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 2018

科技驅動金融
做有溫度的保險

众安保险
ZhongAn Insurance

* For identification purposes only

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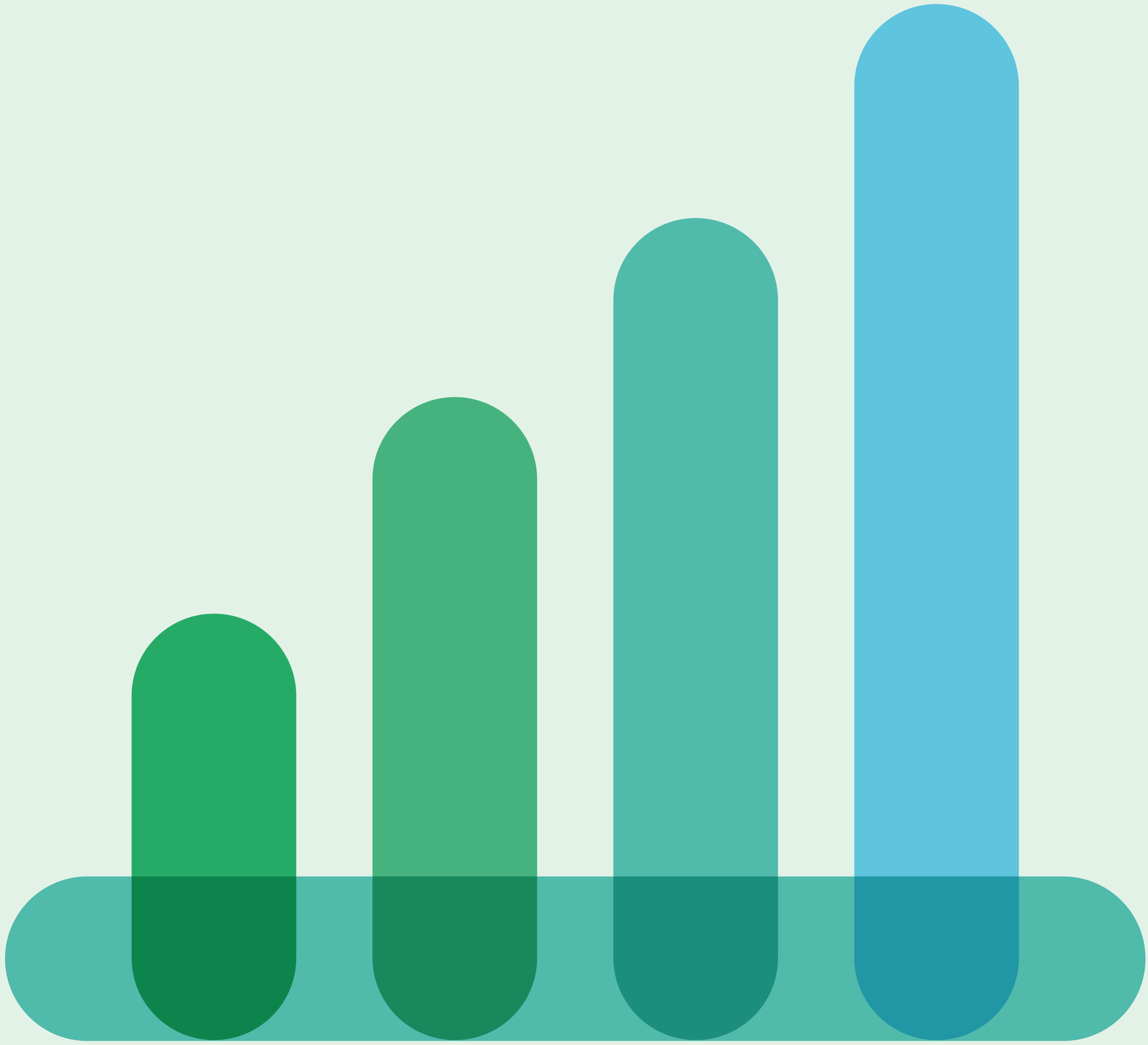
Five-Year Financial Summary

	CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (RMB'000)				
	Y2018 *per audit*	**Y2017** *per audit*	**Y2016** *per audit*	**Y2015** *per audit*	**Y2014** *per audit*
Gross written premiums	**11,255,718**	5,954,475	3,408,048	2,283,042	794,097
Net profit/(loss) for the year	**(1,796,718)**	(996,356)	9,372	44,257	36,981
Net profit/(loss) attributable to owners of the Company	**(1,743,895)**	(997,250)	9,372	44,257	36,981
Basic earnings/(loss) per share (in RMB)	**(1.19)**	(0.77)	0.01	0.04	0.04
Total assets	**26,341,096**	21,149,492	9,332,223	8,069,143	1,369,461
Total liabilities	**9,866,423**	3,878,796	2,473,251	1,170,825	348,899
Total equity	**16,474,673**	17,270,696	6,858,972	6,898,318	1,020,562
Equity attributable to equity owners of the Company	**15,432,039**	17,126,913	6,858,972	6,898,318	1,020,562
Combined ratio (%)	**120.9%**	133.1%	104.7%	126.6%	108.6%
Net investment yield (%)	**4.2%**	3.8%	3.6%	3.5%	4.8%
Total investment yield (%)	**2.6%**	7.7%	1.8%	12.6%	7.3%
Comprehensive solvency margin ratio (%)	**600%**	1,178%	722%	1,620%	715%



Message from the Chairman and CEO

Message from Chairman

Sticking to the strategy of "Technology-empowered development", we promoted the in-depth integration of technology and finance, so as to improve our overall operation efficiency, reduce operation costs and create greater value.

Yaping Ou
Chairman

Dear Shareholders,

Over the past year, we witnessed continuous changes in the global economic and social development, and the new development in regulatory policies, science and technology and industrial structure had far-reaching impact on the development of the global economy in the long run. Meanwhile, China has entered into a new phase of development, with the new round of technology revolution and industry reform beginning to show positive effect. With the domestic economy entering into a new cycle, the insurance industry has also ushered in a new development era.

In 2018, in the face of a complex and changing external environment, ZhongAn maintained a fast business growth momentum. Meanwhile, we continued to enhance our technology strengths, built strong coverage of vigorous ecosystems, and successfully extended our business into the overseas insurance market through technology export. Sticking to the strategy of "Technology-empowered development", we promoted the in-depth integration of technology and finance, so as to improve our overall operation efficiency, reduce operation costs and create greater value. Staying true to our mission and vision of "Providing insurance services with a caring hand", we empowered the finance business with new technologies to provide a more extensive and secure product offering to the new generation of customers, so as to create a more inclusive financial system.

ZhongAn is committed to promoting technology development, which in turn helps to boost our business success. Amidst an operating environment surrounded with uncertainties, we have stronger faith in technology strengths. We leverage on technologies to explore innovative business concepts, and then turn these concepts into reality with our cutting-edge technologies. Over the past years, we pioneered into a brand new business territory and took the lead in developing "online insurance", demonstrating the huge potential of the industry with our distinctive business model. Currently, in the face of new external environment, we also leverage on technologies to establish the infrastructure for "New Insurance", which will redefine the future of the insurance industry by facilitating the integration ranging from value and technology chains, financial and service attributes, online and offline resources as well as the digital and real economies, further driving the development of the industry.

