliers include office stationeries, office equipment, daily necessities, virtual and physical merchandise purchases and printed matters. When selecting suppliers, apart from assessment on the quality of their products or services, goodwill and cost, we also attach importance to their commitment to compliance with laws and regulations and performance of environmental and social responsibility. The Group plans to develop supplier management standards in the coming year and is committed to working with suppliers to build a sustainable supply chain.

3.7. Respecting Intellectual Property Rights

The Group strictly abides by relevant laws and regulations in relation to intellectual property rights to safeguard the intellectual property rights of the Group and third parties. We also established and implemented the Administrative Provisions on Information System and Cyber Security, under which the operation and maintenance department is responsible for the installation and setting of employees' desktop systems to ensure that their desktop computer systems are installed with security and genuine computer software and we are not involved in illegal use of intellectual property rights of third parties.

ZhongAn Insurance has not only set requirements on intellectual property rights for internal operations, but also strictly regulates the operating practices for selecting external suppliers. Suppliers should ensure that all technologies and development results submitted in the course of cooperation do not infringe any legal rights of any third party such as legal patent right, trademark right and copyright. We will consider suspending the cooperation with any supplier who violates the above mentioned.

We also comply with relevant laws and regulations to ensure that all advertisements for brand promotion deliver complete, truthful and accurate product information to the public, and eliminate all acts in relation to the use of false and misleading product descriptions to deceive customers.

4. Talent Oriented

The Group upholds the management philosophy of talent-oriented and cooperation under the mutual trust to grow with its employees together. It is committed to providing its employees with competitive compensation and a broad stage for career development. We have prepared the Employee Benefits Management System to specify the recruitment process, employee benefits, welfare and staff development and training plans.

4.1. Equal Employment

ZhongAn Insurance is committed to providing all employees with a working environment featuring harmony, inclusiveness, fairness and non-discriminatory. The Group has consistently and strictly adhered to relevant labor laws and regulations, such as the Labour Law, the Labour Contract Law, the Law on the Protection of Minors, the Prohibition of Child Labour Provisions through providing equal employment and prohibiting employment discrimination and forced labour to eliminate any child labour employment and continue to improve the selection and elimination mechanism for talents. We adopt the Recruitment and Admissions Process as the unified and equal selection criteria, which requires the human resources department to assess the education background, work experience, skills and job requirements of job applicants through strict qualification review, written test, interview and approval procedures, regardless of gender, marital status, family status or disability to ensure that the employment process is fair. We also have a constant communication channel to allow employees feel free to express their opinions. For example, employees can express their opinions to the Group through e-mail or visiting the human resources department in person.

4.2. Employee Benefits

The Group is committed to providing competitive remuneration, benefits and working environment to employees to enhance their sense of belonging. In this regard, it has specifically formulated the Employee Benefits Management System and regularly reviews the salary and welfare policies to attract and retain talents.

ZhongAn Insurance attaches great importance to employee welfare and provides employee benefits that are better than the statutory minimum requirements. Apart from paid annual leave, statutory and paid sick leave and maternity leave, we also provide marriage leave, extra maternity leave, compassionate leave, bereavement leave and leaves for ethnic minorities and foreign employees. In addition to fully funding various social insurance for employees according to the national laws and regulations, including basic endowment insurance, basic medical insurance, supplementary medical insurance, work-related injury insurance, maternity insurance, unemployment insurance and housing funds, we take full advantage of the industry to launch welfare products for those in-service employees and maintain group medical insurance, including supplementary medical insurance and accident insurance, as well as provide annual medical examination for all employees. In terms of daily life, we will also provide staff with meals, correspondence, vehicle subsidies, festivals bonuses and maternity allowance. Staff in the office are entitled to enjoy tea breaks and provided with seasonal fruits, snacks and various drinks on each working day.

In addition, we also organize various employee activities, festive events and birthday parties from time to time. To enrich the lives of employees, promote collaboration and enhance team cohesiveness and sense of competition, we organize employee group activities at various festive days. For example, we hold “the Halloween Day in ZhongAn” for Halloween, “Thank You for Being in ZhongAn” on Thanksgiving Day and “the Paternity Day” on Children’s Day.

2017 Environmental, Social and Governance (ESG) Report

4.3. Safeguarding Health and Safety of Employees

ZhongAn Insurance pays much attention to the health and safety of its employees and strictly comply with relevant laws and regulations, such as the Occupational Disease Prevention Law of the People's Republic of China (《中華人民共和國職業病防治法》), the Administrative Provisions on the Supervision of Occupational Sanitation for the Workplace (《工作場所職業衛生監督管理規定》), the Work-related Injury Insurance Regulations (《工傷保險條例》) and the Occupational Safety and Health Ordinance of the Hong Kong Special Administrative Region (香港特區《職業安全及健康條例》) to create a safe, healthy and caring working environment.

We have organized trainings regarding a safe workplace and lectures on health for our employees, such as lecture on cervical health, lecture on shoulder health, lecture on lumbar health and Chinese medical consultations. In order to keep employees healthy physically and mentally, corresponding sports competitions such as the tug of war and the New Year Race of ZhongAn are organized for our staff.

In addition, we endeavor to improve indoor air quality, air-conditioning temperature and office lighting as well as encourage employees to plant green plants in the office with an aim to provide them with a favorable, healthy and comfortable working environment.

"The Paternity Day" on Children's Day

"Thank You for Being in ZhongAn" on Thanksgiving Day

"The Halloween Day in ZhongAn" for Halloween

4.4. Talent Cultivation and Development

The Group hopes to provide excellent service to customers through continuously improving the talent cultivation mechanism and building a superior team. In order to meet the Group's development goals, we have formulated the Employee Training Management System (《員工培訓管理制度》) to systematically enhance employees' understanding of their responsibilities and corporate culture, enhance their quality, give full play to their potential and establish harmonious relationships, thereby carrying forward the Group's entrepreneurial spirit.

We believe that learning and development take place in different scenarios. The human resources department has created training programs and systems that are in compliance with ZhongAn culture to enhance employees' performance, enrich their knowledge and skills and maintain the Group's competitiveness. The following table shows the annual training programs:

Type of Training	Purposes of Training	Training Programs
Quality Training Program for New Employees	To help new employees to understand the history and culture of the Group, learn its businesses and cultivate the concept of Internet insurance products and develop capabilities of cross-functional and cross-position collaboration.	Provide training opportunities to 60 new graduators, induction training system and training system of transition from probation to formal appointment for new employees
Primary (reserve) Management Training Program	To open up the career development path for the core grass-roots staff of the Group, improve the overall abilities of junior management, provide backup talents for basic management positions, build a talent team for the Group and create a cradle for the Group's management talent.	Classes-based training, experience-based training, expansion training, seminar training and situational training
Middle Management Training	To improve the management ability of middle management personnel, master the management skills and improve the ability of middle-level to implement the leaders' instructions.	The Three Axes of the Management (《管理者的三板斧》), Efficient Execution (《高效執行力》) and Management Communication Skills (《管理溝通技巧》)
Senior Management Training	To improve the senior managers' strategic thinking and industry insights based on their respective responsibilities to make strategic plans for and lead the development of the Group. According to the requirements of the CIRC, the senior management complete online or offline training for at least 100 hours each year.	Engage industry experts or veterans to share the latest industry knowledge and development; carry out business inspection activities, learn management stratagem of the leading enterprise
Business Skills System	To specifically improve the skills of the business department and promote the development of an internal training system within the business department.	Professional skills training and general skills training
Sharing Platform Optimization	To create a platform for internal talent display and communication, enhance the Group's learning and sharing atmosphere and create a learning and communication platform with ZhongAn's characteristics.	Based on specific training needs, sharing of real-time hot topics, such as intellectual exploration and improvement of management capabilities and professional quality

2017 Environmental, Social and Governance (ESG) Report

In addition to internal training, we also engage external trainers or management consulting agencies to conduct training programs or activities if necessary. Employees are also encouraged to participate in relevant professional training for business reasons, so that they can acquire the knowledge and skill necessary to their duties and learn about the industry's latest information.

5. Green Ecology

ZhongAn Insurance pays an active attention to the impact of the Group's operations on the environment and natural resources and formulates the Standards for the Enterprise's Operating Environment (《企業運營環境規範》) to encourage employees to make more effective use of resources in the business operations to cope with global climate change.

5.1. Low-Carbon Enterprise

Global climate change has brought the global environment, species and human life to a critical point and becomes a global issue that must be envisaged. At the end of 2015, the UN Climate Change Conference reached the final agreement in Paris, i.e. the Paris Agreement, with an aim to control global warming, which conveyed a strong positive signal for achieving green and low-carbon, climate adaption and sustainable development to the world. According to the Agreement, the 195 state parties are required to control the increase in the average global temperature within 2 degrees Celsius within this century and endeavor to make an increase of less than 1.5 degrees Celsius on that basis. The People's Republic of China actively implements its own contributions and strives to reach the target as soon as possible, which are evidenced by the successive promulgation of important policies, such as the National Plan to Cope with Climate Changes (2014-2020) (《國家應對氣候變化規劃 (2014-2020年)》) and the National Strategy for Adaptation to Climate Change (《國家適應氣候變化戰略》). In order to cooperate with the state in fulfilling its responsibilities under the Paris Agreement, ZhongAn Insurance looks forward to deterring the trend of global warming.

As a responsible enterprise, we have conducted the first greenhouse gas (GHG) emissions inspections for the Group in compliance with GHG Protocol (《溫室氣體盤查議定書》) issued by the World Resources Institute and the World Business Council for Sustainable Development and the ISO 14064-1 set by the International Organization for Standardization. The summary of GHG emissions during the Reporting Period is as follows:

Summary of GHG Emissions	CO_2 equivalent	Percentage
Scope 1 Direct GHG emissions	64.28 tonnes	6.06%
Scope 2 Indirect GHG emissions from the use of energy	725.46 tonnes	68.40%
Scope 3 Other indirect GHG emissions	270.87 tonnes	25.54%
Total GHG emissions	1,060.60 tonnes	100%

Scope 1: The direct GHG emissions generated from sources owned and controlled by the Group.

Scope 2: GHG emissions indirectly generated by electricity generation, heating and cooling or steam purchased by the Group.

Scope 3: Emissions include GHG emissions indirectly generated by sources that are not owned or directly controlled by the Group but related to the Group's business activities.

After inspection, our GHG emissions can be divided into direct emissions (Scope 1) and indirect emissions (Scope 2 and Scope 3). GHG emissions of each scope come from fuel used by vehicles of the Group (Scope 1), electricity consumption during the operation (Scope 2) and employee's overseas business trips by air, waste landfill and paper consumption (Scope 3), respectively.

Direct GHG Emissions (Scope 1)

The Group's direct GHG emissions generate from the mobile combustion sources, such as the Group's vehicles and stationary combustion sources, such as boilers. Carbon dioxide, methane and nitrous oxide are released when the vehicle runs and the boiler burns fossil fuels. During the Reporting Period, the Group consumed a total of 10.64 tonnes of gasoline and 14,852 m^3 of natural gas, representing 64.28 tonnes of CO_2 equivalent and 6.06% of the total GHG emissions.

Indirect GHG Emissions from the Use of Energy (Scope 2)

The largest portion of the Group's GHG emissions mainly comes from scope 2 — GHG emissions indirectly caused by purchased electricity, accounting for 68.40% of the total GHG emissions. During the Reporting Period, the Group's electricity consumption reached 1,020,668.3 kWh, representing 725.46 tonnes of CO_2 equivalent and the average electricity consumption per sq meter of floor area was 27.79kWh in total.

Other Indirect GHG Emissions (Scope 3)

The total GHG emissions of the Group in Scope 3 amount to 270.87 tonnes CO_2 equivalent, representing 25.54% of the total GHG emissions. The sources of the Scope 3 mainly included water consumption, paper consumption and GHG emissions caused by employees' travel by plane. During the Reporting Period, the Group's water consumption was 9,644.00 cubic meters.

5.2. Emissions Reduction Measures and Smart Use of Resources

The Group formulates measures to reduce GHG emissions and improve energy efficiency by sorting out types of GHG emissions. We are committed to using innovative technologies to reduce the GHG emissions and energy consumption generated by the Group's daily operations, strictly abide by the environmental laws, regulations and other relevant requirements in the Mainland and Hong Kong and strive to enhance the overall environmental performance of the Group and fulfill the responsibilities as the world's citizen.

5.2.1. Green Insurance

ZhongAn Insurance is committed to the use of technological innovation and big data applications to develop the market of technology insurance and actively reducing resources waste and energy consumption. We are not only the first insurance company in China to deploy core insurance systems in the cloud computing environment, but also the first insurance company in China that integrates the overall business information system into the Cloud. Alibaba Cloud Computer Room is a leading new-generation green data center in China compared to the traditional one with the overall PUE (Power Usage Effectiveness) value close to 1, and is also one of the most energy-saving data centers in the subtropical regions.

We have changed the perception of the traditional insurance industry and used integrated technology applications to gradually subvert the traditional insurance industry featuring significant paper consumption. We have accumulated extensive technologies in artificial intelligence, cloud computing, blockchain and big data, and become the first 100% cloud-based insurance company in the world. Excerpt for creating competitive advantages in the business, electronic and automated insurance policy procedures contribute to reduce the waste of unnecessary paper and energy consumption since customers can use the online platform for insurance and we can handle hundreds or tens of millions of insurance policies with limited energy and resources compared to the traditional insurance industry.

2017 Environmental, Social and Governance (ESG) Report

5.2.2. Green Operation

ZhongAn Insurance vigorously creates green office and strives to make greater contribution to the environment by saving energy, water resources management, recycling waste and moving to a paperless office.

Electricity and Energy Saving

In order to reduce the energy consumption in office, we start with the lighting system through dividing the office into several different lighting areas where we set up individually controlled lighting switches and encourage employees to turn off unnecessary lighting systems before close of office, leaving their seats, going out or during lunchtime. We conduct regular check the luminosity of different locations in the office and reduce the number of lamps in places where the brightness is higher than the demand to reduce energy consumption. The deleted lamp will be reused to replace the depleted lamp and avoid waste. Dynamic sensors are installed in places not frequently occupied to save energy.

As the air-conditioning system is one of the devices with the highest power consumption, we apply a water-cooled air conditioning system and avoid installing air-conditioners in direct sunlight to improve energy efficiency. We set the minimum temperature of the air-conditioning system to 25 degrees Celsius and encourage employees to turn off the air conditioners when they are not in the office. In hot weather, we allow employees not to wear ties and suits and permit them to wear casual clothes every Friday without receiving visitors to reduce the needs for air conditioning.

Our daily business relies on a huge user database, artificial intelligence and cloud computing. As of December 31, 2017, the Company deployed 2,918 cloud servers and 180 cloud databases on the Cloud which are cooled by deep lake water and applied customized hardware of Alibaba. Compared with the use of traditional machine rooms and ordinary data centers, nearly a thousand tonnes of standard coal emissions and tens of millions of kilowatts of electricity can be saved totally every year, reducing large amounts of GHG emissions. In addition, we purchase and use electronic devices with energy efficiency label and utilise virtualized computer devices to reduce power consumption and hardware installation. For example, users do not need to purchase resources of hardware/software if they are provided with a set of Infrastructure as a Service (IaaS) or Platform as a Service (PaaS) through Cloud Computing, computing infrastructure or computing solution platform. Furthermore, we have also integrated multiple servers into a single server with higher capacity to reduce energy consumption and make more room for the office.

Treasuring and Saving Water

Although the Group's business does not belong to a high-water consumption industry, the world is now facing a crisis of scarce water resources. Therefore, the design of our data center is saving water-targeted and its average annual water use efficiency reaches 0.197, which is lower than that of the data centers of international enterprises. We also hope to raise employees' awareness of treasuring and saving water through proactively posting water-saving reminder labels in various toilets and using faucets and sanitary ware with water-saving labels and infrared sensing to reduce water consumption.

Paperless Office

The Group replaces paper-based office administration with the Office Automation System (OA System), such as electronic forms for handling administrative affairs, electronic accounting systems and e-procurement. We replace general office equipment with multifunction photocopiers to be free from independently operated printing, photocopying, scanning and facsimile equipment and improve energy efficiency. The Information Management Department has preset two-sided printing and ink saving mode for employees' computers and printers. To remind employees to use double-sided photocopying or reuse paper, we also post notices in the prominent place of the printer and encourage our employees to use telecommunication technology to transfer information as possible to reduce the use of paper. Except as mentioned above, we replaced all disposable cups and wooden chopsticks with non-disposable items, such as ceramic cups and reusable tableware.

Wastes Management

Wastes are also a valuable resource. We strictly abide by the laws and regulations concerning waste and reduce the consumption of natural resources through daily recycling. The Group's wastes are mainly generated from the daily operations of the office and mainly include waste paper, office solid wastes, waste electrical appliances and electronic products (electronic wastes). We encourage our employees to implement the following waste management measures:

1) Reduce waste generation

   As wastes should be reduced from the source, we will assess the number of materials before purchasing office stationery to avoid excessive inventory. If there is need to purchase materials, we will give preemption to purchase products that can be recycled or refilled to reduce the use of disposable and non-recyclable products.

2) Reuse

   We encourage our employees to reuse envelopes, binders, file cards and other stationery items, and use refills to reuse pens, thereby reducing the volume of wastes.

3) Wastes recycling and reusing

   We also placed rubbish classification guidelines in our offices to encourage employees to dispose of recyclable materials separately, such as metal cans, plastic products, waste paper, glass bottles and other recyclable materials, and collect them in the office.

In addition, office wastes are also classified as confidential and non-confidential documents. In the ordinary course of business, confidential information or customers' personal data are processed in shredding according to the Group's policies and then handed over to specialized service providers to ensure they are properly handled. In terms of non-confidential documents, all waste paper will be sent to waste paper recycling companies for recycling after being collected.

As for hazardous wastes that affect the environment, we will first consider contributing some older but usable electronic wastes and office electronic equipment to charities, which can not only assist people in need, but also reduce the burden from e-wastes to the landfill. With regards to some electrical appliances and electronic products that cannot be repaired, we will send them to qualified recyclers for recycling to ensure they are properly handled.

5.3. Looking Forward

The Group has not experienced any major accidents affecting the environment and natural resources and we are not involved in penalties and lawsuits regarding the environment. It has also conducted first measuring and reporting on the performance of GHG emissions of its offices for the year with a hope to expand the coverage and depth of the environmental performance report in the future. The Group consistently takes responsibility for the environment and society and continuously monitors the performance of sustainable development. In the coming year, the Group will conduct a detailed analysis and review of GHG emissions and comparison with the performance in the current year with efforts made to reduce energy consumption, GHG emissions and resource use, thereby enhancing the overall environmental performance of the Group.