On behalf of the Board of Directors of ZhongAn, I would like to take this opportunity to express our heart-felt gratitude to all our partners and investors for their trust and unwavering support towards the development of ZhongAn and their commitment in exploring the "New Insurance" era with ZhongAn. We will continue to live up to their expectation and exert every effort to create a brighter future.

Let's work together to usher in the era of "New Insurance".

Yaping Ou
Chairman

Message from CEO

Year 2018 unfolded with our aggressive paces, as witnessed by our first ever technology-enabled export to overseas market under the unchanged two-winged strategy of "Insurance + Technology".

ZhongAn delivered quality-minded growth in 2018, despite intensified competition and slower momentum across the industry amid the complicated macroeconomic environment. Our GWP amounted to approximately RMB11.3 billion, which represented a year-on-year growth of 89%, breaking the RMB10 billion mark with emerging economies of scale. In terms of the absolute value of GWP, we ranked 12th in the PRC property and casualty insurance market, up by 6 places compared to that in 2017. Our combined ratio dropped significantly from 133.1% in 2017 to 120.9% in 2018, down by 12 percentage points year-on-year. As a young and fearless brand, ZhongAn is committed to serving the new generation with technology-empowered offerings including individualized, customized and intelligent risk solutions. In 2018, we served over 400 million users, of whom 56% were aged under 35.

With a focus on quality-minded growth in 2018, ZhongAn stayed rooted in ongoing innovation and technology-enabling to invest in technology consistently. Technology was well applied in the whole insurance value chain to increase the efficiency and drive up operational indicators. The proportion of GWP from our health ecosystem increased significantly, demonstrating our commitment to innovation. In 2018, the Personal Clinic Policy (尊享e生) series continued its fast upgrade approach, rolling out 12 releases during the three years since its debut. We launched Personal Clinic Policy (for Parents), provided seniors aged 61 - 65 with the access to health policy of RMB1 million coverage, and introduced premium value-added services such as healthcare in Japan, special anti-tumor drugs and postoperative home care. In the consumer finance ecosystem, our technology enables insurance innovation. We employed artificial intelligence and big data technologies in risk management, marketing and asset match, and built holistic customer risk profile based on customers' behavioral data on various internet platforms. As a result, we built strong coverage of vigorous ecosystems, such as telecommunication, interactive media platform, e-commerce platform, etc. and we are able to deliver consumer financial products accurately through mining user data and Internet footprints. We launched ZhongAn ANswer (眾安精靈), an insurance robo-advisor on our proprietary platform, which provided risk solutions and product offering suggestions for millions of insurance users and boosted the efficiency and customer experience.

Year 2018 also saw our progress in technology export. During the year, we entered into contracts on insurance technology products with 25 clients in the insurance industry. Benefiting from Graphene, a next-generation core insurance system and our latest solution in the series, insurance companies can improve cost effectiveness and enhance operation efficiency by connecting new channels within a week, launching new products within 1 - 3 days, and processing more than 2 billion policies per week. Our commercial insurance technology products have connected more than 800 hospitals (mainly at Class II and above) across the country, providing over 10 commercial insurance companies with online direct link of medical data and risk solutions for health insurance. Notably, we took the first step in the export of insurance technology. Through in-depth cooperation with Softbank Vision Fund, a technology giant, we reached cooperation with well-known insurers and Internet technology companies in Japan and Southeast Asia. This marked a solid step towards a broader stage worldwide for Chinese model of Insuretech.

Year 2018 also saw our progress in technology export. During the year, we entered into contracts on insurance technology products with 25 clients in the insurance industry. Benefiting from Graphene, a next-generation core insurance system and our latest solution in the series, insurance companies can improve cost effectiveness and enhance operation efficiency by connecting new channels within a week.

Jin Chen

Chief Executive Officer

In 2018, ZhongAn aligned itself with the call for strengthening regulation and replaying the natural role of insurance, sticking to the bottom line of compliance to serve the real economy with financial services. After approved for business in late 2017, ZhongAn Microloan (眾安小貸) operated soundly in 2018, which effectively supported business of our consumer finance ecosystem and was highly recognized among our partners. In July 2018, the Company approved an increase in its equity investment by RMB900 million in ZhongAn Technology, reinforcing its capital reserve and laying a solid foundation for us to take hold on the financial technology forefront. In August 2018, ZA Tech Global attracted strategic investment from Softbank Vision Fund, setting up a joint venture to promote our technology solution export with a promising start in just half a year. All these are key initiatives for us to uphold digital and transparent operations under the basic rules of industry development at the historical turning point for transformation.

Looking ahead, we will see the increasing integration of technology and insurance to usher in new business segments and models. In 2019, we will build up broader risk capability to support the new generation to move forward aggressively based upon technology to seek quality-prioritized growth, and create long-term value for investors; and continue our technology investment to empower our global partners.

From online insurance to insurance technology, the role of technology is shifting from an enabler to an integrator, facilitating the integration of value and technology chains, financial and service attributes, digital and real economies as well as online and offline fronts. An era of "New Insurance" is forthcoming. As an advocator of "New Insurance", ZhongAn has been tasked to pioneer in financial technology in an effort to extend depth and breadth of the industry for faster integration. Over the past five years, our unremitting efforts have resulted in well-established infrastructure. Going forward, we will continue to forge ahead, explore and contribute to the breakthroughs and changes in the industry worldwide.

Corporate Milestone

October 9, 2013

Establishment of the Company

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

April 2014

Wujieshan

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

June 2015

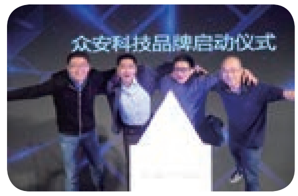
Series A Financing

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

November 2015

Baobiao Auto Insurance

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



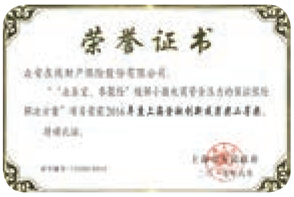
July 7, 2016

ZhongAn Technology

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

2013 2014 2015 2016

2017



June 2017

Innovation Achievement

The Insurance Solution for Mitigating Capital Pressure of Micro E-commerce launched by Zhong Le Bao and Can Ju Xian received the second prize of 2016 Shanghai Financial Innovation Achievement Award.

September 28, 2017

Listing of H Shares

ZhongAn Online was listed on the Main Board of the Hong Kong Stock Exchange (stock code: 6060).

December 4, 2017

Hong Kong Stock Connect

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

众安国际
ZhongAn International

December 8, 2017

ZhongAn International

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

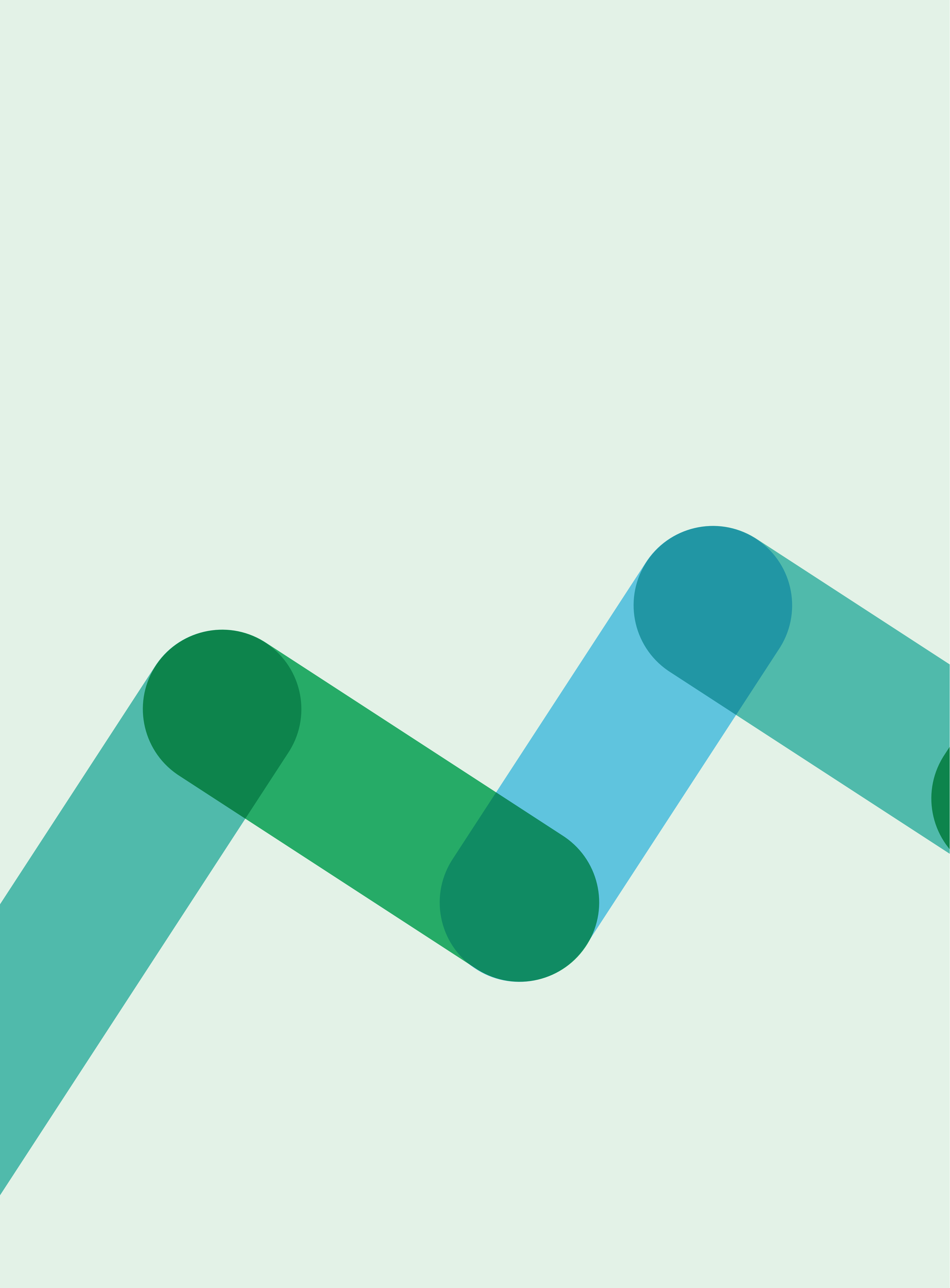
2018

SOMPO INSURANCE

September, 2018

International Technology Export

Assist Sompo Japan Insurance Inc. ("SOMPO") approach digital transformation with its next generation cloud-based end to end insurance system.



Management Discussion and Analysis

A market share of

31%

in the Internet non-auto insurance market

We joined hands with 330 ecosystem partners to provide the ecosystem-oriented insurance products, and the number of customers reached

over 400 million

Management Discussion and Analysis

Management Discussion and Analysis of Operating Results and Financial Conditions

In 2018, ZhongAn recorded a total GWP of RMB11,255.7 million, representing a year-on-year increase of 89.0% and ranking the 12th in the PRC property and casualty insurance market. It had a market share of 31% in the internet non-auto insurance market, ranking No.1 among peer companies across China.

We provided services to over 400 million insured customers for the year, with premium contribution per capita of approximately RMB28.0, representing an increase of 103.1% as compared with that of last year.

Thanks to the optimization of the ecosystem structure and benefits from economies of scale, the operating efficiency has improved significantly. The combined ratio has decreased from 133.1% in 2017 to 120.9% in 2018, representing a year-on-year decrease of 12.2 percentage points.

In particular, with the continuous optimization of ecosystem structure, the proportion of GWP contributed by the health, consumer finance and auto ecosystem increased from 38% in 2017 to 66% in 2018.

	2018		2017		
Ecosystems	RMB'000	Percentage %	RMB'000	Percentage %	Year-on-year growth rate %
Health	2,868,354	25%	1,204,185	20%	138%
Consumer finance	3,520,304	31%	1,033,762	17%	241%
Auto	1,149,173	10%	78,901	1%	1,356%
Lifestyle consumption	1,616,090	14%	1,787,234	30%	-10%
Travel	1,460,423	13%	1,436,350	24%	2%
Others	641,374	7%	414,043	8%	55%
Total	11,255,718	100%	5,954,475	100%	89%

With respect to technology export, we focused on the insurance and financial technology segment and made milestone development in expanding our business into the international market. We entered into agreements with overseas customers to cooperate with them by exporting our cutting-edge systems and technologies, including assisting SOMPO, one of the top three property and casualty insurance companies in Japan to realize digital transformation, and joining hands with Grab, a leading O2O platform in Southeast Asia, to establish a digital insurance sale platform to explore the online insurance distribution business in Southeast Asia.

Business Review

Our Company

As the first Internet-based Insuretech company in the PRC, ZhongAn recorded a total GWP of RMB11,255.7 million in 2018, representing a year-on-year increase of 89.0% and ranking the 12th in the PRC property and casualty insurance market, up by 6 places from 2017. In 2018, ZhongAn had a market share of 31% in the online non-auto property and casualty insurance market, ranking No.1 among peer companies across the country. In 2018, we continued to expand our presence across all ecosystems by joining hands with business partners to provide a wide variety of ecosystem-oriented insurance products and risk solutions, and stepped up efforts to provide our users with customized insurance products. In 2018, we provided services to over 400 million insured customers, of which 56% were under the age of 35, with insurance policies per capita of 15.8 and premium contribution per capita of approximately RMB28.0 (In 2017, the insurance policies per capita were 12.6 and the premiums contribution per capita were approximately RMB13.8). Per capita premiums have increased year by year, indicating that our customer education started to show positive effect to boost user consumption and grow customer lifetime value.

Our Operation Strategy

Sticking to the dual-engine strategy of "Insurance + Technology", ZhongAn drove insurance innovation with technology to create value for the customers and meet the diversified insurance demands of the customers, while testing the technologies in the day-to-day operation of its insurance business, with an aim to promote the development of the industry by exporting insurance technology and facilitating digital transformation of the insurance industry.

Over the past five years since its establishment, in our effort to explore the online insurance business, we embraced the strategy of integrating technologies (artificial intelligence, blockchain, cloud computing, big data, etc.) into the whole insurance value chain. By adopting an ecosystem-oriented approach, we empowered the platforms operated by our ecosystem partners with our technology strengths, so as to provide the users with customized and intelligent insurance coverage solutions (i.e. the "B2B2C" model). As of December 31, 2018, we connected with 330 ecosystem partners, covering five major ecosystems, namely the health, consumer finance, auto, lifestyle consumption and travel. The online insurance business no longer just focuses on Internet-based channels only, but also covers product development, marketing, underwriting, claim settlement and post-sale customer services, with its business scope expanding from product development to mid-back end of business operations and customer experience of insurance services, to fulfill the objective of "reshaping the insurance value chain with technology". With our strength in innovation, big data risk control capacity and flexible systems, we were able to catch up with market demands, connect with the systems of our partners in a flexible manner and constantly upgrade our products, enabling us to maintain long-term distinctive competitive edges.