2017 Environmental, Social and Governance (ESG) Report

6. Contribution to the Society

ZhongAn Insurance pursues business development and fulfills corporate social responsibility while sparing no effort to serve the community and care for the society. Through organizing different types of activities, we have established contacts and exchanges with all sectors of the society to jointly build a beautiful and harmonious community. We have organized and combined volunteer services within the Group and praised employees who devoted their spare time to volunteer activities and dedicated selfless care to those in need. In December 2017, under the leadership of the General Manager of the Group, our volunteers paid visit to a community rehabilitation station, the “Sunshine Home” (陽光之家), in Huangpu District, which integrates occupation therapy, medical treatment, physical therapy, recreational therapy and day care for the disabled and brought sentimental items to the caring groups of the welfare organization. Volunteers of the Group also performed shows, interacted and established fellowship with the caring groups, expressed our blessings to them and encouraged them to take a positive attitude towards lives.

Visit to “Sunshine Home”, a social welfare organization

7. Sustainability Data Statements

Environmental Performance	Unit	2017
Greenhouse Gas (GHG) Emissions		
Direct GHG emissions (Scope 1)	tonnes CO_2e	64.28
Indirect GHG emissions (Scope 2)	tonnes CO_2e	725.46
Other indirect GHG emissions (Scope 3)	tonnes CO_2e	270.87
Total GHG emissions (Scope 1, 2 &3)	tonnes CO_2e	1,060.60
GHG Intensity		
Per square meter of floor area (Scope 1, 2 &3)	tonnes CO_2e/m^2	0.03
Per staff (Scope 1, 2 &3)	tonnes CO_2e/staff	0.39
Fuel Consumption		
Fuel consumption of motorcade	tonnes	10.64
Natural gas consumption	m^3	14,852.00
Energy Consumption		
Total electricity consumption	kWh	1,020,683
Total electricity consumption intensity (per square meter of floor area)	kWh/m^2	27.79
Total electricity consumption intensity (per staff)	kWh/staff	411.90
Hazardous Waste		
Production of hazardous waste	pieces of batteries	62,306
Non-Hazardous Waste		
Paper consumption	pieces	8,944,000
Paper consumption intensity	pieces/staff	3,609

2017 Environmental, Social and Governance (ESG) Report

Social Performance			
Total Workforce	**Unit**		**2017**
Direct employees	no. of people		2,478
Outsourcing staff	no. of people		—
Direct Employees by Employment Contract and Gender		**Male**	**Female**
Permanent contract	no. of people	1,554	924
Fixed term contract	no. of people	—	—
Temporary contract	no. of people	—	—
Permanent Employees by Employment Type		**Male**	**Female**
Full-time	no. of people	1,554	924
Part-time	no. of people	—	—

Direct Employees by Age Group and Gender			
Total New hires by Age Group and Gender		**Male**	**Female**
Below 30	no. of people	662	415
30-50	no. of people	339	175
Above 50	no. of people	1	—
New Hire Rate, by Age Group and Gender		**Male**	**Female**
Below 30	%	76%	75%
30-50	%	50%	47%
Above 50	%	50%	—
Total Staff Turnover by Age Group and Gender		**Male**	**Female**
Below 30	no. of people	256	127
30-50	no. of people	242	80
Above 50	no. of people	—	—
Staff Turnover Rate, by Age Group and Gender		**Male**	**Female**
Below 30	%	29%	23%
30-50	%	36%	22%
Above 50	%	—	—

Occupational Health and Safety			
			2017
Work-related Injuries and Fatalities		**Male**	**Female**
Direct Employees of the Group			
Injuries	no. of people	0	0
Number of work-related fatalities	no. of people	0	0

8. Appendix: Hong Kong Stock Exchange ESG Reporting Guide Index

A. Environment Category			
Description of the indicator			**Related Sections**
A1: Emissions	General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Low-Carbon Enterprise Emissions Reduction Measures and Smart Use of Resources
	A1.1	The types of emissions and respective emissions data.	Low-Carbon Enterprise Sustainability Data Statements
	A1.2	Greenhouse gas emissions in total and intensity.	Low-Carbon Enterprise Sustainability Data Statements
	A1.3	Total hazardous waste produced and intensity.	Low-Carbon Enterprise Sustainability Data Statements
	A1.4	Total non-hazardous waste produced and intensity.	Low-Carbon Enterprise Emissions Reduction Measures and Smart Use of Resources Sustainability Data Statements
	A1.5	Description of measures to mitigate emissions and results achieved.	Emissions Reduction Measures and Smart Use of Resources
	A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Emissions Reduction Measures and Smart Use of Resources
A2: Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Emissions Reduction Measures and Smart Use of Resources
	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total and intensity.	Low-Carbon Enterprise Sustainability Data Statements
	A2.2	Water consumption in total and intensity.	Low-Carbon Enterprise Sustainability Data Statements
	A2.3	Description of energy use efficiency initiatives and results achieved.	Emissions Reduction Measures and Smart Use of Resources
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Emissions Reduction Measures and Smart Use of Resources
	A2.5	Total packaging material used for finished products and with reference to per unit produced.	Not applicable The Group did not utilise packing material.
A3: The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Low-Carbon Enterprise Looking Forward
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Low-Carbon Enterprise Looking Forward

2017 Environmental, Social and Governance (ESG) Report

B. Social Category			
Description of the indicator			**Related Sections**
B1: Employment	General Disclosure	Information on: the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Equal Employment Employees' Benefits Safeguarding Health and Safety of Employees Talent Cultivation and Development
	B1.1	Total workforce by gender, employment type, age group and geographical region.	Sustainability Data Statements
	B1.2	Employee turnover rate by gender, age group and geographical region.	Sustainability Data Statements
B2: Health and Safety	General Disclosure	Information on providing a safe working environment and protecting employees from occupational hazards.	Safeguarding Health and Safety of Employees
	B2.1	Number and rate of work-related fatalities.	Sustainability Data Statements
	B2.2	Lost days due to work injury.	Sustainability Data Statements
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Safeguarding Health and Safety of Employees
B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Talent Cultivation and Development
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	We plan to report on this in future reports.
	B3.2	The average training hours completed per employee by gender and employee category.	We plan to report on this in future reports.
B4: Labour Standards	General Disclosure	Preventing child and forced labour:	Equal Employment
	B4.1	Description of measures to review employment practices to avoid child and forced labour.	Equal Employment
	B4.2	Description of steps taken to eliminate such practices when discovered.	Equal Employment
B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supplier Management
	B5.1	Number of suppliers by geographical region.	We plan to report on this in future reports.
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supplier Management

B. Social Category			
Description of the indicator			**Related Sections**
B6: Product Responsibility	General Disclosure	Product Responsibility:relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress:	Respecting Intellectual Property Rights
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not applicable
	B6.2	Number of products and service related complaints received and how they are dealt with.	Handling Comments and Complaints from Clients
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	Respecting Intellectual Property Rights
	B6.4	Description of quality assurance process and recall procedures.	Not applicable
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Protecting Client Information and Privacy
B7: Anti-Corruption	General Disclosure	Information on bribery, extortion, fraud and money laundering:	Anti-Money Laundering and Counter-Terrorist Financing Codes on Anti-Bribery and Anti-Financial Crime
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.	Anti-Money Laundering and Counter-Terrorist Financing Codes on Anti-Bribery and Anti-Financial Crime
	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Anti-Money Laundering and Counter-Terrorist Financing Codes on Anti-Bribery and Anti-Financial Crime
B8: Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Contribution to the Society
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Contribution to the Society
	B8.2	Resources contributed to the focus area.	Contribution to the Society

Independent Auditor's Report

To the Shareholders of ZhongAn Online P & C Insurance Co., Ltd.
(Incorporated in the People's Republic of China with limited liability)

Opinion

What we have audited

The consolidated financial statements of ZhongAn Online P & C Insurance Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 98 to 172, which comprise:

- the consolidated balance sheet as at 31 December 2017;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter identified in our audit is summarised as follows:

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of insurance contract liabilities	
Refer to note 2.19 Summary of significant accounting policies – Insurance contracts liabilities and note 39 Insurance contracts liabilities. Refer to note 3.1 Significant accounting judgements and estimates- Valuation of insurance contract liabilities. The Group had claim reserves which are included in insurance contract liabilities stated at RMB 628 million at 31 December 2017, representing 16.2% of the Group's total liabilities. We focused on this area because the valuation of claim reserves involved a high degree of judgement by management in selecting the models and setting the assumptions including the development of paid and incurred losses and expected ultimate loss ratios.	We, with the assistance of our actuarial experts, performed the audit procedures listed below. We evaluated and tested the internal controls over data collection and analysis and the assumptions setting processes. We performed independent modelling analysis for claim reserves as follows: • We compared the underlying data used in the valuation models to the source, including earned premiums to accounting records and reported claims to the claims system. • We developed the actuarial assumptions such as claims development and loss ratio, considering both the Group's historical data and applicable industry experiences. • We evaluated the overall reasonableness of claim reserves by comparing the calculation result through independent modelling. Based on our audit work, we found management judgements in the valuation of claim reserves to be supportable by the audit evidence.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the management discussion and analysis (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the four-year financial summary, message from the Chairman and CEO, corporate milestone, directors, supervisors and senior management, corporate governance report, report of directors, report of the supervisory committee, environmental, social and governance report, definitions, glossary and corporate information which are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the management discussion and analysis of operation result and financial conditions, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate action considering our legal rights and obligations.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is LEUNG KWOK WAI, JIMMY.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 20 March 2018

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017
(All amounts expressed in RMB'000 unless otherwise stated)

	Notes	2017	2016
Gross written premiums	6(a)	**5,954,475**	3,408,048
Less: Premiums ceded to reinsurers	6(b)	**(249,310)**	(39,632)
Net written premiums	6	**5,705,165**	3,368,416
Less: Net change in unearned premium reserves	6	**(1,091,058)**	(143,004)
Net premiums earned	6	**4,614,107**	3,225,412
Net investment income	7	**778,895**	98,624
Net fair value gains through profit or loss	8	**58,800**	41,843
Other income	9	**131,391**	46,841
Total income		**5,583,193**	3,412,720
Net claims incurred	10	**(2,745,947)**	(1,355,293)
Handling charges and commissions	11	**(602,719)**	(287,109)
Foreign exchange (losses)/gains		**(138,688)**	9
Finance costs		**(4,139)**	(203)
General and administrative expenses	12	**(2,885,647)**	(1,754,105)
Other expenses		**(205,435)**	(3,004)
Total expenses		**(6,582,575)**	(3,399,705)
Share of net loss of associates accounted for using the equity method		**(2,807)**	—
(Loss)/Profit before income tax		**(1,002,189)**	13,015
Income tax	16	**5,833**	(3,643)
Net (loss)/profit for the year		**(996,356)**	9,372

	Notes	2017	2016
Attributable to:			
– Owners of the Company		**(997,250)**	9,372
– Non-controlling interests		**894**	—
		(996,356)	9,372
(Loss)/Earnings per share			
– Basic (RMB yuan)	17	**(0.77)**	0.01
– Diluted (RMB yuan)	17	**(0.77)**	0.01
Other comprehensive loss to be reclassified to profit or loss in subsequent periods, net of tax:			
– Changes in fair value of available-for-sale financial assets	18	**(56,052)**	(55,350)
– Exchange differences on translation of foreign operations	18	**(4,106)**	—
Other comprehensive loss for the year	18	**(60,158)**	(55,350)
Total comprehensive loss for the year		**(1,056,514)**	(45,978)
Attributable to:			
– Owners of the Company		**(1,055,397)**	(45,978)
– Non-controlling interests		**(1,117)**	—
		(1,056,514)	(45,978)

The accompanying notes form an integral part of the consolidated financial statements.

The consolidated financial statements and the accompanying notes starting from page 98 to page 172 are signed by:

Yaping Ou	Jin Chen
(On behalf of Board of Directors)	(On behalf of Board of Directors)

Consolidated Balance Sheet

At 31 December 2017

(All amounts expressed in RMB'000 unless otherwise stated)

	Notes	At 31 December 2017	At 31 December 2016
ASSETS			
Cash and cash equivalents	19	**5,260,259**	1,153,244
Financial assets at fair value through profit or loss	20	**5,608,633**	1,599,230
Securities purchased under agreements to resell	21	**3,043,417**	302,300
Interest receivables	22	**155,641**	136,841
Premium receivables	23	**523,761**	174,281
Reinsurance debtors	24	**46,692**	10,838
Reinsurers' share of insurance contract liabilities	39	**132,423**	24,104
Available-for-sale financial assets	25	**3,191,179**	3,670,260
Loans and advances to customers	26	**90,104**	—
Investments classified as loans and receivables	27	**2,089,291**	1,707,648
Restricted statutory deposits	28	**248,125**	248,125
Investment in associates	29	**164,399**	—
Property and equipment	30	**85,179**	53,651
Intangible assets	31	**254,663**	147,953
Goodwill		**1,047**	1,047
Other assets	33	**254,679**	102,701
Total assets		**21,149,492**	9,332,223
EQUITY AND LIABILITIES			
Equity			
Share capital	34	**1,469,813**	1,240,625
Reserves	35	**16,593,652**	5,557,649
(Accumulated losses)/Retained earnings		**(936,552)**	60,698
Total equity attributable to equity owners of the Company		**17,126,913**	6,858,972
Non-controlling interests		**143,783**	—
Total equity		**17,270,696**	6,858,972
Liabilities			
Securities sold under agreements to repurchase	37	**135,400**	282,674
Premiums received in advance		**75,356**	61,608
Reinsurance payables	38	**247,831**	33,999
Policyholders' deposits		**—**	211
Insurance contract liabilities	39	**2,430,076**	797,305
Investment contract liabilities		**17,840**	573,069
Deferred income tax liabilities	32	**—**	24,517
Other liabilities	40	**972,293**	699,868
Total liabilities		**3,878,796**	2,473,251
Total equity and liabilities		**21,149,492**	9,332,223

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

(All amounts expressed in RMB'000 unless otherwise stated)

	Attributable to owners of the Company								
		Reserves							
	Share capital	Capital reserves	Other reserves due to share-based payment	Available-for-sale investment revaluation reserves	Foreign currency translation reserves	(Accumulated losses)/ Retained earnings	Total	Non-controlling interests	Total equity
At 1 January 2016	1,240,625	5,505,266	27,947	73,154	—	51,326	6,898,318	—	6,898,318
Total comprehensive income	—	—	—	(55,350)	—	9,372	(45,978)	—	(45,978)
Share-based payments	—	—	6,632	—	—	—	6,632	—	6,632
At 31 December 2016	1,240,625	5,505,266	34,579	17,804	—	60,698	6,858,972	—	6,858,972
Total comprehensive income	—	—	—	(56,052)	(2,095)	(997,250)	(1,055,397)	(1,117)	(1,056,514)
Capital injection	229,188	11,105,876	—	—	—	—	11,335,064	—	11,335,064
Transaction with non-controlling interests	—	6,100	—	—	—	—	6,100	144,900	151,000
Share-based payments	—	—	3,041	—	—	—	3,041	—	3,041
Others	—	(20,867)	—	—	—	—	(20,867)	—	(20,867)
At 31 December 2017	**1,469,813**	**16,596,375**	**37,620**	**(38,248)**	**(2,095)**	**(936,552)**	**17,126,913**	**143,783**	**17,270,696**

Consolidated Cash Flow Statement

For the year ended 31 December 2017
(All amounts expressed in RMB'000 unless otherwise stated)

	Notes	Year ended 31 December 2017	Year ended 31 December 2016
OPERATING ACTIVITIES			
Cash (used in)/generated from operating activities	41	**(709,794)**	853,387
Net cash (outflow)/inflow from operating activities		**(709,794)**	853,387
INVESTING ACTIVITIES			
Purchases of property and equipment, intangible assets and other assets		**(215,559)**	(183,641)
Proceeds from sale of property and equipment, intangible assets and other assets		**18**	—
Purchases of investments, net		**(6,670,453)**	(1,225,144)
Acquisition of a subsidiary and other business entities, net		**(162,400)**	(1,200)
Dividends and others received from investments		**738,393**	54,064
Net cash outflow from investing activities		**(6,310,001)**	(1,355,921)
FINANCING ACTIVITIES			
Proceeds from issues of shares		**11,335,064**	—
Securities sold under agreements to repurchase, net		**(151,413)**	280,872
Transactions with non-controlling interests		**151,000**	—
Other cash payment related to financing activities		**(65,047)**	—
Net cash inflow from financing activities		**11,269,604**	280,872
Effects of exchange rate changes on cash and cash equivalents		**(142,794)**	9
Net increase/(decrease) in cash and cash equivalents		**4,107,015**	(221,653)
Cash and cash equivalents at the beginning of year		**1,153,244**	1,374,897
Cash and cash equivalents at the end of year		**5,260,259**	1,153,244

Notes to Consolidated Financial Statement

For the year ended 31 December 2017
(All amounts expressed in RMB'000 unless otherwise stated)

1. General Information

Approved by the China Insurance Regulatory Commission (the "CIRC") of the People's Republic of China (the "PRC"), ZhongAn Online P & C Insurance Co., Ltd. (the "Company") is a joint stock company established on 9 October 2013.

The Company and its subsidiary (collectively, the "Group") are principally engaged in Insuretech business, which provides internet insurance services and insurance information technology services to customers.

The Company became listed on the Main Board of the Stock Exchange of Hong Kong on 28 September 2017, and its stock code is 6060.

2. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the Consolidated Financial Statements are set out below. These policies have been consistently applied to the all the years presented unless otherwise stated.

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong kong Financial Reporting standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention other than financial instruments that have been measured at fair values and insurance contract liabilities that been measured primarily based on actuarial methods. These consolidated financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

(a) Changes in accounting policy and disclosures

The Group has adopted the following revised HKFRSs for the first time for the current year's consolidated financial statements. Though in certain cases, giving rise to new or revised accounting policies, the adoption of these revised HKFRSs currently has had no significant impact on these consolidated financial statements.

HKAS 12 Amendments	Recognition of deferred tax assets for unrealised losses
HKAS 7 Amendments	Disclosure initiative
HKFRS 12 Amendments	Disclosure of interest in other entities

The Group has not early adopted any other standard, interpretation or amendment that was issued but is not yet effective.