Starting with shipping return insurance, we continued to leverage our technology strengths to resolve deficiencies in the insurance business processes, so as to provide customers with better protection services and experience and also improve operational efficiency of the Company. For example, our cloud-based core insurance system was able to adjust its computational power in a flexible manner according to fluctuations in the business volume, demonstrating excellent scalability. In addition, the system adopted a module structure similar to LEGO bricks, to promote innovation and rapid roll-out of our products. By implementing intelligent underwriting and claim management and automatic processing, the automation rate of our underwriting and claim settlement services reached 99% and 95%, respectively. The application of artificial intelligence helped significantly reduce labor cost of customer service, with the proportion of AI application for online customer service reaching 70.0%, resulting in a substantial year-on-year decrease of 63.7% in the number of online service staff. The launch of the intelligent customer service quality assurance system in the second half of 2018 further increased operational efficiency of quality assurance by 20.3% and helped ensure a unified standard of customer services. Our intelligent commercial insurance platform has been applied to the health ecosystem, connecting over 800 hospitals. With authorization from the user, it can achieve direct connection with medical information databases, enabling substantilly speedy claim settlement service and greatly reducing costs and risks associated with identification of corruption and fraudulent acts.

By accelerating scale effect as a result of overall efficiency improvement through application of technology, the proportion of other operation expense (defined as the general and administrative expenses of the insurance business minus technology service fees and other channel-related fees) to the net written premium decreased from 23.0% in 2017 to 17.3% in 2018, down by over 5.5 percentage points.

During the process, we incorporated the technology strengths gained from our leading traditional businesses in the lifestyle consumption and travel ecosystems, and extended them to the other three ecosystems, namely health, consumer finance and auto ecosystems, providing the users with more comprehensive financial services. The proportion of the aggregate GWP generated from the health, consumer finance and auto ecosystems increased from 38% in 2017 to 66% in 2018. With the optimization of premium structure and the corporation with various ecosystem partners, the channel fees as percentage of net written premium decreased from 36.5% in 2017 to 32.4% in 2018. Our technologies have been applied to the fragmented insurance scenarios of the lifestyle consumption and travel ecosystems and also applied to the value chain of the health, consumer finance and auto ecosystems, so as to constantly create value and provide more comprehensive integrated financial services for the users, which had a far-reaching impact on the industry. In 2019, we will continue to deepen the integration of technologies and insurance covering the whole insurance value chain, and while focusing on the core businesses of the five major ecosystems, we will enhance cooperation with major innovative ecosystem partners to improve the quality of underwriting business and achieve scale effect, so as to promote quality growth.

Regarding technology export, we focused on the insurance and financial technology segment, and exported our leading system capacities of ZhongAn to the domestic and overseas insurance industries in a module pattern. In 2018, ZhongAn invested RMB852.1 million in research and development activities, accounting for 7.6% of the Company's GWP, and recorded income from technology export of RMB112.4 million, representing a year-on-year increase of 176.2%. We charged our customers technology service fees on a case-by-case basis or by applying a SaaS model (for example charged at a certain percentage of income or according to user engagement). In 2018, the number of contracted clients surpassed 300, and 60% of our existing insurance system product customers purchased additional insurance system modules from us or upgraded their existing modules. In particular, as to overseas export business, we entered into an agreement with SoftBank Vision Fund in the second half of 2018 to jointly boost our technology solutions business outside China. Subsequently, we obtained the first overseas order for our Insuretech export. We entered into an agreement with SOMPO, one of the top three property and casualty insurers in Japan to provide SOMPO with the next-generation public-cloud-based distributed

Management Discussion and Analysis

core insurance system and help SOMPO to realize digital transformation. In January 2019, we entered into a cooperation agreement with Grab, a leading O2O platform in Southeast Asia, pursuant to which both parties have agreed to form a joint venture company to jointly explore the Online insurance distribution business in Southeast Asia. Meanwhile, the joint venture company will join hands with the insurance partners across the globe to provide all kinds of customized insurance products for the millions of users of Grab in Southeast Asia.

In 2019, we will continue to reach out to more potential clients in the domestic and overseas markets and export our insurance technologies and proven business models to more countries and regions. In addition, we will increase investment in research and development activities in the Insuretech and Fintech sectors.

2018 Financial Highlights

Leveraging on the integration of the above technologies with our insurance business and the ecosystem-oriented business model, the operating indicators of our underwriting business achieved significant improvement:

The combined ratio of underwriting business in 2018 was 120.9%, representing a decrease of 12.2 percentage points as compared with that of 2017. In particular, the expense ratio was 61.0%, down by 12.6 percentage points over 2017, while the loss ratio was basically the same as that of 2017.

The decrease in expense ratio was attributable to both decrease in channel fee ratio and other operating expense ratio (defined as channel fee and other operating expense as percentages of net written premium).

Channel fee ratio: As continuous efforts were made in optimizing business structure, expanding cooperation with vertical ecosystem partners and enriching our business portfolio, the revenue contribution from the health, consumer finance and auto ecosystems grew at a rapid pace. Leveraging on the technology advantage in these ecosystems, we strove to create greater value in respect of customer acquisition, products, risk control and services and enhanced bargaining power with growing brand awareness, so as to control the Company's overall channel fee ratio.

Other operating expense ratio: Leveraging on the application of cloud computing, big data and artificial intelligence technology, our business recorded rapid growth and accelerated scale effect, which helped to dilute our R&D, operation and administrative costs. In particular, the average number of staff in the underwriting business throughout the year merely increased by about 16% in 2018 (average in 2017: approximately 1,750; average in 2018: approximately 2,000), and the growth rate was much lower than the growth rate of 89% in GWP of 2018.

The loss ratio was basically in line with that of 2017 due to the combined effect of the following factors: 1) the loss ratio in the consumer finance ecosystem decreased by 32.6 percentage points as a result of the continuous improvement of user profiles and user insights, optimization of risk control model, increase in the premium rates and control over the risks associated with underlying assets; 2) we took initiatives to reduce certain low quality underwriting business, such as the digital business in the lifestyle consumption ecosystem; 3) the loss ratio of the employer liability insurance business increased in 2018, which resulted in an increase in overall loss ratio. Looking ahead, we plan to significantly reduce the scale of such business, with an aim to optimize the product portfolio and improve the loss ratio. In 2019, we will continue to enhance and adjust the underwriting quality of all ecosystems, so as to improve our profitability.

The overall net loss of the Company was RMB1,796.7 million in 2018, representing a year-on-year increase of RMB800.4 million, which was mainly due to the following factors:

1) Underwriting business: in 2018, the premiums earned increased by 90.7% year-on-year. Despite the significant optimization of combined ratio decreasing from 133.1% in 2017 to 120.9% in 2018, the underwriting loss still increased by RMB305.7 million, representing a year-on-year increase of 20.0%, which was far less than the growth rate of premiums earned;

2) Total investment income: in 2018, total investment income was RMB498.8 million, representing a year-on-year decrease of RMB332.0 million. In 2018, the investment income in the equity secondary market was considerably lower than that of 2017 as affected by the sluggish domestic A-share market. In addition, we completed the Global Offering in the third quarter of 2017, and the proceeds raised was received at the end of 2017, which were used according to our investment allocation plan in the first half of 2018 while the unallocated balance in the first half of 2018 was mostly invested in liquid assets, resulting in a relatively lower actual return rate;

3) Technology export business: in 2018, the technology export business recorded operating revenue of RMB112.4 million and net loss of RMB453.1 million (including ZhongAn International's net loss of RMB112.9 million), representing a year-on-year increase of RMB344.3 million in net loss. The technology export business is still at the stage of R&D investment and market exploration. The R&D expenses were mainly attributable to the follow-up research and development and productization of the core insurance system and the export of system technologies to the domestic and overseas markets. Meanwhile, we stepped up efforts in researching and developing artificial intelligence, blockchain and commercial insurance technology platform that connects with the data systems of the hospitals, and would apply such technologies to the core insurance system, so as to improve the efficiency of insurance process.

Five Major Ecosystems

In 2018, we have continued to apply the technological capabilities such as scenario marketing, big data user profile and automated processes accumulated in lifestyle consumption and travel ecosystems to the other three ecosystems of health, consumer finance and auto, with an aim to provide users with more comprehensive financial services. The GWP generated from the health, consumer finance and auto ecosystems as a percentage of our GWP increased from 38% in 2017 to 66% in 2018.

In addition, we have had frequent interaction with a large number of users through lifestyle consumption and travel ecosystems to explore users' needs, enhance users' trust in the brand of ZhongAn and strengthen market education on online insurance, enabling us to seize business opportunities from cross-ecosystem users and achieve maximum user value.

The following table sets forth the GWP in absolute amount and as percentages of our GWP from or by each ecosystem for 2017 and 2018:

	2018		2017		
Ecosystems	RMB'000	Percentage %	RMB'000	Percentage %	Year-on-year growth rate %
Health	**2,868,354**	**25%**	1,204,185	20%	138%
Consumer finance	**3,520,304**	**31%**	1,033,762	17%	241%
Auto	**1,149,173**	**10%**	78,901	1%	1,356%
Lifestyle consumption	**1,616,090**	**14%**	1,787,234	30%	-10%
Travel	**1,460,423**	**13%**	1,436,350	24%	2%
Others	**641,374**	**7%**	414,043	8%	55%
Total	**11,255,718**	**100%**	5,954,475	100%	89%

Management Discussion and Analysis

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) premiums earned, defined as net written premiums less net change in unearned premium reserves, (iv) loss ratio, defined as net claims incurred as a percentage of net premiums earned, and (v) channel fees, defined as handling charges directly related to written premiums as well as commissions, technical service fees and other channel related fees, as percentages of net written premiums, from or by each ecosystem for 2017 and 2018:

	2018	2017
Ecosystems	**RMB'000**	**RMB'000**
Health		
GWP	**2,868,354**	1,204,185
Net written premiums	**2,434,182**	972,851
Premiums earned	**1,766,148**	579,604
Loss ratio%	**59.0%**	57.7%
Channel fees as a percentage of net written premiums%	**24.1%**	24.4%
Consumer finance		
GWP	**3,520,304**	1,033,762
Net written premiums	**3,520,304**	1,033,762
Premiums earned	**2,565,204**	577,785
Loss ratio%	**72.3%**	104.9%
Channel fees as a percentage of net written premiums%	**18.4%**	12.0%
Auto		
GWP	**1,149,173**	78,901
Net written premiums	**1,149,173**	78,901
Premiums earned	**688,337**	11,280
Loss ratio%	**58.9%**	145.5%
Channel fees as a percentage of net written premiums%	**33.2%**	39.1%
Lifestyle consumption		
GWP	**1,616,090**	1,787,234
Net written premiums	**1,614,912**	1,787,234
Premiums earned	**1,636,556**	1,738,187
Loss ratio%	**74.8%**	71.2%
Channel fees as a percentage of net written premiums%	**19.6%**	21.6%
Travel		
GWP	**1,460,423**	1,436,350
Net written premiums	**1,447,285**	1,429,170
Premiums earned	**1,459,778**	1,406,924
Loss ratio%	**9.7%**	22.5%
Channel fees as a percentage of net written premiums%	**89.2%**	81.4%
Others		
GWP	**641,374**	414,043
Net written premiums	**627,240**	403,247
Premiums earned	**684,280**	300,327
Loss ratio%	**87.7%**	77.8%
Channel fees as a percentage of net written premiums%	**43.0%**	34.8%

Health ecosystem:

We focus on customer demands for health insurance protection by offering accessible, easy-to-understand and affordable insurance solutions and value-added services through the Internet, covering individual insurance and group insurance business. The innovative individual insurance product brands offered by us, including Personal Clinic Policy (尊享e生), Walk to Wellness Policy (步步保) and Didi Automobile Owner Insurance Plan (滴滴車主保障計劃), have become the major products marketed by many ecosystem partners of our health ecosystem business, while our group insurance products are customized products and services for corporate customers.

With the increasing popularity of mobile internet and in response to the significant increase in the penetration rate of online shopping by the users (penetration rate of Internet property and casualty insurance: 5.9% in 2018 as compared with 4.7% in 2017), and by adopting an ecosystem partnership model and the Internet-based product design and operation strategy, coupled with in-depth analysis on big data, our individual insurance business focused on the innovative Internet platforms such as Alipay Insurance, iyunbao and Shuidihuzhu (水滴互助) as major ecosystem partners to provide personalized and customized product offering for the customers. In particular, taking the Personal Clinic Policy series products as an example, we also provided the deductible clause in the policy, enabling the consumers to enjoy extensive medical insurance coverage at a relatively low premium. As a health insurance for the young generations and a supplementary product to the long-term health insurance products, the Personal Clinic Policy series products have become the star products on the Internet channel. Meanwhile, our products and brands were well received by the customers on our proprietary platforms with rapid growth in transaction amount, and about 8% of the GWP generated from the Personal Clinic Policy series products in 2018 were derived from our proprietary platforms.

In 2018, the health ecosystem recorded RMB2,868.4 million in GWP, representing a growth of 138.2% as compared to that of the corresponding period of last year, and had approximately 56.7 million customers. The GWP generated from our flagship products namely Personal Clinic Policy and Healthcare Ecosystem (好醫保) of Alipay Insurance amounted to RMB1.75 billion and the insured customers of these products were approximately 4 million with the premium per capita of approximately RMB440 of which the GWP derived from our proprietary platforms accounted for approximately 8% of our GWP. As of December 31, 2018, the users of the Personal Clinic Policy series were at an average age of about 35 and mainly from first or second-tier cities that have better economic development and regions with higher internet penetration rate.

Other individual health insurance products also maintained a rapid growth momentum. As of December 31, 2018, by providing Walk to Wellness Policy, we have obtained authority to obtain the exercise data of over 26.7 million users. Didi Automobile Owner Insurance Plan also has attracted extensive participation of automobile owners from Didi Chuxing platform, and as of December 31, 2018, such product had over 1.3 million users with the daily insurance policies of over 2.8 million.