Notes to the Consolidated Financial Statement

For the year ended 31 December 2017
(All amounts expressed in RMB'000 unless otherwise stated)

2. Summary of Significant Accounting Policies (Continue)

2.1 Basis of preparation (Continue)

(b) New and revised standards not yet adopted

Standards, amendments and interpretations that have been issued but not yet effective on 1 January 2017 and not been early adopted by the Group as of the Relevant Periods are as follows:

		Effective for annual periods beginning on or after
HKFRS 4 Amendments	Applying HKFRS 9 with HKFRS 4 Insurance Contracts	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 16	Leases	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle	1 January 2018
Amendments to HKAS 40	Transfers of investment property	1 January 2018
Amendments to HKFRS 2	Share based payments, on clarifying how to account for certain types of share-based payment transactions	1 January 2018
HK(IFRIC 22)	Foreign currency transactions and advance consideration	1 January 2018
HK(IFRIC 23)	Uncertainty over income tax treatments	1 January 2019

2. Summary of Significant Accounting Policies (Continue)

2.1 Basis of preparation (Continue)

(b) ***New and revised standards not yet adopted*** *(Continue)*

HKFRS 9 and HKFRS 4 Amendments

HKFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income ("OCI") and fair value through income statement. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI which are not recycled to profit or loss. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Amendments to HKFRS 4 address issues arising from the different effective dates of HKFRS 9, and will apply the upcoming new insurance contracts standard. The amendments provide two optional approaches to deal with the mismatched effective dates of HKFRS 9 and the new insurance contracts standard to replace HKFRS 4. The overlay approach allows all companies that issue insurance contracts to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when HKFRS 9 is applied before the new insurance contracts standard is issued. The deferral approach enables companies whose activities are predominantly connected with insurance temporary exemption from applying HKFRS 9 until 2021. Entities that defer the application of HKFRS 9 will continue to apply HKAS 39 Financial Instruments: Recognition and Measurement.

The new rule changes the measurement categories of financial assets. Measurement categories under HKAS 39 are fair value through profit or loss, available-for-sale, hold for maturity, and loans and receivables. HKFRS 9 redefines this category model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income and fair value through income statement. The initial recognition of financial assets under the new rule will be based on the entity's business model for managing financial assets and their contractual cash flow characteristics. Financial assets recognized as fair value through OCI are initially recognized and subsequently measured at fair value and movements in the carrying amount should be taken through OCI except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in profit and loss. Financial assets included within fair value through income statement should be measured at fair value and all changes taken through profit or loss. Financial assets include in amortized costs are initially recognized at fair value and subsequently measured at amortized cost. The abovementioned changes impact the Group both on consolidated balance sheet and consolidated comprehensive income statement which is different from current classification and measurement. Also a new impairment model is introduced which will replace the current incurred loss model under HKAS 39. The impairment loss will be recognized in income statement and it requires the Group to estimate the impairment loss in credit quality of the financial assets which varies from current impairment loss model. Hence the impact on the Group is expected to be significant. However, the Group concludes that the Group's operation activities are predominantly connected with insurance and decides to apply the deferral approach. Therefore, the Group will not adopt the HKFRS 9 until 1 January 2021 which will not have impact on the Group until 2021.

Notes to the Consolidated Financial Statement

For the year ended 31 December 2017
(All amounts expressed in RMB'000 unless otherwise stated)

2. Summary of Significant Accounting Policies (Continue)

2.1 Basis of preparation (Continue)

(b) New and revised standards not yet adopted (Continue)

HKFRS 15

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management has assessed the effects of applying the new standard on the group's financial statements and has identified the following areas that will be affected:

- The Group enters into a number of information technology service contract with the clients where the group provide IT consulting contracts. The application of HKFRS 15 may further result in the identification of separate performance obligations in relation to IT consulting contracts which could affect the timing of the recognition of revenue going forward.
- Presentation of contract assets and contract liabilities in the balance sheet – HKFRS 15 requires separate presentation of contract assets and contract liabilities in the balance sheet. This will result in some reclassifications as of 1 January 2018 in relation to IT consulting contracts and contract liabilities in relation to expected volume discounts and rights to return which are currently included in other balance sheet line items.

However, since the predominant revenue stream of the Group is premium income which is booked in accordance with HKFRS 4, management concludes that HKFRS 15 will not have a material impact on the Group.

HKFRS 16

HKFRS 16, 'Leases' addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that almost all operating leases will be accounted for on balance sheet for lessees, and the only optional exemptions are for certain short-term leases and leases of low-value assets. The standard replaces HKAS 17 'Leases', and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted but only in conjunction with adopting HKFRS 15 'Revenue from contracts with customers' at the same time.

The Group is a lessee of various offices, which are currently classified as operating leases. The Group's current accounting policy for such leases is set out in Note 2.26 under which operating lease payment is accounted for in the consolidated statements of comprehensive income when incurred and the Group's future operating lease commitments are not reflected in the consolidated balance sheets but are disclosed in Note 44. HKFRS 16 provides new provisions for the accounting treatment of leases and all long-term leases, including future operating lease commitments, must be recognized in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Thus each lease will be mapped in the Group's consolidated balance sheets. In the income statement, leases will be recognized in the future as capital expenditure on the purchasing side and will no longer be recorded as an operating expense. As a result, the operating expenses under otherwise identical circumstances will decrease, with depreciation and amortization and the interest expense will increase. The new standard will impact the balance sheet in terms of total assets and liabilities. The Group holds material long-term leases, hence the impact of HKFRS 16 would be material on its total assets and liabilities while the impact on equity and the consolidated statement of comprehensive income is not expected to be significant.

2. Summary of Significant Accounting Policies (Continue)

2.1 Basis of preparation (Continue)

(b) New and revised standards not yet adopted (Continue)

HKFRS 17

HKFRS 17 was issued in January 2018 as replacement for HKFRS 4 Insurance Contracts. It applies to the measurement of insurance contracts issued, all reinsurance contracts and investment contracts with discretionary participating features.

It requires a current measurement model where estimates are re-measured each reporting period. Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows
- an explicit risk adjustment, and
- a contractual service margin ("CSM") representing the unearned profit of the contract which is recognized as revenue over the coverage period.

The standard allows a choice between recognizing changes in discount rates either in the income statement or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under HKFRS 9.

An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.

There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach the entity's share of the fair value changes of the underlying items is included in the contractual service margin. The results of insurers using this model are therefore likely to be less volatile than under the general model.

Also when measuring the insurance contracts, risk adjustment will need to reflect the compensation that the Group requires for uncertainty and quantify the value between a certain and an uncertain liability based on its own assessment. Acquisition costs can be deferred in a different approach.

These changes under new rule will impact the Group's financial performance in revenue recognition, insurance contract liabilities provision and expense amortization and deferral, thus impacting the statement of comprehensive income and financial position. Insurers are also required to disclose information about amounts, judgements and risks arising from insurance contracts. Insurance contracts revenue on the statement of comprehensive income which is a key performance indicator will include expected claims and benefits and release of risks and amortization of CSM which is of different components compared with current composition. The impact is expected to be significant. However, it won't have impact on the Group until 2021.

Except the above mentioned impact of HKFRS 9 and HKFRS 17 whose impact will be imposed on the Company until 2021, the Group expects adoption of the new HKFRS, amendments to HKFRS and HK(IFRIC) interpretations issued but not yet effective will not have a material impact on the Group's operating results, financial position or other comprehensive income.

Notes to the Consolidated Financial Statement

For the year ended 31 December 2017
(All amounts expressed in RMB'000 unless otherwise stated)

2. Summary of Significant Accounting Policies (Continue)

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRSs.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement (Note 2.7).

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2. Summary of Significant Accounting Policies (Continue)

2.2 Subsidiaries (Continue)

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.2.3 Associates

An associate is an entity over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit of investments accounted for using equity method' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the group and its associate are recognised in the group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

Gain or losses on dilution of equity interest in associates are recognised in the income statement.

Notes to the Consolidated Financial Statement

For the year ended 31 December 2017
(All amounts expressed in RMB'000 unless otherwise stated)

2. Summary of Significant Accounting Policies (Continue)

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions. The Group has determined the management team represented by the Chief Executive Officer as its chief operating decision maker.

The measurement of segment assets and liabilities, as well as segment revenue, expense and results is based on the Group's accounting policies. There is no difference between the accounting policies used in the preparation of the Group's financial statements and those used in preparing the operating segment information.

Segment revenue, results, assets and liabilities include items directly attributable to a segment as well those that can be allocated on a reasonable basis.

Currently, the Group operates its business as one single segmentation. No separate segment information is necessary to be disclosed. More than 99% of the Group's revenue is derived from its operations in the PRC. More than 99% of the Group's assets are located in the PRC.

2.4 Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statements of comprehensive income, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting currency translation differences are recognised in other comprehensive income.

2. Summary of Significant Accounting Policies (Continue)

2.5 Property and equipment and depreciation

Property and equipment can be recognized only when future economic benefits expected to be obtained from the use of the item will flow into the Group and its cost can be measured reliably. Expenditure incurred after items of property and equipment have been put into operation is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has met the recognition criteria, the expenditure is capitalized as an additional cost of that asset and the confirmation of the book value of the replaced part should be stopped.

Property and equipment are initially measured at cost after considering the impact of the expected disposal expenses. The cost of an item of property and equipment comprises its purchase price, related taxes and fees and any directly attributable costs of bringing the asset to its intended use.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life. The expected useful life, estimated residual value rate and annual depreciation rate used for this purpose are as follows:

Category	Expected useful life	Estimated residual value rate	Annual depreciation rate
Electrical equipment	5 years	5%	19%
Office furniture and equipment	5 years	5%	19%
Motor vehicles	5 years	5%	19%
Leasehold improvements	3-6 years	0%	17%-33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "General and administrative expenses" in the statement of comprehensive income.

Notes to the Consolidated Financial Statement

For the year ended 31 December 2017
(All amounts expressed in RMB'000 unless otherwise stated)

2. Summary of Significant Accounting Policies (Continue)

2.6 Intangible assets

The Group's intangible assets include computer software and Chinese domain name registration.

Intangible assets can be recognized only when future economic benefits expected to be obtained from the use of the item will flow into the Group and its cost can be measured reliably. Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

The useful lives of intangible assets are assessed by the period of bringing economic benefits for the Company. If the period of bringing economic benefits cannot be determined, intangible assets will be classified as indefinite intangible assets.

The expected service lives of intangible assets are as follows:

	Useful life
Software	2-10 years
Chinese domain name registration	10 years

Intangible assets with finite lives are subsequently amortized on the straight-line basis over the useful economic life. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed, and adjusted if appropriate, at least at each year end.

2. Summary of Significant Accounting Policies (Continue)

2.7 Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed. The recoverable amount of such CGU is mainly contributed by discounted cash flows from operations after considering the parameters including but not limited to income streams, estimated cost of sales and etc.

2.8 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2. Summary of Significant Accounting Policies (Continue)

2.9 Financial assets

(a) Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity financial assets and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts. Derivatives are also classified as held for trading unless they are designated as hedges.

Financial assets designated as at fair value through profit of loss at inception are those that are:

- Held in internal funds to match insurance and investment contracts liabilities that are linked to the changes in fair value of these assets. The designation of these assets to be at fair value through profit or loss eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; and
- Managed and whose performance is evaluated on a fair value basis. Information about these financial assets is provided internally on a fair value basis to the Group's key management personnel. The Group's investment strategy is to invest in equity and debt securities and to evaluate them with reference to their fair values. Assets that are part of theses portfolios are designated upon initial recognition at fair value through profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently carried at amortized cost using the effective interest rate method less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premiums on acquisition and includes fees or costs that are an integral part of the effective interest rate.

Held-to-maturity financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold to maturity. Held-to-maturity financial assets are subsequently measured at amortized cost less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

2. Summary of Significant Accounting Policies (Continue)

2.9 Financial assets (Continue)

(b) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within 'Net fair value gains from profit or loss' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of investment income when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are included in the income statement as net realised gains on financial assets.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the statement of comprehensive income. Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive income when the Group's right to receive payments is established.

2.10 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Notes to the Consolidated Financial Statement

For the year ended 31 December 2017
(All amounts expressed in RMB'000 unless otherwise stated)

2. Summary of Significant Accounting Policies (Continue)

2.10 Fair value measurement (Continue)

For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and other valuation models. For discounted cash flow techniques, estimated future cash flows are based on directors' best estimates and the discount rate used is a market related rate for a similar instrument. Certain financial instruments, including derivative financial instruments, are valued using pricing models that consider, among other factors, contractual and market prices, correlation, time value of money, credit risk, yield curve volatility factors and/or prepayment rates of the underlying positions. The use of different pricing models and assumptions could produce materially different estimates of fair values.

The fair values of floating rate and overnight deposits with credit institutions are their carrying values. The carrying value is the cost of the deposit and accrued interest. The fair value of fixed interest-bearing deposits is estimated using discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments at the balance sheet date.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.12 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortized cost

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The related collateral value shall also be taken into account. The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition or the current effective interest rate if a loan has a variable interest rate).

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognized in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the income statement.

2. Summary of Significant Accounting Policies (Continue)

2.12 Impairment of financial assets (Continue)

Assets classified as available for sale

For debt securities, if any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated statement of comprehensive income.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. The Group inspects the equity instrument investments individually at the balance sheet date. Recognition of an impairment loss is required if the fair value is below the initial investment cost by more than 50% (included) or for a continuous period of more than one year(included). The Group uses the weighted average method to calculate the initial costs of available-for-sale equity investments.

2.13 Securities purchased under agreements to resell

The Group enters into purchases of securities under agreements to resell substantially identical securities. These agreements are classified as loans and receivables. The amount advanced under these agreements are reflected as assets in the balance sheet. The Group does not take physical possession of securities purchased under agreements to resell. In the event of default by the counterparty to repay the loan, the Group has the right to the underlying securities.

2.14 Reinsurance

The Group cedes insurance risk in the normal course of business. Reinsurance agreements that transfer significant insurance risk are treated as reinsurance contracts; reinsurance agreements that do not transfer significant insurance risk are not treated as reinsurance contracts.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders. At the recognition of direct insurance revenue, the Group recognizes premiums ceded and reinsurance claims recoverable as income and expenses. In the period of recognizing unearned premium reserves and outstanding claim reserves, the Group recognizes reinsurance assets based on estimated cash flow and margin factors.

Reinsurance assets and direct insurance contract liabilities are shown separately in balance sheet. Also, reinsurance income and expenses cannot be offset by direct insurance contract income and expenses in income statement.

2.15 Cash and cash equivalents

In the consolidated statements of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, bank overdrafts and money market fund.

Notes to the Consolidated Financial Statement

For the year ended 31 December 2017
(All amounts expressed in RMB'000 unless otherwise stated)

2. Summary of Significant Accounting Policies (Continue)

2.16 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.17 Insurance contracts

Insurance contracts are those contracts under which the Group has accepted significant insurance risk from the policyholders by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. Insurance contracts are classified as direct insurance contracts and reinsurance contracts. The significance of insurance risk as determined by the Group is dependent on both the probability of an insurance event and the magnitude of its potential effect.

Contracts that only transfer insurance risk are treated as insurance contracts. If the Group signs contracts with policyholders which transfer insurance risk as well as other risks, the treatments would depend on:

- If the insurance risk portion and other risk portion are distinct and separately measurable, the insurance risk portion and other risk portion should be unbundled. The portion with insurance risk should be treated as an insurance contract, while the portion with other risks should not be treated as an insurance contract.
- If the insurance risk portion and other risk portion cannot be distinct, or if they are distinct but cannot be separately measurable, the whole contract should be treated as an insurance contract if the insurance risk is significant; the whole contract should not be treated as an insurance contract if the insurance risk is insignificant.

2.18 Testing the significance of insurance risk

For contracts issued by the Group which require testing the significance of insurance risk, it should be performed at the initial recognition of such contracts, and based on a group of contracts with a similar nature.

When testing the significance of insurance risk, the Group makes judgements in this sequence: (i) whether the contract transfers insurance risk; (ii) whether the contract has commercial substance; (iii) whether the insurance risk transferred is significant.

When determining whether the contracts (or policies) transfer significant insurance risk, the Group considers: (i) annuity contracts that transfer longevity risk are treated as insurance contracts; (ii) for non-annuity contracts, if the insurance risk ratio is greater than or equal to 5% at certain points of time during the duration of the contracts, they are treated as insurance contracts; the insurance risk ratio is derived by comparing the benefits paid with the benefits payable if the insured event did not occur. For property and casualty and short-term life policies that obviously transfer significant risk, the Group recognizes them as insurance contracts directly.

When determining whether reinsurance policies transfer significant insurance risk, the Group considers thoroughly the commercial substance and other relevant contracts and agreements, and if the insurance risk ratio of reinsurance policies is greater than 1%, they are treated as reinsurance contracts. The insurance risk ratio of reinsurance policies is derived by comparing the present value of probability-weighted expected loss with the present value of expected reinsurance premiums. If the reinsurance policies obviously transfer significant insurance risk, the Group directly recognizes them as reinsurance contracts.

2. Summary of Significant Accounting Policies (Continue)

2.18 Testing the significance of insurance risk (Continue)

For the purpose of testing the significance of insurance risk, contracts of a similar nature are grouped together. Through considering the risk distribution and characteristics, the Group selects sufficient representative samples to test the significance of insurance risk. If most samples transfer significant insurance risk, all contracts in the group are treated as insurance contracts.

The assumptions used for testing the significance of insurance risk mainly include expected ultimate loss ratio, mortality and morbidity, loss distribution, etc. The Group determines such assumptions based on historical experiences and the estimation on future development trends so as to reflect the Group's product characters and actual claim payments.

2.19 Insurance contract liabilities

The Company's insurance contract liabilities include unearned premium reserves and claim incurred reserves.

When measuring insurance contract liabilities, insurance contracts whose insurance risks are of a similar nature are classified as a measurement unit. The Company's contracts mainly include credit insurance, bond insurance, enterprise property insurance, household property insurance, health insurance, accident insurance, liability insurance, cargo insurance, motor insurance and other insurance.

Insurance contract liabilities are measured based on a reasonable estimate of the amount of payments when the company fulfils relevant obligations under the insurance contracts, which represents the difference between expected future cash outflows and inflows under such contracts.

- Expected future cash outflows represent reasonable cash outflows which are necessary for the company to fulfil relevant obligations under the insurance contracts, and mainly include: (a) guaranteed benefits or claims under the insurance contracts; (b) reasonable expenses necessary for maintaining and serving the insurance contracts, claims handling, including policy maintenance expenses, claim expenses, etc.
- Expected future cash inflows represent cash inflows from assuming insurance contractual obligations, including premiums and other charges.