By continuing to focus on the customized, smart and personalized medical insurance products, the health ecosystem business will strive to meet customers' insurance needs and pursue market expansion through the distribution network of ZhongAn Insurance and ZhongAn Technology, providing customers with closed-loop solutions in respect of disease prevention, follow-up and intervention, health improvement, health insurance coverage and medical services. Leveraging on our intelligent commercial insurance platform and with authorization from our customers, we have achieved direct connection with medical information databases. Through consolidation and analysis of such data, our risk management capability in underwriting and claim management of insurance business have improved, enabling us to provide customers with a more convenient and efficient claim settlement experience. In addition, we are in the process of incorporating the AI image recognition technology into the claim settlement practice, so as to identify medical invoices and automatically enter the information into the relevant columns of the claim settlement procedures, with an aim to improve efficiency of claim settlement. We also used the AI technology to launch ZhongAn ANswer (眾安精靈), an insurance robo-advisor on our proprietary platform, so as to enhance interaction with the users at the early stage and to promote insurance knowledge.

Consumer finance ecosystem:

Through cooperation with licensed financial institutions, and by connecting with different kinds of internet platforms through our cutting-edge technology, risk control, data and other technology strengths, we are committed to providing customers consumer finance products with credit guarantee, and have developed leading big data risk control as well as fund and asset matching capacity in consumer finance ecosystem. In 2018, we proactively expanded cooperation with various internet scenario platforms, such as Bestpay, Secoo and TouTiao.com, and also provided consumer finance solutions to selected leading internet finance platforms such as X Financial, Qudian and Lexin by way of joint risk control and joint scenario-based operation.

Management Discussion and Analysis

In 2018, we increased the proportion of internet scenario platform business to optimize resource allocation, enrich user profiles and effectively control risks. We established cooperation relationship with u51.com, TouTiao.com, Carrefour, Babytree and wopay.com (an affiliate of China Unicom engaged in payment business), and exported consumer finance products based on user profiles and analysis on internet footprints.

We set the insurance premium rates based on individual risk profile of the underlying assets and underwrote the risk for the underlying assets with our credit guarantee insurance products. Our actual annualized insurance premium rate (as a percentage to the lending amount) was mainly within the range of 6% to 12%. Our risk control penetrated to the underlying assets, and we implemented real-time big data risk control on every batch of borrowings by every borrower by connecting with the systems of our cooperated platforms and financial institutions, thereby we were able to decide the result of risk control. The key members of our financial risk control team are mainly from the risk management department of the joint stock banks, insurance companies and leading large-scale financial technology companies, and the office-in-charge has over twenty years of risk management experience for international financial institutions in consumer finance sector.

Our key targeted customers of the consumer finance ecosystem are the young near-prime group in China at an average age of 25 - 35 with good education and strong consumption demands who often suffer when applying for credit facilities due to lack of sufficient historical credit record as a result of short working history with stable income given their young age. Our business mostly provides credit facilities for borrowers who have credit record with the central bank credit reference system, which are used to satisfy their consumer finance credit enhancement requirements when they are subject to insufficient credit limits.

Intelligent risk control, intelligent marketing and intelligent asset matching capacity are the core technologies developed by our consumer finance ecosystem. Regarding intelligent risk control, we managed to effectively reduce claim payment by prudently choosing quality cooperation platforms and providing the cooperated platforms with advanced technology to cooperate in jointly building models, strategic upgrading and online anti-fraud application. Meanwhile, efforts were made in strengthening the synergies with the platforms to reduce the time of debt collection. As such, in 2018, despite the increasing industry risks, the loss ratio of the consumer finance ecosystem decreased to 72.3% (2017: 104.9%). Regarding intelligent marketing, by establishing an operation system based on the customers' credit insurance life cycle and based on the big data of the users, we carried out service upgrading and monitoring at all key aspects to facilitate the introduction, retaining and conversion of customers for the cooperated platforms, so as to improve the effective value contribution of its users. Our intelligent asset matching capacity helped to solve information asymmetry between the asset owners and the fund lenders and served as a "connector" by satisfying the different preference of the fund lenders for user profiles and asset quality as well as the different requirements of the asset owners for the type of funding and funding costs, so as to lay a solid foundation for the sustainable development of our consumer finance ecosystem business.

In 2018, our consumer finance ecosystem recorded approximately RMB3,520.3 million in GWP, representing a growth of 240.5% as compared with the corresponding period of last year, and provided services to approximately 12.9 million customers. In 2018, the valid term of the insurance policies for our consumer finance ecosystem was one year or below, and the amount of a single batch of borrowings by the users under the consumer finance ecosystem was less than RMB4,000. As at December 31, 2018, the outstanding loan balance amount in respect of the consumer finance ecosystem was RMB32.8 billion (as at June 30, 2018: RMB32.3 billion). The channel fee ratio of the consumer finance ecosystem as a percentage of net written premiums for 2018 was 18.4%, representing a year-on-year increase of 6.4 percentage points, which was attributable to our increasing share of the marketing expense incurred by the platforms in acquiring customers and activating users as a result of our increasing cooperation with the Internet scenario platforms.

In 2019, we will take measures to further optimize our business structure and enhance our big data risk control capacity, with an aim to reduce loss ratio and improve business profitability. These measures include: 1) further optimizing our business structure by increasing the proportion of internet scenario platform and streamflow platform business and reducing business with low profit margin, so as to achieve optimization of customer base and asset portfolio; 2) leveraging on the extensive data from the scenario parties (including data such as scenario consumption history, online behavior etc.) to cover greater customer base with a balanced risk profile; 3) by establishing cooperation relationship with more licensed lending financial institutions and enhancing risk identification and management, providing credit guaranteed insurance products to improve fund and asset matching capacity and satisfy diversified matching demands in terms of asset varieties, duration and geographical locations.

Auto ecosystem:

We launched Baobiao Auto Insurance based on the coinsurance model jointly developed with Ping An P&C, offering professional auto insurance products and solutions as well as value-added services to protect our customers against vehicle damage, personal injury and death, and vehicle theft and robbery. We connected with internet platforms and the automotive aftermarket service channels by leveraging on our own technology strengths to acquire customers, while Ping An P&C leveraged on its extensive offline resources to provide the same quality claim settlement services as those offered to its own customers. From January 1, 2018, the premiums, claim payments and other costs shared between ZhongAn and Ping An P&C under the coinsurance model were 50%:50%, while the respective proportion of responsibility assumed by ZhongAn and Ping An P&C under the coinsurance model prior to January 1, 2018 was 30% (ZhongAn) :70% (Ping An). This adjustment represents an affirmation of the coinsurance model by both parties.

After obtaining the licenses to underwrite auto insurance in all regions across China in September 2017, we have underwritten insurance policies in 36 regions across the country as of May 2018, with business footprint covering every region within mainland China, excluding Hong Kong, Macao and Taiwan. In 2018, our auto ecosystem recorded a significant year-on-year growth in GWP to approximately RMB1,149.2 million (2017: RMB78.9 million) with 0.74 million insured users. Our customers were mainly male clients aged 30 to 40 in the second and third-tier cities.

We acquired customers mainly from the internet platforms and automotive aftermarket service channels. Regarding cooperation with internet platforms, we continued to expand along the auto ecosystem industrial chain by continuing to enhance cooperation with all kinds of ecosystem partners, such as new auto-retail platforms like Guazi (瓜子) and Maodou (毛豆) and automobile financial platforms like Cango (燦谷). We also connected with more offline automotive aftermarkets and other long-tail channels such as auto detailing shops and automobile repair shops through open-ended platforms, allowing our products to reach out to more users. In addition, we joined hands with SAIC Motor Corporation Limited ("SAIC Motor") and other automobile manufacturers in exploration of auto insurance big data application.