Reasonable estimate of expected net future cash flows is determined based on information currently available at the balance sheet date.

Margins are considered and separately measured in determining insurance contract liabilities. Margins are released in the income statement over the insurance coverage period using systematic and reasonable methods. Margins include risk margin and residual margin.

- Risk margin represents provision for the uncertainty associated with the future net cash flows.
- At inception of an insurance contract, any "day-one" gain is not recognised in the income statement, but included in the insurance contract liabilities as a residual margin. At inception of an insurance contract, any "day-one" loss is recognised in the income statements.

The Group amortises the residual margin on a time basis during the whole insurance coverage period and records it in profit or loss.

When measuring insurance contract liabilities, time value of money is considered. The related future cash flows are discounted when the impact of time value of money is significant. For short duration contracts which duration is within one year, the cash flows are not discounted. The discount rate used in the measurement of time value of money is determined with reference to information currently available as at the end of each reporting date and is not locked.

Notes to the Consolidated Financial Statement

For the year ended 31 December 2017
(All amounts expressed in RMB'000 unless otherwise stated)

2. Summary of Significant Accounting Policies (Continue)

2.19 Insurance contract liabilities (Continue)

Unearned premium reserves

Unearned premium reserves are measured by using the unearned premium approach. At inception of the contract, unearned premium reserves are measured based on premiums received with deduction of relevant acquisition costs such as commission charge, business tax, insurance guarantee fund, supervision fees, etc. After initial recognition, unearned premium reserves are released over the term of the contract using a 365-day basis or other methods regarding to relevant nature and risk distribution.

The Company performs liability adequacy tests using discounted cash flow method at the balance sheet date. Additional insurance contract liabilities should be made and recognized in the income statement if any deficiency exists.

Claim reserves

Claim reserves represent insurance contract provisions for non-life insurance accidents, which include incurred and reported claim reserves, incurred but not reported ("IBNR") claim reserves and claim expense reserves.

Incurred and reported claim reserves represent insurance contract provisions for the claims incurred and reported to the company. The company uses case-by-case estimate method to measure incurred and reported claim reserves based on a reasonable estimate of the ultimate claims amount and the margin factor.

IBNR claim reserves represent insurance contract provisions for the claims incurred but not reported to the company. The company uses loss ratio method and chain ladder method to measure IBNR claim reserves based on a reasonable estimate of the ultimate claims amount and the margin factor, and after considering industry benchmark and experience data, etc.

Claim expense reserves represent insurance contract provisions for related claims handling costs. The company uses case-by-case estimate method for direct claim expense reserves and ratio allocation method to measure indirect claim expense reserves with consideration to margin factor.

2.20 Investment contract liabilities

Investment contract liabilities mainly represent liabilities with regard to the non-insurance portion of related contracts, and those contracts which do not pass the testing of significant insurance risk. For those non-life investment type policies without guaranteed benefits, the related contract liabilities are measured at fair value and the related transaction costs are recognized in the statement of income. Commissions and other expenses incurred, net of receipts from initial charges that are meant to compensate such costs, are recognized as transaction costs in the initial amount of the liabilities.

2.21 Securities sold under agreements to repurchase

Securities sold under agreements to repurchase are financial liabilities and are recorded at amortized cost. The Group may be required to provide additional collateral based on the fair value of the underlying securities and such collateral assets continued to be carried on the balance sheet.

2. Summary of Significant Accounting Policies (Continue)

2.22 Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the Group controls the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The tax effects of carry-forwards of unused losses or unused tax credits are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

Deferred income tax related to fair value re-measurement of available-for-sale investments and cash flow hedges, which are charged or credited directly in other comprehensive income, is also credited or charged directly to other comprehensive income and subsequently recognised in the consolidated income statement together with the deferred gain or loss.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be recovered.

Notes to the Consolidated Financial Statement

For the year ended 31 December 2017
(All amounts expressed in RMB'000 unless otherwise stated)

2. Summary of Significant Accounting Policies (Continue)

2.23 Employee benefits

(a) Pension schemes

The employees of the Group participate in various defined contribution pension plans principally organised by municipal and provincial governments. The Group makes and accrues contributions to the pension plans based on certain percentages of the salaries of the employees on a monthly basis. The Group has no other significant legal or constructive obligations for retirement benefits beyond the said contributions, which are expensed as incurred.

The Group pays early retirement benefits to those employees who accept early retirement arrangements approved by management. Early retirement benefits are paid to those employees who voluntarily retire before the normal retirement date. The related benefit payments are made from the date of early retirement through the normal retirement date. The Group records a liability for the present value of its early retirement obligation when employees retire early.

(b) Housing benefits

The employees of the Group are entitled to participate in various government sponsored housing funds. The Company and these subsidiaries contribute on a monthly basis to these funds based on certain percentages of the salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each period.

(c) Medical benefits

The Group makes contributions for medical benefits to the local authorities in accordance with the relevant local regulations.

2.24 Share-based payments

The Group operates an equity-settled, share-based compensation plan, under which the Group receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of the equity instruments is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- Including any market performance conditions;
- Excluding the impact of any service and non-market performance vesting conditions;
- Including the impact of any non-vesting conditions.

At the end of each reporting period, the Group revises its estimates of the number of equity instruments that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

If the terms of an equity-settled award are modified, at a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

2. Summary of Significant Accounting Policies (Continue)

2.25 Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) *Premium revenue*

Premium revenue is recognized when the insurance contract are issued and the related insurance risk is undertaken by the Group, the economic benefits associated with the insurance contract will probably flow to the Group and when the revenue can be measured reliably.

Premiums from direct insurance contracts are recognized as revenue based on the amount of total premiums stated in the contracts.

(b) *Investment income*

Investment income includes interest from term deposits, fixed maturity securities, securities purchased under agreements to resell, policy loans and other loans, dividends from investment funds and securities, etc.

Interest income is recognized on an accrual basis using the effective interest rate method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Dividends are recognized when the shareholders' right to receive payment is established.

(c) *Revenue from service*

Revenue from services is recognised in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction and assessed on the basis of actual services provided as a proportion of the total service to be provided.

2.26 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.27 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to assets included in the liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

Notes to the Consolidated Financial Statement

For the year ended 31 December 2017
(All amounts expressed in RMB'000 unless otherwise stated)

3. Significant Accounting Judgements and Estimates

The preparation of the Group's consolidated financial statements requires directors of the Company to make judgements and estimates that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets and liabilities affected in the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

3.1 Valuation of insurance contract liabilities

When measuring the insurance contract liabilities, the Group needs to make a reasonable estimate of the amounts that the Group is required to pay in fulfilling the obligations under the insurance contracts. Such estimates are determined by calculating various possible outcomes and relevant probabilities based on information currently available as at the balance sheet date.

At the balance sheet date, the Group makes estimates of the assumptions used in the measurement of insurance contract liabilities. The Group determines such assumptions based on information currently available as at the balance sheet date and a risk adjustment is considered.

Unearned premium reserves

When performing liability adequacy tests of unearned premium reserves, the Group use discounted cash flow method to judge if any deficiency exists. Main assumptions in measuring discounted cash flow include discount rate, expense assumptions, loss ratios and risk margin, etc.

(a) Discount rate

Cash flow will not be discounted when being measured because the durations of all insurance category are less than 1 year.

(b) Expense assumptions

The Group develops its expense assumption on its expense analysis and future expectation for policy acquisition costs and maintenance expenses.

The Group's expense assumption is determined based on industry analysis, industry standards and economic environment. The Group's expense assumption is affected by certain factors, such as inflation, market competition and other factors. Depending on these factors, the Group's expense assumption is uncertain.

(c) Loss ratios

The Group develops its loss ratio assumption on analysis of its historical claims payments experience, future development trends and industry experiences.

(d) Risk margin

The risk margin represents provision for the uncertainty associated with the future cash flows. The risk adjustment is determined by reference to the industry benchmark and the risk adjustment for future cash flows is 5.5 percent of unbiased estimate of future net cash flow present value.

Claim reserves

Claim reserve depends mainly on claim development factors and expected ultimate loss ratio to predict the future cost of claims. Claim developments factors and the expected ultimate loss ratio for various measurement units are based on past claims development experience and loss ratios, taking into consideration changes in company policies such as the underwriting policy, expenses and claims handling, and changing trends in external environments such as economic conditions, regulations and legislation. The Group determined the risk margin assumptions for claim reserves based on the available information at the end of each of the reporting date. In assessing claim reserves, the risk margin was determined at 5 percent.

4. Management of Insurance and Financial Risk

(a) Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

Insurance risk could occur due to any of the following factors:

Occurrence risk – the possibility that the number of insured events will differ from that expected.

Severity risk – the possibility that the cost of the events will differ from that expected.

Development risk – the possibility that changes may occur in the amount of an insurer's obligation at the end of the contract period.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random, and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio. The Group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

The Group's concentration of insurance risk is reflected by its major lines of business as analysed by premium income in Note 6.

Key assumptions

Outstanding claims reserves are mainly based on assumptions of expected ultimate loss ratio which is determined after considering industry benchmark, experience data, discount and margin factors. Significant cases need to be considered separately and reflected by estimated amount. These assumptions are made in respect of incurred net claim costs, claims handling costs, risk profile of the Group's line of business, claims inflation factors and claim numbers for each accident year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example one-off occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as changes in internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key assumptions include explicit margin, delays in settlement, etc.

Sensitivities

Outstanding claim reserves are sensitive to the above key assumptions. The sensitivity of certain variables like legislative changes, uncertainty in the estimation process, is not possible to quantify. Furthermore, because of delays that arise between occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claim reserves are not known with certainty at the balance sheet date.

Ultimate loss ratio change results in changes in outstanding claim reserves. The following table reflects sensitive analysis of key assumptions relevant to outstanding claim reserves. Under the condition when other variables remain constant, changes in net profit before income tax and equity due to expected ultimate loss ratio change and average claim costs change are as follows:

Notes to the Consolidated Financial Statement

For the year ended 31 December 2017
(All amounts expressed in RMB'000 unless otherwise stated)

4. Management of Insurance and Financial Risk (Continue)

(a) Insurance risk (Continue)

Changes in expected ultimate loss ratio

	31 December 2017	
	Impact on profit before income tax	Impact on total equity
+1%	**(48,710)**	**(48,710)**
– 1%	**48,710**	**48,710**

Changes in expected ultimate loss ratio

	31 December 2016	
	Impact on profit before income tax	Impact on total equity
+1%	(33,289)	(33,289)
– 1%	33,289	33,289

Changes in average claim costs

	31 December 2017	
	Impact on profit before income tax	Impact on total equity
+5%	**(31,382)**	**(31,382)**
– 5%	**31,382**	**31,382**

Changes in average claim costs

	31 December 2016	
	Impact on profit before income tax	Impact on total equity
+5%	(9,712)	(9,712)
– 5%	9,712	9,712

4. Management of Insurance and Financial Risk (Continue)

(a) Insurance risk (Continue)

Claim development tables

The following tables reflect the cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each balance sheet date, together with cumulative payments to date.

Gross insurance claim reserves:

	Accident year					
	2013	**2014**	**2015**	**2016**	**2017**	**Total**
Estimate of ultimate claim cost as of:						
End of current year	4,514	517,522	1,322,518	1,501,551	**2,698,058**	
One year later	4,261	493,173	1,192,162	1,433,179		
Two years later	4,259	492,987	1,179,983			
Three years later	4,257	492,624				
Four years later	4,255					
Current estimate of cumulative claims	4,255	492,624	1,179,983	1,433,179	**2,698,058**	5,808,099
Cumulative payments to date	(4,255)	(492,624)	(1,176,080)	(1,383,740)	**(2,152,169)**	(5,208,868)
Liability in respect of prior years, unallocated loss adjustment expenses, assumed business, discount and risk adjustment margin						61,833
Total gross claim reserves included in the consolidated statements of financial position						661,064

Notes to the Consolidated Financial Statement

For the year ended 31 December 2017
(All amounts expressed in RMB'000 unless otherwise stated)

4. Management of Insurance and Financial Risk (Continue)

(a) Insurance risk (Continue)

Claim development tables *(Continue)*

Net insurance claim reserves:

	Accident year					
	2013	**2014**	**2015**	**2016**	**2017**	**Total**
Estimate of ultimate claim cost as of:						
End of current year	4,514	514,695	1,304,608	1,494,242	**2,638,157**	
One year later	4,261	492,173	1,174,671	1,424,327		
Two years later	4,259	491,978	1,162,482			
Three years later	4,257	491,615				
Four years later	4,255					
Current estimate of cumulative claims	4,255	491,615	1,162,482	1,424,327	**2,638,157**	5,720,836
Cumulative payments to date	(4,255)	(491,615)	(1,158,580)	(1,375,082)	**(2,123,907)**	(5,153,439)
Liability in respect of prior years, unallocated loss adjustment expenses, assumed business, discount and risk adjustment margin						60,241
Total net claim reserves included in the consolidated statements of financial position						627,638

4. Management of Insurance and Financial Risk (Continue)

(b) Financial risk

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks, which arise from foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk).

(i) Currency risk

Currency risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group operates principally in the PRC with only limited exposure to foreign exchange rate risk arising primarily from certain foreign currency bank deposit in United States dollar ("USD") or Hong Kong dollar ("HKD").

The following tables summarize the Group's exposure to foreign currency exchange rate risk at the balance sheet date by categorizing financial assets by major currency.

	As at 31 December 2017		
	HKD'000	USD'000	Equivalent to RMB
Cash and short-term time deposits	113,760	13,613	184,045
Financial assets at fair value through profit or loss	218,638	—	182,762
	332,398	13,613	366,807

	As at 31 December 2016		
	HKD'000	USD'000	Equivalent to RMB
Cash and short-term time deposits	—	32	219

The Group has no significant concentration of currency risk.

Notes to the Consolidated Financial Statement

For the year ended 31 December 2017
(All amounts expressed in RMB'000 unless otherwise stated)

4. Management of Insurance and Financial Risk (Continue)

(b) Financial risk (Continue)

Market risk *(Continue)*

(i) Currency risk *(Continue)*

Sensitivities

The analysis below is performed to show the reasonably possible movements in foreign currency exchange rates with all other assumptions held constant, showing the pre-tax impact on profit before tax of the Group (due to changes in fair value of currency sensitive monetary assets and liabilities) and equity of the Group when the foreign exchange rates of USD and HKD vary. The correlation of variables will have a significant effect in determining the ultimate impact on currency risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis.

Changes in exchange rate

	31 December 2017	
	Impact on profit before income tax	Impact on total equity
+5%	18,340	18,340
– 5%	(18,340)	(18,340)

Changes in exchange rate

	31 December 2016	
	Impact on profit before income tax	Impact on total equity
+5%	11	11
– 5%	(11)	(11)

4. Management of Insurance and Financial Risk (Continue)

(b) Financial risk (Continue)

***Market risk** (Continue)*

(ii) Interest rate risk

Floating rate instruments expose the Group to cash flow interest risk, whereas fixed interest rate instruments expose the Group to fair value interest risk.

The Group's interest risk policy requires it to manage interest rate risk by maintaining an appropriate match of fixed and variable rate instruments. The policy also requires it to manage the maturity of interest-bearing financial assets and interest-bearing financial liabilities.

Sensitivities

The analysis below is performed for reasonably possible movements in interest rate with all other variables held constant, for the following financial instruments, showing the pre-tax impact on profit and equity. Since almost all financial instruments of the Group that bear interest rate risks are financial instruments denominated in RMB, the sensitivity analysis below only shows the pre-tax impact of RMB financial instruments on the Group's profit before income tax and equity when RMB interest rate changes.

Changes in RMB interest rate

	31 December 2017	
	Impact on profit before income tax	Impact on total equity
+50 basis points	(6,150)	(33,283)
-50 basis points	6,284	33,874

Changes in RMB interest rate

	31 December 2016	
	Impact on profit before income tax	Impact on total equity
+50 basis points	(460)	(34,534)
-50 basis points	494	36,439

Notes to the Consolidated Financial Statement

For the year ended 31 December 2017
(All amounts expressed in RMB'000 unless otherwise stated)

4. Management of Insurance and Financial Risk (Continue)

(b) Financial risk (Continue)

Market risk *(Continue)*

(iii) Price risk

Equity price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Sensitivities

The analysis below is performed to show the reasonably possible movements in price with all other assumptions held constant, showing the pre-tax impact on profit before income tax and total equity of the Group when the price of relevant financial instruments vary.

Changes in price

	31 December 2017	
	Impact on profit before income tax	**Impact on total equity**
+5%	**146,338**	**148,823**
–5%	**(146,338)**	**(148,823)**

Changes in price

	31 December 2016	
	Impact on profit before income tax	**Impact on total equity**
+5%	79,962	263,475
-5%	(79,962)	(263,475)

4. Management of Insurance and Financial Risk (Continue)

(b) Financial risk (Continue)

Credit risk

Credit risk refers to the risk that one side of the financial instrument can not fulfill its obligations and cause financial loss to the other party.

The Group's credit risk is mainly associated with bank deposits, bond investments, premiums receivable, reinsurance arrangements with reinsurance companies, securities purchased under agreements to resell, investments classified as loans and receivables, and etc.

The Group's bank deposits are mainly deposited in state-owned commercial banks and financial institutions which are generally considered to be relatively stable. The Group considers that there is no significant credit risk and does not generate any material losses due to the default of the other parties.

As the Group's investment types are limited by the China Insurance Regulatory Commission, the Group's debt-based investments mainly include government bonds and corporate bonds, etc. As at 31 December 2017, all corporate bonds and short-term corporate financing bonds held by the Group had domestic credit rating AA or above. The credit rating of the bond is provided by a qualified assessment agency.

The Group's premium receivables mainly come from customers. The Group mitigates credit risk by setting a shorter credit period or arranging the installment payment method. The Group regularly evaluates the credit status of reinsurance companies and selects reinsurance companies with higher credit qualifications to carry out reinsurance business.

The Group reduces credit risk by utilizing credit control policies, undertaking credit analysis on potential investments, and imposing aggregate counterparty exposure limits. The Group determines the amount and type of collateral required according to the credit risk assessment of the counterparty.

The following table shows the maximum credit risk exposure to assets in the balance sheet that face credit risk. The maximum credit risk exposure is the amount prior to the consideration of the guarantee or other credit enhancement methods.

	As at 31 December 2017					
		Past due but not impaired				
	Neither past due nor impaired	Less than 1 year	More than 1 year	Total past due but not impaired	Impaired	Total
Cash and short-term time deposits	5,260,259	—	—	—	—	5,260,259
Financial assets at fair value through profit or loss	619,597	—	—	—	—	619,597
Securities purchased under agreements to resell	3,043,417	—	—	—	—	3,043,417
Premium receivables	523,761	—	—	—	—	523,761
Reinsurance debtors	46,692	—	—	—	—	46,692
Interest receivables	155,641	—	—	—	—	155,641
Available-for-sale financial assets	2,972,969	—	—	—	—	2,972,969
Investments classified as loans and receivables	2,089,291	—	—	—	—	2,089,291
Loans and advances to customers	90,104	—	—	—	889	90,993
Restricted statutory deposits	248,125	—	—	—	—	248,125
Others	120,693	—	—	—	—	120,693
Total	15,170,549	—	—	—	889	15,171,438

Notes to the Consolidated Financial Statement

For the year ended 31 December 2017
(All amounts expressed in RMB'000 unless otherwise stated)

4. Management of Insurance and Financial Risk (Continue)

(b) Financial risk (Continue)

Credit risk *(Continue)*

	As at 31 December 2016					
		Past due but not impaired				
	Neither past due nor impaired	Less than 1 year	More than 1 year	Total past due but not impaired	Impaired	Total
Cash and short-term time deposits	1,153,244	—	—	—	—	1,153,244
Financial assets at fair value through profit or loss	1,599,230	—	—	—	—	1,599,230
Securities purchased under agreements to resell	302,300	—	—	—	—	302,300
Premium receivables	174,281	—	—	—	166	174,447
Reinsurance debtors	10,838	—	—	—	—	10,838
Interest receivables	136,841	—	—	—	—	136,841
Available-for-sale financial assets	3,670,260	—	—	—	—	3,670,260
Investments classified as loans and receivables	1,707,648	—	—	—	—	1,707,648
Restricted statutory deposits	248,125	—	—	—	—	248,125
Others	29,459	—	—	—	—	29,459
Total	9,032,226	—	—	—	166	9,032,392

Liquidity risk

The Group is exposed to liquidity risk on insurance products that permit surrenders, withdrawals or other forms of early termination, benefits or claims of the insurance and other daily expenses. The Group seeks to manage its liquidity risk by matching, to the extent possible, the duration of its investment assets with the duration of its insurance products and ensuring that the Group is able to meet its payment obligations and fund its lending and investment operations on a timely basis.

The following policies and procedures are in place to mitigate the Group's exposure to liquidity risk:

- Implementing liquidity risk policy by setting out the assessment and determination of what constitutes liquidity risk for the Group. Compliance with the policy is monitored and exposures and breaches are reported to the Group's risk management committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.
- Setting out guidelines on asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure that sufficient funding is available to meet insurance and investment contract obligations.
- Setting up contingency funding plans which specify the minimum proportions of funds to meet emergency calls as well as specifying events that would trigger such plans.

4. Management of Insurance and Financial Risk (Continue)

(b) Financial risk (Continue)

***Liquidity risk** (Continue)*

The tables below summarize the maturity profiles of the financial assets and financial liabilities of the Group based on remaining undiscounted cash flows, and insurance contract liabilities of the Group based on the estimated timing of the net cash outflows.

	As at 31 December 2017					
	On demand	Within 1 year	1 to 5 years	Over 5 years	Undated	Total
Assets:						
Cash and short-term time deposits	4,457,659	808,543	—	—	—	5,266,202
Financial assets at fair value through profit or loss	—	936,567	284,975	92,882	4,389,036	5,703,460
Securities purchased under agreements to resell	—	3,043,417	—	—	—	3,043,417
Premium receivables	—	181,032	342,729	—	—	523,761
Reinsurance debtors	—	46,692	—	—	—	46,692
Available-for-sale financial assets	—	1,444,236	1,880,442	165,238	218,210	3,708,126
Investments classified as loans and receivables	—	1,444,208	519,438	409,850	—	2,373,496
Loans and advances to customers	—	98,054	—	—	—	98,054
Restricted statutory deposits	—	306,475	—	—	—	306,475
Other assets	—	84,924	35,769	—	—	120,693
Total	4,457,659	8,394,148	3,063,353	667,970	4,607,246	21,190,376
Liabilities:						
Securities sold under agreements to repurchase	—	135,400	—	—	—	135,400
Investment contract liabilities	—	—	17,840	—	—	17,840
Reinsurance payables	—	247,831	—	—	—	247,831
Other liabilities	—	675,538	—	—	43,110	718,648
Total	—	1,058,769	17,840	—	43,110	1,119,719

Notes to the Consolidated Financial Statement

For the year ended 31 December 2017
(All amounts expressed in RMB'000 unless otherwise stated)

4. Management of Insurance and Financial Risk (Continue)

(b) Financial risk (Continue)

Liquidity risk *(Continue)*

	As at 31 December 2016					
	On demand	Within 1 year	1 to 5 years	Over 5 years	Undated	Total
Assets:						
Cash and short-term time deposits	1,123,244	30,116	—	—	—	1,153,360
Financial assets at fair value through profit or loss	—	3,077	26,495	4,913	1,572,395	1,606,880
Securities purchased under agreements to resell	—	302,300	—	—	—	302,300
Premium receivables	—	112,961	61,486	—	—	174,447
Reinsurance debtors	—	10,838	—	—	—	10,838
Available-for-sale financial assets	—	1,256,632	2,092,704	384,033	427,779	4,161,148
Investments classified as loans and receivables	—	419,699	1,201,376	429,800	—	2,050,875
Restricted statutory deposits	—	—	306,475	—	—	306,475
Other assets	—	4,528	24,931	—	—	29,459
Total	1,123,244	2,140,151	3,713,467	818,746	2,000,174	9,795,782
Liabilities:						
Securities sold under agreements to repurchase	—	282,674	—	—	—	282,674
Investment contract liabilities	—	—	573,069	—	—	573,069
Reinsurance payables	—	33,999	—	—	—	33,999
Policyholders' deposits	—	211	—	—	—	211
Other liabilities	—	515,843	—	—	80,766	596,609
Total	—	832,727	573,069	—	80,766	1,486,562

4. Management of Insurance and Financial Risk (Continue)

(b) Financial risk (Continue)

Maximum exposure of structured entities

The Group uses structured entities in the normal course of business for a number of purposes, for example, structured transactions for institutions, to provide finance to public and private section infrastructure projects, and to generate fees from managing assets on behalf of third-party investors. These structured entities are financed through the contracts.

The following table shows the total assets of the various types of unconsolidated structured entities. The table also shows the Group's maximum exposure to the unconsolidated structured entities representing the Group's maximum possible risk exposure that could occur as a result of the Group's arrangements with structured entities. The maximum exposure is contingent in nature and approximates the sum of the total assets of unconsolidated structured entities.

As at 31 December of 2017, Group's maximum exposure are shown below:

	At 31 December 2017
Wealth management products	3,409,737
Investment funds	1,784,079
Trust investment schemes	929,794
Unlisted equity investments	25,090
Total	**6,148,700**

(c) Operational risk

Operational risk is the risk of loss arising from inadequacy or failure on business processes, human error, information system failure, and etc. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial losses.

The Group is exposed to many types of operational risks in the conduct of its business, from inadequate or failure to obtain proper authorizations or supporting documentation to comply with operational and informational security procedures that prevent frauds or errors by employees, payment security, system attack and Trojan virus such information risks based on the Internet.

The Group cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access controls, authorization and reconciliation procedures, staff education and assessment processes, including the use of compliance check and internal audit.

Notes to the Consolidated Financial Statement

For the year ended 31 December 2017
(All amounts expressed in RMB'000 unless otherwise stated)

4. Management of Insurance and Financial Risk (Continue)

(d) Capital management risks

The capital demands of the Group is mainly based on the company size, types of debt business, industry and geographic location. Further objectives are set by the Group to maintain a strong credit rating and healthy solvency margin capital ratios in order to support its business objectives and maximize shareholders' value.

The Group manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. The Group will adjust the capital level when the economic condition and risk characteristics of the operating activities changes.

As at 31 December of 2017, the Group was fully in compliance with externally required capital requirement. The Group has formally implemented China Risk Oriented Solvency System since 1 January 2016 by reference to the "Notice on the Formal Implementation of China Risk Oriented Solvency System by CIRC".

The table below summarizes the core capital, actual capital and minimum required capital of the Company according to CIRC's solvency rules.

	At 31 December 2017	At 31 December 2016
Core capital	16,865,286	6,705,039
Actual capital	16,865,286	6,705,039
Minimum required capital	1,431,317	928,092
Core solvency margin ratio	1,178%	722%
Comprehensive solvency margin ratio	1,178%	722%

According to the relevant regulations, if the actual solvency margin of an insurance company falls below the minimum solvency margin, the CIRC may take additional necessary measures depending on the circumstances, until the minimum solvency margin requirement is satisfied.

4. Management of Insurance and Financial Risk (Continue)

(e) Fair value measurement

Fair value estimates are made at a specific point in time based on relevant market information and information about financial instruments. When an active market exists, such as an authorized securities exchange, the market value is the best reflection of the fair values of financial instruments. For financial instruments where there is no active market, fair value is determined using valuation techniques (Note 4(e)).

The Group's financial assets mainly include cash and short-term time deposits, financial assets at fair value through profit or loss, available-for-sale financial assets, statutory deposits, and etc.

Determination of fair value and fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchies. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

The levels of the fair value hierarchy are as follows:

(a) Fair value is based on quoted prices (unadjusted) in active markets for identical assets or liabilities ("Level 1");

(b) Fair value is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) ("Level 2"); and

(c) Fair value is based on inputs for the asset or liability that are not based on observable market data (unobservable inputs) ("Level 3").

The level of fair value calculation is determined by the lowest level input with material significant in the overall calculation. As such, the significance of the input should be considered from an overall perspective in the calculation of fair value.

For Level 2 financial instruments, valuations are generally obtained from third party pricing services for identical or comparable assets, or through the use of valuation methodologies using observable market inputs, or recent quoted market prices. Valuation service providers typically gather, analyse and interpret information related to market transactions and other key valuation model inputs from multiple sources, and through the use of widely accepted internal valuation models, provide a theoretical quote on various securities. Debt securities traded among Chinese interbank market are classified as Level 2 when they are valued at recent quoted price from Chinese interbank market or from valuation service providers. Substantially most financial instruments classified within Level 2 of the fair value hierarchy are debt investments denominated in RMB. Fair value of debt investments denominated in RMB is determined based upon the valuation results by the China Central Depository & Clearing Co., Ltd. All significant inputs are observable in the market.

For Level 3 financial instruments, prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques. Determinations to classify fair value measures within Level 3 of the valuation hierarchy are generally based on the significance of the unobservable factors to the overall fair value measurement, and valuation methodologies such as discounted cash flow models and other similar techniques. The Group's valuation team may choose to apply internally developed valuation method to the assets or liabilities being measured, determine the main inputs for valuation, and analyse the change of the valuation and report it to management. Key inputs involved in internal valuation services are not based on observable market data. They reflect assumptions made by management based on judgements and experiences.

For assets and liabilities that are recognized at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Notes to the Consolidated Financial Statement

For the year ended 31 December 2017
(All amounts expressed in RMB'000 unless otherwise stated)

4. Management of Insurance and Financial Risk (Continue)

(e) Fair value measurement (Continue)

Determination of fair value and fair value hierarchy *(Continue)*

The following tables provide the fair value measurement hierarchy of the Group's financial assets and liabilities:

	As at 31 December 2017			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Financial assets at fair value through profit or loss				
– Fund investments	1,734,380	—	—	1,734,380
– Equity investments	1,192,382	—	—	1,192,382
– Debt investments	402,982	216,615	—	619,597
– Wealth management products	—	2,062,274	—	2,062,274
Available-for-sale financial assets				
– Debt investments	736,392	2,192,032	—	2,928,424
– Fund investments	49,699	—	—	49,699
– Wealth management products	44,545	143,421	—	187,966
– Unlisted equity investments	—	—	25,090	25,090
	4,160,380	4,614,342	25,090	8,799,812
Assets for which fair values are disclosed				
Investments classified as loans and receivables	—	—	2,089,291	2,089,291

	As at 31 December 2016			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Financial assets at fair value through profit or loss				
– Equity investments	1,491,395	—	—	1,491,395
– Debt investments	26,835	—	—	26,835
– Fund investments	17,792	—	—	17,792
– Wealth management products	—	63,208	—	63,208
Available-for-sale financial assets				
– Debt investments	903,251	2,339,230	—	3,242,481
– Fund investments	402,779	—	—	402,779
	2,842,052	2,402,438	—	5,244,490
Assets for which fair values are disclosed				
Investments classified as loans and receivables	—	—	1,707,648	1,707,648

4. Management of Insurance and Financial Risk (Continue)

(e) Fair value measurement (Continue)

Determination of fair value and fair value hierarchy *(Continue)*

Reconciliation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy:

	As at 31 December 2017			
	Beginning of year	Increase/ (decrease)	Net unrealised gain recognized in other comprehensive income	End of year
Available-for-sale financial assets – Unlisted equity investments	—	25,090	—	25,090

Valuation techniques

The fair value of the unquoted debt investments is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities, with appropriate adjustment where applicable.

The fair value of the unquoted equity investments has been determined using valuation techniques such as comparable company valuation multiples, recent transaction prices of the same or similar instruments, with appropriate adjustments have been made where applicable, for example, for lack of liquidity using option pricing models. The valuation requires management to make certain assumptions about unobservable inputs to the model, which mainly include historical volatility and estimated time period prior to the listing of the unquoted equity instruments, etc. The fair value of the unquoted equity investments is not significantly sensitive to a reasonable change in these unobservable inputs.

Notes to the Consolidated Financial Statement

For the year ended 31 December 2017
(All amounts expressed in RMB'000 unless otherwise stated)

5. Subsidiaries

(a) The Company's incorporated subsidiaries as at 31 December 2017 are as follows:

Name	Place of operations	Place of incorporation/ registration	Nature of business	Registered capital	Percentage of equity/voting rights attributable to the Company	Acquisition Mode
ZhongAn Information Technology Services Limited Company ("ZhongAn Information")	Shanghai, The PRC	Shenzhen, The PRC	Technology Development/ Technology Consulting	500,000	100.0%	Set-up
ZhongAn Online Insurance Broker Limited Company ("ZhongAn Insurance Broker") (a)	Guangzhou, The RPC	Guangzhou, The PRC	Insurance Broker	50,000	100.0%	Set-up
Hangzhou Qihui Internet Technology Limited Company ("Hangzhou Qihui")	Hangzhou, The PRC	Hangzhou, The PRC	Technology Development/ Technology Consulting	3,000	100.0%	Equity Purchase
Beijing Youwozai Technology Beijing Co., Ltd ("Beijing Youwozai") (b)	Beijing, The PRC	Beijing, The PRC	Technology Development/ Technology Consulting	1,000	60.0%	Set-up
ZhongAn (ShenZhen) Life Sciences Co., Ltd ("ZhongAn Life Sciences") (c)	Shenzhen, The PRC	Shenzhen, The PRC	Bio Technology	50,000	100.0%	Set-up
Zhuhai Heyuanrongxin Investment Center (Limited Partnership) ("Zhuhai Heyuanrongxin") (d)	Zhuhai, The PRC	Zhuhai, The PRC	Investment Consulting/ Asset Management	201,000	99.5%	Equity Purchase
Chongqing ZhongAn Small Loan Limited Company ("Chongqing Small Loan") (e)	Chongqing, The PRC	Chongqing, he PRC	Loan	300,000	70.0%	Set-up
ZhongAn Technologies International Group Limited ("ZhongAn International Group") (f)	HongKong	Hong Kong	Technology Development/ Technology Consulting	110,000	51.0%	Set-up

(a) On 25 September 2017, the Company set up ZhongAn Insurance Broker, with registered capital of RMB50,000 thousand. The Company holds 100% of the voting rights in ZhongAn Insurance Broker.

(b) On 8 Feburary 2017, ZhongAn Information set up Beijing Youwozai, with registered capital of RMB1,000 thousand. After this transaction, ZhongAn Information holds 60% of the voting rights of Beijing Youwozai.

(c) On 11 April 2017, ZhongAn Information set up ZhongAn Life Sciences, with registered capital of RMB50,000 thousand. After this transaction, ZhongAn Infromation holds 100% of the voting rights of ZhongAn Life Sciences.

(d) On 18 April 2017, ZhongAn Information subscribed 99.5% equity of Zhuhai Heyuanrongxin by RMB200,000 thousand pursuant to the limited partnership agreement with Zhuhai Hetaijiuying Investment Management Co., Ltd.

(e) On 9 November 2017, ZhongAn Information set up Chongqing Small Loan, with registered capital of RMB300,000 thousand. After this transaction, ZhongAn Infromation holds 70% of the voting rights of Chongqing Small Loan.

(f) On 8 December 2017, ZhongAn Information signed the joint venture formation agreement with Sinolink Worldwide Holdings Limited to set up ZhongAn International Group, with registered capital of RMB110,000 thousand. ZhongAn Infromation holds 51% of the voting rights of ZhongAn International Group.

5. Subsidiaries (Continue)

(b) As at 31 December 2017, consolidated structured entities material to the Group are as followings:

Name	Holding by the Company (%)	Total Subscription (RMB' 000)	Principal activities
ZhongAn LeXiang No.1 Asset Management Plan	100.0%	5,153,705	Asset Management Product
ZhongAn TaiKang Asset Management Plan	100.0%	6,000,000	Asset Management Product
ZhongAn TaiPing Asset Management Plan	100.0%	1,500,000	Asset Management Product
ZhongAn ZhongYing No.1 Asset Management Plan	100.0%	30,000	Asset Management Product
ZhongAn ZhongYing No.2 Asset Management Plan	100.0%	126,437	Asset Management Product
ZhongAn ZhongYing No.3 Asset Management Plan	100.0%	1,404	Asset Management Product
ZhongAn Insurance Investment Product of Aviation Comprehensive Insurance (one year) Asset Management Plan	100.0%	30,000	Asset Management Product
MinSheng TongHui GangHui No.1 Asset Management Product	99.5%	201,000	Asset Management Product
TaiKang WenYing JuLi Deposit No.109 Asset Management Product	100.0%	300,000	Asset Management Product
TaiKang WenYing JuLi Deposit No.110 Asset Management Product	100.0%	300,000	Asset Management Product

6. Net Premiums Earned

	Year ended 31 December 2017	Year ended 31 December 2016
Gross written premiums(a)	**5,954,475**	3,408,048
– Property and casualty insurance written premiums	**3,539,827**	2,220,806
– Short-term life insurance written premiums	**2,414,648**	1,187,242
Less: Premiums ceded to reinsurers(b)	**(249,310)**	(39,632)
Net written premiums	**5,705,165**	3,368,416
Less: Net change in unearned premium reserves	**(1,091,058)**	(143,004)
Net premiums earned	**4,614,107**	3,225,412

Notes to the Consolidated Financial Statement

For the year ended 31 December 2017
(All amounts expressed in RMB'000 unless otherwise stated)

6. Net Premiums Earned (Continue)

(a) Gross written premiums

This represents gross premium income from direct insurance business, and the breakdown by line of product is as follows:

	Year ended 31 December 2017	Year ended 31 December 2016
Accident insurance	1,476,141	982,228
Health insurance	938,507	205,014
Bond insurance	818,454	517,613
Credit insurance	525,727	102,826
Liability insurance	426,468	185,097
Cargo insurance	111,792	59,304
Motor insurance	77,901	3,476
Household property insurance	56,674	15,464
Others	1,522,811	1,337,026
	5,954,475	3,408,048

Others primarily is consisted of shipping return insurance, which generated gross written premiums of RMB1,224,985 thousand and RMB1,193,562 thousand, in the years ended 31 December 2017 and 2016, respectively.