Regarding risk-based pricing, we established the big data laboratory, with an aim to improve our pricing ability through big data technology and data collection. As of December 31, 2018, the big data laboratory had 16 members with over 20 million pieces of auto insurance related data.

Furthermore, we provided customers with personalized services, membership systems, innovative products and value-added services based on the whole-life cycle of the auto insurance policies, so as to enhance user royalty and improve persistency of the users.

Lifestyle consumption ecosystem:

We continued to provide protection to cover risks associated with product quality, logistics, post-sale services and merchant security deposits for main stream e-commerce platforms in China, such as Taobao Marketplace and Tmall, taking a leading position in the market. In 2018, the lifestyle consumption ecosystem recorded approximately RMB1, 616.1 million in GWP, representing a decrease of approximately 9.6% as compared to that of the corresponding period of last year, which was mainly due to our efforts to reduce the low quality underwriting business among the consumer electronics business and the slight decrease in the business contributions from e-commerce ecosystem. The loss ratio of the lifestyle consumption ecosystem for 2018 was approximately 74.8%, representing a year-on-year increase of approximately 3.6 percentage points, which was attributable to the slightly higher loss ratio of certain innovative products in the early stages. In 2019, we will join hands with the platforms to optimize risk control model and pricing factors, so as to improve the loss ratio of the aforesaid products. Meanwhile, we will continue to work with the ecosystem partners to proactively explore upgrades and innovation under the e-commerce scenarios by enhancing cooperation and improving the quality of the underwriting business, with an aim to identify any unsolved deficiency and provide comprehensive insurance solutions.

Travel ecosystem:

In light of our online tourism and travel platforms, we provide travel risk insurance to tourists and business travelers for unexpected emergencies such as flight accident, flight delay, travel accident, flight or hotel cancellation. In 2018, the travel ecosystem recorded approximately RMB1,460.4 million in GWP, representing a year-on-year increase of approximately 1.7%, and provided services to around 42 million customers. The significant slowdown in the growth of the travel business was mainly attributable to the termination of the policy of recommending such service products as a default option for online travel platforms and airline companies by the Civil Aviation Administration of China in the last quarter of 2017. The loss ratio of the travel ecosystem for 2018 was 9.7%, representing a year-on-year decrease of 12.8 percentage points, and the channel fee ratio was 89.2%, representing a year-on-year increase of 7.8 percentage points, which was mainly attributable to our initiative to reduce the flight delay insurance that produces higher loss ratio and accordingly increase in the proportion of flight accident insurance that produces relatively lower loss ratio and relatively higher channel fee ratio.

Management Discussion and Analysis

Others:

Other business mainly included individual accident insurance, employer liability insurance and logistics liability insurance (logistic liability insurance was one of the main contributor to the GWP from other businesses in 2017), of which the loss ratio of the employer liability insurance business increased in 2018, which resulted in an increase in the overall loss ratio of the Company. Looking ahead, we plan to reduce the revenue of this business, with an aim to optimize our product portfolio and improve the loss ratio.

Technology Investment and Development

We continued to focus on the development of cutting-edge technology sectors including artificial intelligence, blockchain, cloud computing, big data and life science, with an aim to reshape every aspect of the insurance value chain with technology.

In 2018, ZhongAn invested RMB852.1 million in research and development activities, accounting for approximately 7.6% of the Company's GWP. As at December 31, 2018, ZhongAn had total of 1,618 engineers and technicians, representing 52.4% of our total employees, among which, 100 are responsible for data analysis, 76 are responsible for artificial intelligence, 122 are responsible for blockchain technology, 423 are responsible for system development, 245 are responsible for product R&D and delivery, and the rest are mainly responsible for business-related system connection and maintenance, etc. As of December 31, 2018, we have filed applications for a total of 230 patents, of which 181 applications were filed in 2018, including 29 PCT (Patent Cooperation Treaty) patent applications.

As our cloud-based distributed core system "Wujieshan" (無界山) is able to support a great number of individual policies, we issued a total of 6.34 billion policies in 2018 and provided services for over 400 million users. In addition, we made continuous efforts to explore the integration of technology and insurance scenarios, including the intelligent commercial insurance platform for claim management in the health ecosystem, the development of the big data laboratory in the auto ecosystem, extensive application of artificial intelligence technologies to the online customer services and quality assurance procedure as well as the reinsurance platform with blockchain as the core technologies.

With our technology strengths, we are able to create innovative business models with scale advantage. Supported by our experience in the industry, we focus on commercializing our insurance technology strengths in domestic and overseas markets by exporting technology products and industry solutions, with an aim to improve the operation efficiency of all parties along the insurance value chain. In 2018, we had over 300 contracted customers and recorded revenue from technology export of RMB112.4 million, representing an increase of RMB71.7 million as compared with the corresponding period of last year.

Our technology products include insurance system products, intelligent big data risk control products and medical commercial insurance technology products, etc.

Our insurance system products provide technology products and solutions to solve the deficiencies in all aspects of the business operation of the insurance companies, covering front-end sales, customer operation, product design, underwriting and claims management and many other aspects of the insurance business. The existing products mainly include the cloud-based distributed core system and the independent modules focusing on the core system, such as e-commerce sales modules, exhibition tools as well as brokers and agencies management modules. In 2018, our insurance system product had a total of 25 contracted clients engaged in the insurance industry, of which 19 were new contracted clients, and 6 were existing contracted clients from 2017, accounting for 60% of the number of contracted clients in 2017. These existing customers purchased additional insurance system modules from us or ordered an upgrade on top of their existing modules in 2018.

With the artificial intelligence technologies, such as computer vision, natural language processing and data insights and the big data algorithms, our intelligent big data risk control products help the insurers, financial companies and internet financial platforms to refine risk management, optimize risk control model and mitigate operation risks. In 2018, our big data risk control products had about over 220 contracted clients.

Through the full integration of medical and insurance scenarios, our medical commercial insurance technology products provide data enquiry, risk control and scenario-based insurance solutions for the commercial insurance companies and healthcare institutions.

We realized online connection of medical data by establishing the intelligent open-ended commercial insurance SaaS platform between the hospitals and commercial insurance companies, which provides assistance for the commercial insurance companies to conduct services such as medical data enquiry, direct data connection for claim settlement and claim investigations for commercial insurance, so as to realize speedy claim settlement, enhance efficiency of claim settlement and reduce operation costs. As of December 31, 2018, we connected with the information systems of over 800 Class II and above hospitals, the headquarters of 11 commercial insurance companies and the branch offices of 9 commercial insurance companies across the country.

In addition, we established the national medical knowledge database on the platform to provide the commercial insurance companies with enquiry services regarding the Basic Medical Insurance Drugs Catalogue, the Payment Standard of Medical Services and Facilities for Basic Medical Insurance and the Diagnosis and Treatment Catalogue of Basic Medical Insurance. Based on the two aforesaid key products, we helped the commercial insurance companies analyze and consolidate the medical data to explore added value by leveraging on big data analysis technology, thereby facilitating smart claim settlement and smart underwriting services and conducting investigation on suspected fraudulent cases.