(b) Premiums ceded to reinsurers

	Year ended 31 December 2017	Year ended 31 December 2016
Health insurance	180,360	30,373
Accident insurance	65,134	7,192
Liability insurance	2,756	680
Cargo insurance	1,037	1,362
Household property insurance	7	1
Others	16	24
	249,310	39,632

7. Net Investment Income

	Year ended 31 December 2017	Year ended 31 December 2016
Interest income		
– Bond investments	**141,173**	139,610
– loans	**108,487**	86,493
– Bank deposits	**26,260**	20,268
– Securities purchased under agreements to resell	**7,943**	12,191
Dividend income		
– Fund investment	**105,887**	17,599
– Equity investment	**19,544**	6,874
– Wealth management products	**9,184**	—
Realized gain/(loss), net	**360,417**	(184,411)
	778,895	98,624

8. Net Fair Value Gains Through Profit or Loss

	Year ended 31 December 2017	Year ended 31 December 2016
Financial assets designated at fair value through profit or loss		
– Equity investments	**54,632**	42,829
– Debt investments	**2,776**	(962)
– Wealth management products	**1,111**	(23)
– Fund investments	**281**	(1)
	58,800	41,843

Notes to the Consolidated Financial Statement

For the year ended 31 December 2017
(All amounts expressed in RMB'000 unless otherwise stated)

9. Other Income

	Year ended 31 December 2017	Year ended 31 December 2016
Revenue from services (a)	65,442	—
Government grants (b)	48,131	46,476
Sale of goods (c)	15,622	—
Others	2,196	365
	131,391	46,841

(a) Revenue from services include information technology services and other services provided by the Group.

(b) Government grants include rental subsidies, development support funds and government subsidies related to intangible assets, and etc.

(c) The income of sale of goods is mainly derived from an online platform operated by Hangzhou Qihui, one of the subsidiaries of the Company.

10. Net Claims Incurred

	Year ended 31 December 2017	Year ended 31 December 2016
Insurance claims paid (a)	2,343,893	1,340,774
– Short-term life insurance claims paid	386,011	113,330
– Property and casualty insurance claims paid	1,957,882	1,227,444
Less: Claims paid ceded to reinsurers (b)	(31,340)	(7,303)
Net claims incurred	2,312,553	1,333,471
Add: Net change in insurance contract liabilities	433,394	21,822
	2,745,947	1,355,293

10. Net Claims Incurred (Continue)

(a) Insurance claims paid

	Year ended 31 December 2017	Year ended 31 December 2016
Bond insurance	**306,183**	85,238
Credit insurance	**295,287**	27,736
Accident insurance	**199,351**	79,026
Liability insurance	**196,971**	124,375
Health insurance	**186,660**	34,304
Cargo insurance	**64,988**	16,734
Household property insurance	**29,652**	4,707
Motor insurance	**6,162**	344
Others	**1,058,639**	968,310
	2,343,893	1,340,774

Others primarily is consisted of shipping return insurance, the insurance claims incurred of which were RMB936,111 thousand and RMB886,955 thousand in the years ended 31 December 2017 and 2016, respectively.

(b) Claims paid ceded to reinsurers

	Year ended 31 December 2017	Year ended 31 December 2016
Health insurance	**21,729**	774
Accident insurance	**9,577**	97
Liability insurance	**1**	6,432
Household property insurance	**1**	—
Others	**32**	—
	31,340	7,303

11. Handling Charges and Commissions

	Year ended 31 December 2017	Year ended 31 December 2016
Handling charges and commissions before reinsurance arrangement	**623,909**	288,423
Less: Reinsurance expense recovered	**(21,190)**	(1,314)
Handling charges and commissions	**602,719**	287,109

Notes to the Consolidated Financial Statement

For the year ended 31 December 2017
(All amounts expressed in RMB'000 unless otherwise stated)

12. General and Administrative Expenses

	Year ended 31 December 2017	Year ended 31 December 2016
Consulting fee and service charge (a)	1,604,510	1,092,762
Employee benefit expense	621,686	302,500
Advertising costs	202,183	79,296
Rental fee	88,419	53,542
Amortisation of intangible assets	53,378	17,425
Taxes and surcharges	24,505	63,685
Depreciation of Property, plant and equipment	18,576	7,952
Impairment loss	17,491	166
Auditors' remuneration	5,400	1,948
Others	249,499	134,829
	2,885,647	1,754,105

(a) The Group enters into technical service fee arrangements with different counterparties, with the related technical service fee being determined based on the customer volume introduced by the counterparties. As the main operating costs, the Group periodically settles technical service fee based on the provisions of the contracts.

13. Employee Benefit Expense (Including Directors' and Supervisors' Remuneration)

	Year ended 31 December 2017	Year ended 31 December 2016
Salaries, allowances and other short-term benefits	504,863	240,769
Contributions to defined contribution plans (a)	113,782	55,099
Share-based payments	3,041	6,632
	621,686	302,500

(a) Contributions to defined contribution plans mainly include contributions made to the state pension schemes.

14. Directors' and Supervisors' Remuneration

	Year ended 31 December 2017	Year ended 31 December 2016
Wages, salaries and bonuses	2,295	1,913
Share-based payments	652	1,334
Pension costs - defined contribution plans	46	160
Other social security costs, housing benefits and other employee benefits	41	—
	3,034	3,407

14. Directors' and Supervisors' Remuneration (Continue)

(a) Independent non-executive directors

	Year ended 31 December 2017				
	Wages, salaries and bonuses	Pension costs - defined contribution plans	Other social security costs, housing benefits and other employee benefits	Share-based payments	Total
CHEN Hui (陳慧)	125	—	—	—	125
ZHANG Shuang (張爽)	125	—	—	—	125
DU Li (杜力)	125	—	—	—	125
LI YIFAN	125	—	—	—	125
Wu Ying[1] (吳鷹)	63	—	—	—	63
ZHENG Fang[2] (鄭方)	11	—	—	—	11
	574	—	—	—	574

1. Independent non-executive director since July 2017
2. Resign from Independent non-executive director since March 2017

	Year ended 31 December 2016				
	Wages, salaries and bonuses	Pension costs - defined contribution plans	Other social security costs, housing benefits and other employee benefits	Share-based payments	Total
ZHANG Shuang (張爽)	63	—	—	—	63
ZHENG Fang (鄭方)	62	—	—	—	62
CHEN Hui[1] (陳慧)	—	—	—	—	—
DU Li[1] (杜力)	—	—	—	—	—
LI YIFAN[1]	—	—	—	—	—
	125	—	—	—	125

1. Independent non-executive director since December 2016

Notes to the Consolidated Financial Statement

For the year ended 31 December 2017
(All amounts expressed in RMB'000 unless otherwise stated)

14. Directors' and Supervisors' Remuneration (Continue)

(b) Executive directors and non-executive directors

	Year ended 31 December 2017				
	Wages, salaries and bonuses	Pension costs - defined contribution plans	Other social security costs, housing benefits and other employee benefits	Share-based payments	Total
Executive directors					
OU Yaping[1] (歐亞平)	—	—	—	—	—
CHEN Jin (陳勁)	1,300	46	41	652	2,039
Ou Jinyi[2] (歐晉羿)	200	—	—	—	200
Non-executive directors:	—	—	—	—	—
OU Yaping[3] (歐亞平)	—	—	—	—	—
HAN Xinyi (韓歆毅)	—	—	—	—	—
LAI Chi Ming, Jimmy(賴智明)	—	—	—	—	—
WANG Guoping (王國平)	63	—	—	—	63
HU Xiaoming (胡曉明)	—	—	—	—	—
ZHENG Fang[4] (鄭方)	52	—	—	—	52
Ou Jinyi[5] (歐晉羿)	31	—	—	—	31
	1,646	46	41	652	2,385

1. Executive director since September 2017
2. Executive director since November 2017
3. Resign from non-executive director since September 2017
4 Non-executive director since March 2017
5 Non-executive director between July 2017 and November 2017

14. Directors' and Supervisors' Remuneration (Continue)

(b) Executive directors and non-executive directors (Continue)

	Year ended 31 December 2016				
	Wages, salaries and bonuses	Pension costs - defined contribution plans	Other social security costs, housing benefits and other employee benefits	Share-based payments	Total
Executive directors:					
CHEN Jin (陳勁)	1,500	42	40	1,332	2,914
Non-executive directors:					
OU Yaping (歐亞平)	—	—	—	—	—
PENG Lei[1] (彭蕾)	—	—	—	—	—
LAI Chi Ming, Jimmy (賴智明)	—	—	—	—	—
LU Yue[1] (盧躍)	—	—	—	—	—
HU Xiaoming (胡曉明)	—	—	—	—	—
CAI Zhaohui[1] (蔡朝暉)	—	—	—	—	—
FENG Yan[1] (馮雁)	—	—	—	—	—
LI Fujun (李福軍)	—	—	—	—	—
HAN Xinyi[2] (韓歆毅)	—	—	—	—	—
WANG Guoping[3] (王國平)	—	—	—	—	—
	1,500	42	40	1,332	2,914

1. Resign from non-executive director since November 2016
2 Non-executive director since November 2016
3 Non-executive director since December 2016

Notes to the Consolidated Financial Statement

For the year ended 31 December 2017
(All amounts expressed in RMB'000 unless otherwise stated)

14. Directors' and Supervisors' Remuneration (Continue)

(c) Supervisors

	Year ended 31 December 2017				
	Wages, salaries and bonuses	Pension costs - defined contribution plans	Other social security costs, housing benefits and other employee benefits	Share-based payments	Total
GAN Baoyan (干寶雁)	25	—	—	—	25
WEN Yuping (溫玉萍)	25	—	—	—	25
Xiang Lei[1] (向雷)	25	—	—	—	25
DING Jin[2] (丁晉)	—	—	—	—	—
	75	—	—	—	75

1. Supervisor since May 2017
2. Resign from Supervisor since January 2017

	Year ended 31 December 2016				
	Wages, salaries and bonuses	Pension costs - defined contribution plans	Other social security costs, housing benefits and other employee benefits	Share-based payments	Total
DING Jin (丁晉)	288	35	43	2	368
WEN Yuping (溫玉萍)	—	—	—	—	—
GAN Baoyan (干寶雁)	—	—	—	—	—
	288	35	43	2	368

There was no payment of their other services in connection with the management of the affairs of the Company or its subsidiary undertaking during the years ended 31 December 2017 and 2016, respectively.

15. Five Highest Paid Individuals

The number of highest paid non-director individuals whose remuneration fell within the following bands is set out below:

	Year ended 31 December 2017	Year ended 31 December 2016
Nil to RMB1,000,000	—	—
RMB1,000,001 to RMB2,000,000	5	2
RMB2,000,001 to RMB3,000,000	—	3
RMB3,000,001 to RMB4,000,000	—	—
RMB5,000,001 to RMB6,000,000	—	—
Total	5	5

Details of the remuneration of the highest paid non-director individuals are as follows:

	Year ended 31 December 2017	Year ended 31 December 2016
Wages, salaries and bonuses	5,407	6,104
Share-based payments	1,089	3,068
Pension costs — defined contribution plans	183	409
Other social security costs, housing benefits and other employee benefits	165	—
	6,844	9,581

16. Income Tax

(a) Income tax

	Year ended 31 December 2017	Year ended 31 December 2016
Current income tax	—	—
Deferred income tax (note 32)	(5,833)	3,643
	(5,833)	3,643

Notes to the Consolidated Financial Statement

For the year ended 31 December 2017
(All amounts expressed in RMB'000 unless otherwise stated)

16. Income Tax (Continue)

(b) Reconciliation of income tax

A reconciliation of the income tax applicable to profit before income tax using the PRC statutory income tax rate of 25% to the income tax at the Group's effective tax rate is as follows:

	Year ended 31 December 2017	Year ended 31 December 2016
(Loss)/Profit before income tax	(1,002,189)	13,015
Tax computed at the statutory tax rate	(250,547)	3,254
Income not subject to tax	(26,379)	(48)
Expenses not deductible for tax	3,950	437
Deductable temporary differences for which no deferred income tax asset was recognised	267,141	—
Others	2	—
Income tax (credit)/expense at the Group's effective rate	(5,833)	3,643

17. Earnings Per Share

Basic earnings per share is calculated by dividing net profit for the year by the weighted average number of shares in issue during the year. Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares.

The calculation of earnings per share is based on the following:

	Year ended 31 December 2017	Year ended 31 December 2016
Net (loss)/profit for the year attributable to owners of the Company	(997,250)	9,372
Weighted average number of shares in issue (in thousand)	1,295,431	1,240,625
Basic (loss)/earnings per share	(0.77)	0.01
Diluted (loss)/earnings per share	(0.77)	0.01

The Company had no dilutive potential shares as at 31 December 2017 and 2016, respectively.

18. Other Comprehensive Loss

	Year ended 31 December 2017	Year ended 31 December 2016
Other comprehensive loss to be reclassified to profit or loss in subsequent periods, net of tax		
Fair value change on available-for-sale financial assets	**(56,202)**	(25,200)
Reclassification adjustments for amounts transferred to profit or loss	**(18,534)**	(48,600)
	(74,736)	(73,800)
Income tax relating to available-for-sale financial assets	**18,684**	18,450
Exchange differences on translation of foreign operations	**(4,106)**	—
Other comprehensive loss	**(60,158)**	(55,350)

19. Cash and Cash Equivalents

	At 31 December 2017	At 31 December 2016
Time deposits with original maturity of no more than three months	**5,009,516**	1,034,881
Other monetary assets (a)	**250,743**	118,363
	5,260,259	1,153,244

(a) Other monetary assets refer to funds deposited by the Group for daily business operations and investment activities.

20. Financial Assets at Fair Value Through Profit or Loss

All the Group's financial assets at fair value through profit or loss are as follows:

	At 31 December 2017	At 31 December 2016
Listed		
– Equity investments	**1,192,382**	1,491,395
– Debt investments	**402,982**	26,835
– Fund investments	**—**	9,833
Unlisted		
– Wealth management products	**2,062,274**	63,208
– Fund investments	**1,734,380**	7,959
– Debt investments	**216,615**	—
	5,608,633	1,599,230

Notes to the Consolidated Financial Statement

For the year ended 31 December 2017
(All amounts expressed in RMB'000 unless otherwise stated)

21. Securities Purchased Under Agreements to Resell

	At 31 December 2017	At 31 December 2016
Securities - bonds		
– Stock exchange	2,185,900	302,300
– Inter-bank market	857,517	—
	3,043,417	302,300

22. Interest Receivables

	At 31 December 2017	At 31 December 2016
Interest receivables from debt investments	83,199	80,280
Interest receivables from bank deposits	48,993	36,167
Interest receivables from loans	21,030	20,388
Interest receivables from securities purchased under agreements to resell	2,419	6
	155,641	136,841

23. Premium Receivables

	At 31 December 2017	At 31 December 2016
Premium receivables	523,761	174,447
Provision for impairment of premium receivables	—	(166)
	523,761	174,281

An aging analysis of the premium receivables is as follows:

	At 31 December 2017	At 31 December 2016
Within 3 months (including 3 months)	390,793	126,060
Over 3 months and within 1 year (including 1 year)	123,002	44,863
Over 1 year	9,966	3,358
	523,761	174,281

24. Reinsurance Debtors

	At 31 December 2017	At 31 December 2016
Reinsurance debtors	**46,692**	10,838
Provision for impairment of reinsurance debtors	**—**	—
	46,692	10,838

An aging analysis of reinsurance debtors is as follows:

	At 31 December 2017	At 31 December 2016
Within one year	**44,852**	7,459
Over one year	**1,840**	3,379
	46,692	10,838

25. Available-For-Sale Financial Assets

Available-for-sale financial assets are stated at fair value and comprise the following:

	At 31 December 2017	At 31 December 2016
Listed		
– Debt investments	**736,392**	903,251
– Wealth management products	**44,545**	—
– Fund investments	**—**	80
Unlisted		
– Debt investments	**2,192,032**	2,339,230
– Wealth management products	**143,421**	—
– Fund investments	**49,699**	402,699
– Unlisted equity investments	**25,090**	25,000
	3,191,179	3,670,260

Notes to the Consolidated Financial Statement

For the year ended 31 December 2017
(All amounts expressed in RMB'000 unless otherwise stated)

26. Loans and Advances To Customers

(a) Analyzed by corporate and individual

	At 31 December 2017	At 31 December 2016
Corporate customers	4,900	—
Individual customers	86,093	—
Less: Loan loss provisions	(889)	—
	90,104	—

All the loans and advances to customers are unsecured.

(b) Loan loss provision

As at 1 January 2017	—
Charge for the year	889
As at 31 December 2017	889

27. Investments Classified as Loans and Receivables

	At 31 December 2017	At 31 December 2016
Wealth management products	1,159,497	862,382
Trust investment scheme	929,794	845,266
	2,089,291	1,707,648

As at 31 December of 2017 and 2016, the underlying loan assets of the trust investment schemes were neither pass due nor impaired. After considering the creditability of each of the counterparties and the collateral or guarantee obtained, no impairment was provided for such loan assets. The Group's maximum exposure to loss in the trust investment schemes is limited to its carrying amounts, see Note 4(b).

28. Restricted Statutory Deposits

	At 31 December 2017	At 31 December 2016
At the beginning of the year	248,125	248,125
Addition	—	—
At the end of the year	248,125	248,125

	As at 31 December 2017 and 2016		
	Amount	Storage	Period
China Everbright Bank	100,000	Term deposit	5 years
China Citic Bank	100,000	Term deposit	5 years
China Merchants Bank	48,125	Term deposit	3 years
Total	248,125		

In accordance with relevant provision of Insurance Law of the PRC, the Company should place 20% of its share capital as restricted statutory deposits.

Subject the approval from the China Insurance Regulatory Commission (Bao Jian Xu Ke [2018] No 146) in January 2018, the Company further placed restricted statutory deposits of RMB45,838 thousand in aggregate in China Citic Bank on 27 February 2018 and 28 February 2018, respectively.

29. Investment in Associates

	At 1 January 2017	Additions	Share of profit	Other	At 31 December 2017
Shanghai Dexu Investment Center (Limited Partnership) ("Shanghai Dexu") (a)	—	150,000	(1,162)	—	148,838
Youwozai (Beijing) Network Technology Limited Company ("Youwozai (Beijing)") (b)	—	12,400	(1,645)	4,806	15,561
	—	162,400	(2,807)	4,806	164,399

(a) On 16 June 2017, the Company signed the capital injection agreement with Guangzhou Detong Investment Mangement Limited Company and Tongxiu Commercial Factoring Co., Ltd. to set up Shanghai Dexu. Pursuant to the capital injection agreement, the Company invested RMB150,000 thousand representing 60% of the total paid-in capital, and acted as a limited partner with 1 vote out of 5 in the Investments Committee.

(b) On 23 May 2017, ZhongAn Information injected RMB400 thousand into Youwozai (Beijing), together with the capital injection from other investors. Total registered capital of Youwozai (Beijing) was increased to RMB1,000 thousand. On 27 June 2017, Zhuhai Heyuanrongxin, together with some other investors injected RMB28,980 thousand in aggregate into Youwozai (Beijing), amongst which Zhuhai Heyuanrongxin injected RMB12,000 thousand, and Youwozai (Beijing) further increased its registered capital to RMB1,966 thousand. As a result, the Group collectively obtained 40.7% voting right of Youwozai (Beijing).

Notes to the Consolidated Financial Statement

For the year ended 31 December 2017
(All amounts expressed in RMB'000 unless otherwise stated)

29. Investment in Associates (Continue)

Nature of investment in associates as at 31 December 2017

Name	Place of incorporation	Percentage of ownership interest	Percentage of voting power	Registered capital	Paid-up capital	Principal activity
Shanghai Dexu	Shanghai	60.0%	20.0%	500,000	202,500	Investment management
Youwozai (Beijing)	Beijing	40.7%	40.7%	1,966	1,366	Technology consulting

30. Property and Equipment

	Motor vehicles	Electrical equipment	Office furniture and equipment	Leasehold improvements	Total
Cost					
At 1 January 2016	3,330	9,484	798	10,220	23,832
Additions	—	13,085	3,175	30,778	47,038
Disposals	—	(63)	—	—	(63)
At 31 December 2016	3,330	22,506	3,973	40,998	70,807
Additions	—	14,178	2,474	33,626	50,278
Disposals	—	(19)	—	—	(19)
At 31 December 2017	**3,330**	**36,665**	**6,447**	**74,624**	**121,066**
Accumulated depreciation and impairment					
At 1 January 2016	(917)	(1,517)	(272)	(6,518)	(9,224)
Depreciation charge	(633)	(2,986)	(349)	(3,984)	(7,952)
Disposals	—	20	—	—	20
At 31 December 2016	(1,550)	(4,483)	(621)	(10,502)	(17,156)
Depreciation charge	(633)	(5,539)	(1,171)	(11,391)	(18,734)
Disposals	—	3	—	—	3
At 31 December 2017	**(2,183)**	**(10,019)**	**(1,792)**	**(21,893)**	**(35,887)**
Net book value					
At 31 December 2016	1,780	18,023	3,352	30,496	53,651
At 31 December 2017	**1,147**	**26,646**	**4,655**	**52,731**	**85,179**

31. Intangible Assets

	Software	Other	Total
Cost			
At 1 January 2016	44,545	19	44,564
Additions	125,048	—	125,048
At 31 December 2016	169,593	19	169,612
Additions	178,624	—	178,624
At 31 December 2017	**348,217**	**19**	**348,236**
Accumulated amortisation and impairment			
At 1 January 2016	(4,231)	(3)	(4,234)
Amortization	(17,423)	(2)	(17,425)
At 31 December 2016	(21,654)	(5)	(21,659)
Amortization	(54,421)	(2)	(54,423)
Impairment	(17,491)	—	(17,491)
At 31 December 2017	**(93,566)**	**(7)**	**(93,573)**
Carrying amount			
At 31 December 2016	147,939	14	147,953
At 31 December 2017	**254,651**	**12**	**254,663**

32. Deferred Income Tax Assets and Liabilities

	At 31 December 2017	At 31 December 2016
Net deferred income tax liabilities, at the beginning of year	**(24,517)**	(39,324)
Recognized in profit or loss	**5,833**	(3,643)
Recognized in other comprehensive income	**18,684**	18,450
Net deferred income tax assets or liabilities, at the end of year	—	(24,517)

Notes to the Consolidated Financial Statement

For the year ended 31 December 2017
(All amounts expressed in RMB'000 unless otherwise stated)

32. Deferred Income Tax Assets and Liabilities (Continue)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	At 31 December 2017	At 31 December 2016
Deferred income tax assets/(liabilities)		
Accumulated taxable losses	**293,504**	137,200
Insurance contract liabilities	**30,964**	3,944
Employee stock ownership plan	**9,405**	8,645
Amortisation of intangible assets	**5,301**	1,720
Impairment loss provisions	**4,600**	41
Unrealized gains of structured entities	**(318,731)**	(147,040)
Net fair value adjustment on available-for-sale financial assets	**12,749**	(5,935)
Net fair value adjustment on financial assets carried at fair value through profit or loss	**(37,792)**	(23,092)
Net deferred income tax assets or liabilities	**—**	(24,517)
Represented by		
Deferred income tax assets	**356,523**	151,550
Deferred income tax liabilities	**(356,523)**	(176,067)

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. At 31 December 2017, the Group did not recognise deferred income tax assets of RMB267,141 thousand in respect of losses amounting to RMB1,068,564 thousand that can be carried forward against future taxable income. Losses amounting to RMB1,693,792 thousand in the year ended 31 December 2017 expires in 2022.

33. Other Assets

	At 31 December 2017	At 31 December 2016
Advanced payment	**165,724**	41,630
Deposits	**35,769**	24,931
VAT input tax	**31,813**	25,156
Others	**21,373**	10,984
Total	**254,679**	102,701

34. Share Capital

	At 31 December 2017	At 31 December 2016
Number of shares issued and fully paid at RMB1 yuan each	**1,469,813**	1,240,625

35. Reserves

The amounts of the Group's reserves and the movements therein during the year are presented in the consolidated statement of changes in equity.

(a) Capital reserves

Capital reserves mainly represents share premium from issuance of shares.

(b) Surplus reserves

Surplus reserves consist of the statutory surplus reserve and the discretionary surplus reserve.

(i) Statutory surplus reserves (the "SSR")

According to the PRC Company Law and the articles of association of the Company, the Company is required to set aside 10% of their net profit (after offsetting the accumulated losses incurred in previous years) determined under PRC GAAP, to the SSR until the balance reaches 50% of the respective registered capital.

Subject to the approval of shareholders, the SSR may be used to offset the accumulated losses, if any, and may also be converted into capital, provided that the balance of the SSR after such capitalisation is not less than 25% of the registered capital of the Company's retained profits. Since the Company does not have net profit at its company level instead of Group level, no reserve has been retained.

(ii) Discretionary surplus reserves (the "DSR")

After making necessary appropriations to the SSR, the Company may also appropriate a portion of their net profit to the DSR upon the approval of the shareholders in general meetings.

Subject to the approval of the shareholders, the DSR may be used to offset accumulated losses, if any, and may be converted into capital.

(c) General reserves

In accordance with the relevant regulations, general reserves should be set aside to cover catastrophic losses as incurred by companies operating in the insurance business. The Company would need to make appropriations for such reserve based on their respective year end net profit determined in accordance with PRC GAAP, and based on the applicable PRC financial regulations, in the annual financial statements. Such reserve is not available for profit distribution or transfer as capital injection.

Since the Company does not have net profit at its company level instead of Group level, no reserve has been retained.

(d) Other reserves

The investment revaluation reserve records the fair value changes of available-for-sale financial assets. The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of the subsidiaries incorporated outside the PRC.

Notes to the Consolidated Financial Statement

For the year ended 31 December 2017
(All amounts expressed in RMB'000 unless otherwise stated)

36. Share-Based Payments

(a) 2014 Share Option Plan

On 4 December 2014, the general meeting of shareholders of the Company approved the establishment of an equity-settled share-based compensation plan (the "2014 Share Option Plan") that provides the granting options to eligible directors and employees (collectively, the "Grantees") to acquire shares of the Compamy at an exercise price of RMB1.5 yuan per share. Upon the 2014 Share Option Plan, shares have been reserved by one of the shareholders of the Company, namely Unifront Holding Limited. (Unifront Holding), for Grantees.

On 9 January 2015, the Company granted 60,000,000 share options to its directors and employees. Subject to the Grantee continuing to be a service provider, 100% of these options were vested upon fulfilling the condition in the share option agreement. Since then, these options were vested over 4 years.

(b) Revised 2014 Share Option Plan

Pursuant to "Bao Jian Fa [2015] No.56 – Notice on Relevant Matters Concerning the Insurance Companies to Carry Out Employee Stock Plan" issued by CIRC on 2 July 2015, the Company modified the terms and considtions of 2014 Share Option Plan. Such revised 2014 Share Option Plan ("Share Ownership Plan") has been approved by the general meeting of shareholders of the Company on 18 December 2015.

Under the Share Ownership Plan, Unifront Holding transferred 60,000,000 shares to two holding vehicles ("Holding Vehicles"), namely Shanghai Haoguan Investment Management Partnership (Limited Partnership) ("Shanghai Haoguan") and Shanghai Qianguo Investment Management Partnership (Limited Partnership) ("Shanghai Qianguo"). Aggregrate considerations amounting to RMB90,000 thousand for such shares transfer have been paid by the two Holding Vehicles to Unifront Holding, after the Holding Vehicles received the cash paid in by the Grantees at the exercise price of RMB1.5 yuan per share.

Holding Vechiles	Number of shares of the Company held by the Holding Vechiles	Exercise price per share	Aggregrate cash paid in by the Grantees	Cash settled to Unifront Holding
Shanghai Haoguan	28,570,000	RMB1.5 yuan	42,855	42,855
Shanghai Qianguo	31,430,000	RMB1.5 yuan	47,145	47,145

The Grantees can dispose their interests in the Holding Vehicles after the Company successfully complete an initial public offering and the Company's shares get listed in the stock exchange ("IPO and listing") and a three-year locking period ("Locking Period") after the IPO and listing. The Grantees will be entitled to a disposal of 25% of such interests in the Holding Vehicles each year after the Locking Period.

The Group has no legal or constructive obligations to repurchase the shares of the Company from the Holding Vechiles.

In five years, if the Company fails to complete an IPO and listing, Unifront Holding will have the constructive obligation to repurchase the shares held by the Holding Vehicles. The repurchase price will be determined at arm's length.

36. Share-Based Payments (Continue)

(b) Revised 2014 Share Option Plan (Continue)

The directors have used the income approach-discounted cash flow method to determine the fair value of the shares of the Company, and adopted Black-Scholes Option Pricing Model and Binomial Option Pricing Model to determine the fair value of the underlying share options. Key assumptions, such as discount rate and projections of future performance, are required to be determined by the Directors with best estimate.

Based on fair value of the underlying shares, the directors have used Binominal pricing model to determine the fair value of the share options as of the grant date, which amounted to RMB0.64 yuan per share option. Key assumptions are set out as below:

Dividend rate (%)	0.00
Volatility (%)	44
Risk-free interest rate (%)	3.427
Life of options (in years)	9.4
Estimate share price at grant date according to income approach (in RMB yuan)	1.4
Exercise price (in RMB yuan)	1.5

The total expenses recognized in the consolidated statements of comprehensive income for employee ownership plan is disclosed in Note 12.

The remaining contractual life of share options outstanding as at 31 December 2017 and 31 December 2016 are 6.9 years and 7.9 years, respectively.

37. Securities Sold Under Agreements to Repurchase

	At 31 December 2017	At 31 December 2016
Securities - bonds		
– Inter-bank market	**130,000**	—
– Stock exchange	**5,400**	282,674
	135,400	282,674

38. Reinsurance Payables

	At 31 December 2017	At 31 December 2016
Within one year	**240,666**	33,442
Over one year	**7,165**	557
	247,831	33,999

Notes to the Consolidated Financial Statement

For the year ended 31 December 2017
(All amounts expressed in RMB'000 unless otherwise stated)

39. Insurance Contract Liabilities

	31 December 2017		
	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	Net
Insurance contracts liabilities			
– Unearned premium reserves	**1,769,012**	**(98,997)**	**1,670,015**
– Claim reserves	**661,064**	**(33,426)**	**627,638**
	2,430,076	**(132,423)**	**2,297,653**
Incurred but not reported claim reserves	**281,411**	**(27,510)**	**253,901**

	31 December 2016		
	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	Net
Insurance contracts liabilities			
– Unearned premium reserves	601,256	(22,299)	578,957
– Claim reserves	196,049	(1,805)	194,244
	797,305	(24,104)	773,201
Incurred but not reported claim reserves	58,893	(1,699)	57,194

Movements of unearned premium reserves

	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	Net
At 1 January 2016	441,579	(5,627)	435,952
Premium written	3,408,048	(39,632)	3,368,416
Premium earned	(3,248,371)	22,960	(3,225,411)
At 31 December 2016	**601,256**	**(22,299)**	**578,957**
Premium written	**5,954,475**	**(249,310)**	**5,705,165**
Premium earned	**(4,786,719)**	**172,612**	**(4,614,107)**
At 31 December 2017	**1,769,012**	**(98,997)**	**1,670,015**

39. Insurance Contract Liabilities (Continue)

Movements of claim reserves

	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	Net
At 1 January 2016	174,652	(2,228)	172,424
Claims incurred	1,362,171	(6,880)	1,355,291
Claims paid	(1,340,774)	7,303	(1,333,471)
At 31 December 2016	196,049	(1,805)	194,244
Claims incurred	2,808,908	(62,961)	2,745,947
Claims paid	(2,343,893)	31,340	(2,312,553)
At 31 December 2017	661,064	(33,426)	627,638

40. Other Liabilities

	At 31 December 2017	At 31 December 2016
Service charge payable	302,252	390,488
Salary and staff welfare payable	173,605	40,412
Commission and brokerage payable	89,792	39,196
Tax payable other than income tax	68,126	58,180
Claims payable	57,114	14,824
Deposit payable	43,110	80,766
Insurance guarantee fund	27,043	13,841
Rental payable	17,723	7,338
Deferred income	4,034	4,665
Others	189,494	50,158
	972,293	699,868

Notes to the Consolidated Financial Statement

For the year ended 31 December 2017
(All amounts expressed in RMB'000 unless otherwise stated)

41. Note to Consolidated Cash Flow Statement

Reconciliation from profit before income tax to cash generated from operating activities:

	Year ended 31 December 2017	Year ended 31 December 2016
(Loss)/Profit before tax	**(1,002,189)**	13,015
Asset impairment losses	**18,401**	166
Net investment income	**(778,895)**	(98,624)
Net fair value gains through profit or loss	**(58,800)**	(41,843)
Depreciation of property and equipment	**18,734**	7,952
Amortization of intangible assets	**54,423**	17,425
Loss on disposal of items of property and equipment, intangible assets and other long-term assets	**—**	44
Foreign exchange losses/(gains)	**138,688**	(9)
Finance costs	**4,139**	203
Listing expenses	**47,368**	—
Expense recognized for share-based payments	**3,041**	6,632
Increase in premium receivables	**(349,480)**	(62,065)
(Increase)/decrease in reinsurance assets	**(35,854)**	3,919
Amortisation of deferred income	**(631)**	(476)
Share of losses of associates	**2,807**	—
Change in insurance contract liabilities	**1,524,452**	164,825
Decrease/(increase) in operating receivables	**98,046**	(21,867)
(Decrease)/increase in other operating liabilities	**(394,044)**	864,090
Cash (used in)/generated from operating activities	**(709,794)**	853,387

42. Related Party Transactions

The Company's directors were of the view that Ant Small and Micro Financial Services Group Co. Ltd. ("Ant Financial"), Ping An Insurance (Group) Co. of China Ltd. ("Ping An Insurance"), Tencent Holdings Limited ("Tencent") and their subsidiaries and key management personnel were considered as related parties of the Group. Alibaba Group Holdings Limited ("Alibaba") and its subsidiaries were also considered as related parties of the Group given the relationship between Alibaba and Ant Financial Services. The Company considered Ctrip.com International Ltd. ("Ctrip") and its subsidiaries as related parties in 2016. On April 28 2017, Beijing Ctrip International Travel Agency Limited sold all its shares of the Company to Qingdao Huilijun Trading Company Limited. Therefore, Ctrip and its subsidiaries stopped being a related party since April, 2017. Transcation amount disclosed below consists of the transaction between the Group and Ctrip and its subsidiaries before April 28 2017.

Transactions with key management personnel and the entity controlled or jointly controlled by a person identified as key management personnel ("key management personnel") have been disclosed in Note 42 below. The Group's transactions with related parties are conducted under the ordinary course of business.

42. Related Party Transactions (Continue)

(a) Sale of insurance contracts

	Year ended 31 December 2017	Year ended 31 December 2016
Key management personnel	**10,136**	2,871
Ant Financial and its subsidiaries	**9,856**	85,234
Alibaba and its subsidiaries	**4,259**	6,326
Tencent and its subsidiaries	**2,457**	7,568
Ctrip and its subsidiaries	**—**	40,000
	26,708	141,999

(b) Claim of insurance contracts

	Year ended 31 December 2017	Year ended 31 December 2016
Alibaba and its subsidiaries	**6,847**	10,257
Tencent and its subsidiaries	**1,126**	2,549
Ant Financial and its subsidiaries	**46**	59,211
Key management personnel	**—**	5
	8,019	72,022

(c) Technical service fees

	Year ended 31 December 2017	Year ended 31 December 2016
Ant Financial and its subsidiaries	**426,957**	437,735
Ctrip and its subsidiaries	**178,292**	349,318
Tencent and its subsidiaries	**5,063**	352
Ping An Insurance and its subsidiaries	**—**	13
	610,312	787,418

(d) Asset management fees

	Year ended 31 December 2017	Year ended 31 December 2016
Ping An Insurance and its subsidiaries	**41,561**	17,762

(e) Commission fees

	Year ended 31 December 2017	Year ended 31 December 2016
Ctrip and its subsidiaries	**52,072**	136,921

(All amounts expressed in RMB'000 unless otherwise stated)

42. Related Party Transactions (Continue)

(f) Fees for purchasing goods and other services

	Year ended 31 December 2017	Year ended 31 December 2016
Alibaba and its subsidiaries	**24,844**	22,550
Ant Financial and its subsidiaries	**17,761**	14,372
Tencent and its subsidiaries	**7,567**	975
Key management personnel	**2,534**	8
Ping An Insurance and its subsidiaries	**1,445**	—
	54,151	37,905

Fees for purchasing goods and other services mainly include cloud rental fees, guarantee fees, advertising fees, other IT service fees and etc.

(g) Advisory income

	Year ended 31 December 2017	Year ended 31 December 2016
Ping An Insurance and its subsidiaries	**10,647**	—

(h) Compensation of key management personnel

The compensations paid or payable to key management personnel are shown below:

	Year ended 31 December 2017	Year ended 31 December 2016
Wages, salaries and bonuses	**10,713**	11,623
Share-based payments (Note 36)	**2,317**	4,534
Pension costs – defined contribution plans	**473**	168
Other social security costs, housing benefits and other employee benefits	**426**	195
	13,929	16,520

43. Contingent Liabilities

Owing to the nature of the insurance business, the Group is involved in the making of estimates for contingencies and legal proceedings in the ordinary course of business, both in the capacity as plaintiff or defendant in litigation and arbitration. Legal proceedings mostly involve claims on the Group's insurance products. Provision has been made for the probable losses to the Group, including those claims where directors can reasonably estimate the outcome of the litigations taking into account the related legal advice, if any. No provision is made for contingencies and legal proceedings when the result cannot be reasonably estimated or the probability of loss is so low.

In addition to the above legal proceedings, as at 31 December 2017 and 2016, the Group has no major pending litigation as the defendant.

44. Commitments

(a) Capital commitments

We had the following capital commitments at the balance sheet date:

	At 31 December 2017 USD'000	At 31 December 2016 USD'000
Contracted, but not provided for	1,500	—

(b) Operating lease commitments

We lease our office spaces from third parties under non-cancellable operating leases. The following table below sets forth our future minimum lease payments under irrevocable rental contracts as of the dates indicated:

	At 31 December 2017	At 31 December 2016
Within 1 year (including 1 year)	97,515	75,695
1 to 2 years (including 2 years)	67,991	63,516
2 to 3 years (including 3 years)	56,030	47,589
Over 3 years	122,757	171,140
	344,293	357,940

45. Balance Sheet and Reserve Movement of The Company

	At 31 December 2017	At 31 December 2016
ASSETS		
Cash and cash equivalents	4,151,815	759,427
Financial assets at fair value through profit or loss	132,044	63,888
Securities purchased under agreements to resell	—	213
Interest receivables	48,586	49,416
Premium receivables	523,761	174,281
Reinsurance debtors	46,692	10,838
Reinsurers' share of insurance contract liabilities	132,423	24,104
Available-for-sale financial assets	25,000	666,479
Investments classified as loans and receivables	13,965	124,587
Restricted statutory deposits	248,125	248,125
Investments in subsidiaries	13,591,546	6,215,208
Investment in associates	148,838	—
Property and equipment	79,818	53,651
Intangible assets	216,513	147,953
Other assets	286,356	102,014
Total assets	19,645,482	8,640,184

Notes to the Consolidated Financial Statement

For the year ended 31 December 2017
(All amounts expressed in RMB'000 unless otherwise stated)

45. Balance Sheet and Reserve Movement of The Company (Continue)

	At 31 December 2017	At 31 December 2016
EQUITY AND LIABILITIES		
Equity		
Share capital	**1,469,813**	1,240,625
Reserves	**16,623,088**	5,539,845
Accumulated loss	**(2,097,904)**	(580,407)
Total equity	**15,994,997**	6,200,063
Liabilities		
Securities sold under agreements to repurchase	**—**	279,974
Premium received in advance	**75,401**	61,608
Reinsurance payables	**247,831**	33,999
Policyholders' deposits	**—**	211
Insurance contract liabilities	**2,432,958**	797,305
Investment contract liabilities	**17,840**	573,069
Other liabilities	**876,455**	693,955
Total liabilities	**3,650,485**	2,440,121
Total equity and liabilities	**19,645,482**	8,640,184

The movements in reserves and accumulated losses of the Company are set out below:

	Share capital	Capital reserves	Other reserves due to share-based payment	Accumulated losses	Total equity
At 1 January 2016	1,240,625	5,505,266	27,947	(495,951)	6,277,887
Total comprehensive income	—	—	—	(84,456)	(84,456)
Share-based payments	—	—	6,632	—	6,632
At 31 December 2016	1,240,625	5,505,266	34,579	(580,407)	6,200,063
Total comprehensive income	**—**	**—**	**—**	**(1,517,497)**	**(1,517,497)**
Capital injection	**229,188**	**11,105,876**	**—**	**—**	**11,335,064**
Share-based payments	**—**	**—**	**3,041**	**—**	**3,041**
Others	**—**	**(25,674)**	**—**	**—**	**(25,674)**
At 31 December 2017	**1,469,813**	**16,585,468**	**37,620**	**(2,097,904)**	**15,994,997**

46. Reclassification

Certain comparative amounts in the consolidated statement of comprehensive income for the year ended 31 December 2017 are reclassified to separately disclose foreign exchange gains and losses and other expenses that are related to the costs of providing the services and sales as described in note 9(a) and note 9(c). No other reclassification has been made to the comparative financial statements.

47. Approval of the Consolidated Financial Statements

These consolidated financial statements have been approved and authorized for issue by the Company's directors on 20 March 2018.

Definitions

"Ant Financial"	Ant Small and Micro Financial Services Group Co., Ltd. (浙江螞蟻小微金融服務集團股份有限公司), a limited liability company incorporated in the PRC (formerly known as Zhejiang Alibaba E-Commerce Co., Ltd. (浙江阿里巴巴電子商務有限公司) and incorporated on October 19, 2000) and one of our substantial shareholders
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board" or "Board of Directors"	the board of directors of our Company
"CG Code"	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules
"China Telecom"	China Telecommunications Corporation Ltd (中國電信集團公司), a telecommunications company incorporated in the PRC and listed on the New York Stock Exchange (NYSE: CHA) and the Hong Kong Stock Exchange (Stock Code: 0728)
"CIRC"	the China Insurance Regulatory Commission (中國保險監督管理委員會)
"Ctrip"	Ctrip.com International Ltd., an online travel agency incorporated in the Cayman Islands and listed on the Nasdaq Global Select Market (NASDAQ: CTRP)
"Director(s)"	the director(s) of our Company
"Domestic Shares"	ordinary shares issued by the Company, with a nominal value of RMB1 per share, which are subscribed for or credited as paid in RMB
"Global Offering"	has the meaning ascribed to it in the Prospectus
"Group", "we", "our" or "us"	the Company and its subsidiaries, or where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, such subsidiaries could be viewed as if they were the subsidiaries of the Company at the time
"H Shares"	the overseas listed foreign invested ordinary shares in the ordinary share capital of the Company, with a nominal value of RMB1 each, which are to be subscribed for and traded in Hong Kong dollars, and a "H Share" means any of them
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Listing"	the listing of the H shares on the Main Board of the Hong Kong Stock Exchange
"Listing Date"	September 28, 2017, the date on which the H Shares are listed and from which dealings in the H Shares take place on the Main Board of the Hong Kong Stock Exchange
"Listing Rules"	the Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"Mogujie"	an e-commerce platform targeting female consumers
"Omron"	Omron Corporation, a company incorporated in Japan
"Ping An Insurance"	Ping An Insurance (Group) Co. of China, Ltd. (中國平安保險(集團)股份有限公司), a joint stock limited company incorporated in the PRC on March 21, 1988 listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 02318) and the Shanghai Stock Exchange (SSE: 301318), and one of our substantial shareholders

Definitions

"Ping An P&C"	Ping An Property and Casualty Insurance Company of China, Ltd. (中國平安財產保險股份有限公司), a subsidiary of Ping An Insurance
"PRC" or "China"	the People's Republic of China, but for the purposes of this annual report only, except where the context requires, references in this annual report to the PRC or China exclude Hong Kong, Macau and Taiwan
"PRC EIT Law"	the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得税法) adopted by the Tenth National People's Congress on March 16, 2007 and effective on January 1, 2008
"Prospectus"	the prospectus of the Company dated September 18, 2017
"RMB" or "Renminbi"	the lawful currency of PRC
"Reporting Period"	the period from the Listing Date to December 31, 2017
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Share(s)"	the shares in the share capital of our Company with a nominal value of RMB1 each
"Shareholder(s)"	the holders of the Shares
"Sinolink Worldwide"	Sinolink Worldwide Holdings Limited, a company incorporated in Bermuda as an exempted company and listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 1168), and our connected person
"Sinolink Worldwide (HK)"	Sinolink Worldwide (HK) Company Limited, a company incorporated in Hong Kong with limited liability and an wholly-owned subsidiary of Sinolink Worldwide
"Supervisory Committee"	the supervisory committee of our Company
"Taobao Marketplace"	an e-commerce platform of Alibaba
"Tencent"	Tencent Holdings Limited, a company incorporated in the Cayman Islands and listed on the Main Board of the Hong Kong Stock Exchange
"Tencent Computer System"	Shenzhen Tencent Computer Systems Company Limited (深圳市騰訊計算機系統有限公司), a limited liability company incorporated in the PRC on November 11, 1998, one of our substantial shareholders and a subsidiary of Tencent
"We Doctor"	We Doctor Group Ltd. (微醫集團有限公司), a company incorporated in the PRC
"Weidian"	Weidian (微店), a mobile e-commerce platform operated by Beijing Koudai Fashion Technology Co., Ltd. (北京口袋時尚科技有限公司)
"Xiaomi"	Xiaomi Inc. (北京小米科技有限責任公司), a company incorporated in the PRC
"Xiaoying"	Shenzhen Yingzhongtong Financial Information Service Co., Ltd. (深圳市贏眾通金融信息服務股份有限公司), a company incorporated in the PRC
"Zhaocaibao"	Shanghai Zhaocaibao Financial Information Service Co., Ltd. (上海招財寶金融信息服務有限公司), a company incorporated in the PRC
"ZhongAn", "ZhongAn Online", "Company", "our Company", "we" or "us"	ZhongAn Online P & C Insurance Co., Ltd. (眾安在綫財產保險股份有限公司), a joint stock limited company with limited liability incorporated in the PRC on October 9, 2013
"ZhongAn Technology"	ZhongAn Information and Technology Services Co., Ltd. (眾安信息技術服務有限公司), a wholly-owned subsidiary of our Company, incorporated in the PRC on July 7, 2016
"%"	per cent

Glossary

"big data analytics"	the use of advanced analytic techniques against very large, diverse data sets to uncover hidden patterns, unknown correlations, market trends, customer preferences and other useful information that can help organizations make more-informed business decisions
"cede"	the transfer of all or part of a risk written by an insurer to a reinsurer
"claim"	an occurrence that is the basis for submission and/or payment of a benefit under an insurance policy. Depending on the terms of the insurance policy, a claim may be covered, limited or excluded from coverage
"commission"	a fee paid to an agent or broker by an insurance company for services rendered in connection with the sale or maintenance of an insurance product
"customer"	unless otherwise indicated, the insured under our insurance policies. The number of our customers was calculated based on unique identifiers and contact information available to us
"gross written premiums" or "GWP"	total premiums (whether or not earned) for insurance contracts written or assumed during a specific period, without deduction for premiums ceded
"handling charges and commissions"	fees paid to insurance agents for the distribution of our products
"insured"	the insured person as specified in the insurance product
"Insuretech"	use of technology innovations designed to achieve savings and efficiency from the traditional insurance industry model
"net investment income"	the sum of interest income, dividend income and realized gains or losses on securities through profit or loss and available-for-sale securities
"net premiums earned"	net written premiums less net change in unearned premium reserves during a period
"premium"	payment and consideration received on insurance policies issued or reissued by an insurance company
"reinsurance"	the practice whereby a reinsurer, in consideration of a premiums paid to it, agrees to indemnify another party for part or all of the liabilities assumed by the reinsured party under an insurance contract, which the reinsured party has issued
"reserves"	liability established to provide for future payments of claims and benefits to policyholders net of liability ceded to reinsurance companies
"unearned premium reserves"	portions of written premiums relating to unexpired risk of insurance coverage

Corporate Information

Board of Directors

Executive Directors

Yaping Ou *(Chairman of the Board)*
Jin Chen *(Chief Executive Officer)*
Hugo Jin Yi Ou

Non-Executive Directors

Xinyi Han
Jimmy Chi Ming Lai
Guoping Wang
Xiaoming Hu
Fang Zheng

Independent Non-Executive Directors

Shuang Zhang
Hui Chen
Li Du
Yifan Li
Ying Wu

Supervisors

Yuping Wen
Baoyan Gan
Lei Xiang

Audit Committee

Hui Chen *(Chairman)*
Guoping Wang
Yifan Li

Risk Management Committee

Fang Zheng *(Chairman)*
Xiaoming Hu
Ying Wu

Remuneration and Nomination Committee

Shuang Zhang *(Chairman)*
Yaping Ou
Li Du

Investment Strategy Committee

Jin Chen *(Chairman)*
Hugo Jin Yi Ou
Xinyi Han
Jimmy Chi Ming Lai

Registered Office, Headquarters and Principal Place of Business in the PRC

4–5/F, Associate Mission Building
169 Yuanmingyuan Road
Shanghai
PRC

Principal Place of Business in Hong Kong

Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

H Share Registrar

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Joint Company Secretaries

Yongbo Zhang
Ella Wai Yee Wong

Authorized Representatives

Jin Chen
Ella Wai Yee Wong

Legal Advisors

As to Hong Kong and U.S. laws:
Skadden, Arps, Slate, Meagher & Flom

As to PRC law:
Grandall Law Firm (Shanghai)

Compliance Adviser

Somerley Capital Limited

Auditors

PricewaterhouseCoopers
Certified Public Accountants

Principal Banks

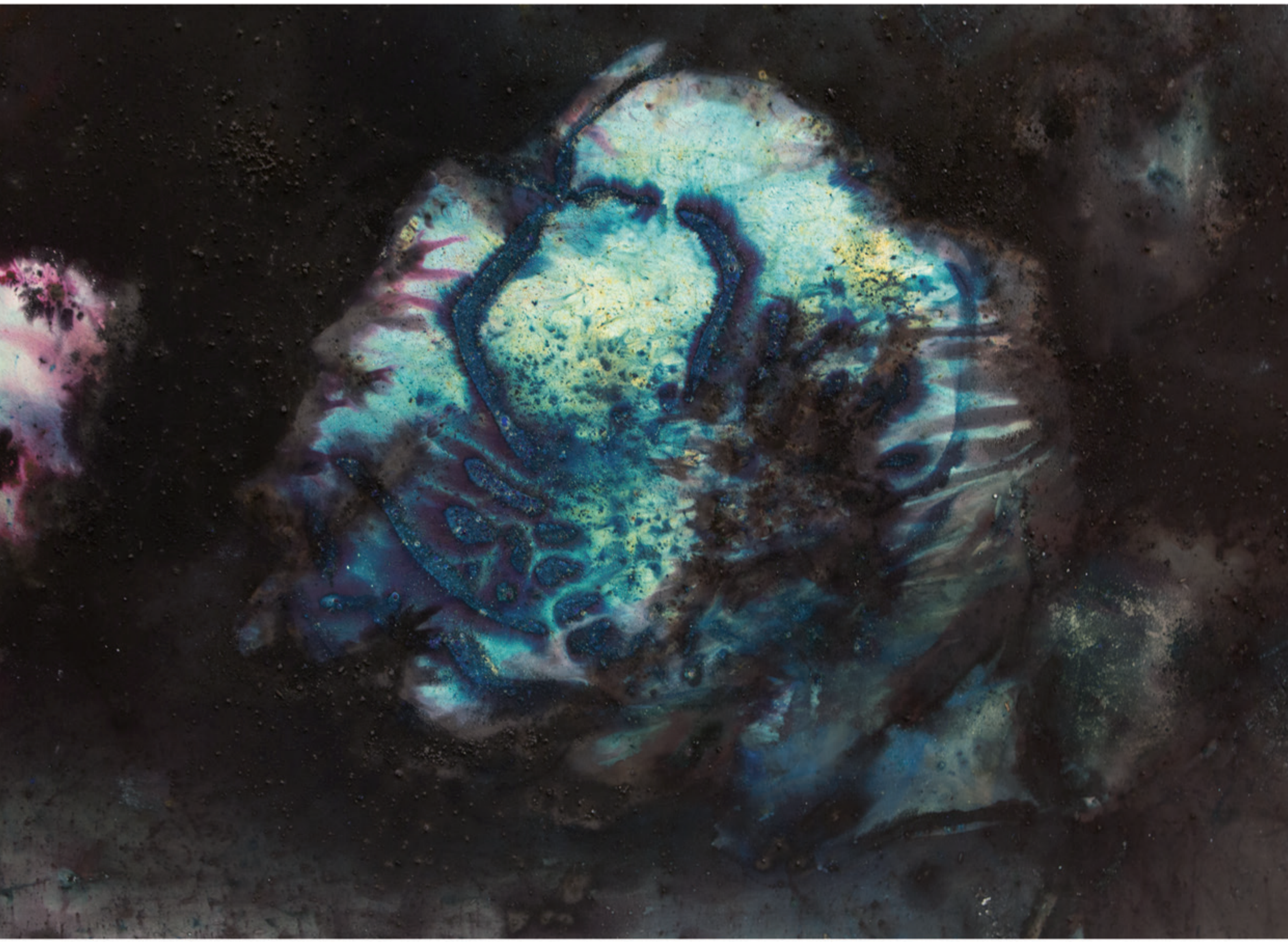
ICBC Shanghai Branch Sales Department
CITIC Bank Shanghai Branch Sales Department

Listing Information

Stock Code: 6060

Company Website

www.zhongan.com



众安保险
ZhongAn Insurance