In 2018, we made milestone development in commercializing our technology strengths in the overseas markets. We entered into an agreement with SOMPO, one of the top three property and casualty insurers in Japan with an operation history of over 100 years, to export Insuretech solutions based on our experiences gained from the Insuretech market in China and technology strengths, with an aim to provide SOMPO with the next-generation cloud-based end-to-end insurance system and enable SOMPO to realize digital transformation. For our cooperation with SOMPO, we will receive service fees according to the roll-out of systems and the maintenance services provided, and will also receive technology service fees at a certain percentage of the premium generated under this model after the premium reaches certain prescribed amount.

In addition, we joined hands with Grab, a leading O2O platform in Southeast Asia, to form a joint venture company to focus on the Online insurance distribution business in Southeast Asia. The joint venture company will work with the insurance partners across the globe to provide all kinds of customized insurance products for the millions of users of Grab in Southeast Asia. Leveraging on our technology strengths, we will help the joint venture company to establish an online insurance distribution platform, and then the joint venture company will charge technology service fees at a certain percentage of the premium derived from the distribution platform.

Our international business is mainly operated by ZhongAn International, a company incorporated in Hong Kong. Leveraging on the geographical advantage of the Guangdong-Hong Kong-Macau Greater Bay Area, we will closely follow the national initiative of "Belt and Road" and export our cutting-edge insurance technologies and proven business models to more countries and regions.

Asset management

As we do not hold a discretionary investment license, currently our asset management activities are carried out mainly through entrusted management, with assets under the joint custody of three insurance asset management companies and several mutual funds investment management companies. As of December 31, 2018, we had total investment assets of RMB18,969.6 million, of which stocks and equity mutual funds, fixed income investments and other investments represented 8.4%, 61.2% and 12.3% of our total investment assets, respectively. In 2018, our total investment yield and net investment yield was 2.6% and 4.2% respectively (2017: total investment yield and net investment yield was 7.7% and 3.8% respectively).

In 2018, the global economy witnessed slowdown in growth, and the capital market in China experienced significant correction due to domestic and overseas pressure, with sluggish performance in the A-share market, decreasing net issuance of non-standard securities and bonds and significantly subdued credit demands. Based on the macro capital market allocation environment, return/risk expectation of general categories of assets and judgement on debt preference and risk appetite, the Company made great efforts to strengthen overall asset allocation management and risk management and optimize entrusted account management, so as to achieve value preservation and appreciation of insurance assets. The measures taken by the Company included: 1) adopting a defensive approach by reducing the holdings of listed equity assets in the portfolio, so as to provide protection against substantial sentiment-driven downward risks as a result of overall market fluctuations; and 2) increasing exposure to fixed income and liquid assets, adjusting asset duration in a timely manner and optimizing asset-liability matching, so as to ensure investment return and cash flow supply.

Management Discussion and Analysis

In 2018, the Company continued to promote overall risk management and constantly optimized account investment risk management mechanism, so as to keep overall risk profile under control. Firstly, the Company constantly enhanced risk management in accordance with Solvency Aligned Risk Management Requirement and Assessment. We proactively improved organization structures, policies, procedures and reports as well systems and data to strengthen ability in risk management. Secondly, the Company established and improved its asset and liability management system, and built the quantitative asset and liability management model, so as to improve the asset and liability management capability of the Company. Thirdly, we developed the framework for managing and monitoring insurance fund operations, constantly optimized credit rating model and default monitoring, strengthened regular follow-ups and rating management, improved management measures regarding market risks, liquidity risks, compliance risks and operation risks, so as to implement risk management covering the whole procedure from before, during and after investment deals.

Meanwhile, we also constantly built the credit rating and risk management team to manage credit risks. All the members of our investment credit risk rating team are from domestic leading credit rating companies, with the key members having over 10 years' experience in credit rating.

Industry overview

In 2018, the original premiums income of China's insurance industry amounted to RMB3,801.7 billion, representing a year-on-year increase of 4%, down by 14 percentage points in growth as compared with 2017, which was mainly attributable to the substantial slowdown in growth of the life insurance business being affected by the regulatory policies. The original premiums income of the property and casualty insurance companies was RMB1,175.6 billion, representing a year-on-year increase of 12%, decreased by 2 percentage points as compared with 2017. At the segment level, the auto insurance business slowed down significantly, with the original premiums income amounting to RMB783.4 billion, representing a year-on-year increase of 4%, while the non-auto insurance businesses maintained rapid growth with a year-on-year increase of 30%.

In regard to the Internet insurance business, in 2018, the business scale of the Internet insurance business operated by the property and casualty insurance companies amounted to RMB69.5 billion, representing a year-on-year increase of 41%. By segment, in 2018, the Internet auto insurance business returned to growth track, and the premiums generating from the business amounted to RMB36.9 billion, representing a year-on-year increase of 20%. The Internet non-auto insurance business maintained a rapid growth momentum, with the premiums amounting to RMB32.7 billion, representing a year-on-year increase of 75%. In particular, the Internet non-auto insurance business of ZhongAn accounted for a market share of 31%, ranking No.1 in the industry.

Outlook

Our long-term goal is to achieve a return on equity higher than average industry level.

In 2019, we will continue to adhere to the two-winged strategy of "Insurance + Technology". We will incorporate technology development and innovation into the insurance value chain and continuously optimize underwriting efficiency and user experience while commercializing our insurance technology strengths in domestic and overseas markets.

Insist on high-quality Growth to further the economies of scale: The compound annual growth rate in GWP of China's Internet property and casualty insurance market for 2014-2018 amounted to approximately 8%. As the first online insurance company in China, ZhongAn has gained first-mover advantage in the Internet property and casualty insurance market, with a compound annual growth rate of 94% over the past five years. As at the end of 2018, ZhongAn has occupied 16% market share in the Internet property and casualty insurance market. We have established a proven ecosystem-oriented business model with quick connection to the Internet where we keep consolidating our health, consumer finance, auto and lifestyle consumption ecosystems to realize high-quality growth.

Optimize business structure while improving underwriting business indicators: We have established a management system for rapid iteration and elimination of business lines. Under the system, we will optimize our business structure in the process of rapid development, and focus our business resources on the deep cooperation with strategic partners. We will continue to curtail business lines with poor underwriting quality and little potential, and empower strategic partners with growing user profiles and increasingly optimized risk control model while increase the proportion of high-quality business lines, so as to improve the Company's overall business indicators.

Set up a data intelligence center to step up data and AI support for insurance business: We will promote the in-depth exploration of the data and further improve the unified profile system of users, so as to better support rapid business iteration and meet the multi-level and multi-dimensional security and service needs of customers, and invest more heavily in data mining to discover more applicant scenarios in the whole process of insurance. In the process of insurance marketing and ecosystem channel connecting, we will optimize the marketing content and methods on a real-time basis to reach customers more frequently and conveniently; in the process of product development and pricing, for example in the auto insurance sector, we will provide customization for individual needs by leveraging on big data analysis; in the process of underwriting risk control, we will improve our capabilities in data anti-fraud and risk control model optimization; in the process of claims handling, we will improve the application of automation to enhance claims handling efficiency and user experience; in the process of customer service, we will apply an AI system to cut labor costs and improve management efficiency.

Empower our ecosystems and proprietary platforms with technology to enhance users' perception of ZhongAn brand: We will leverage our technological capabilities in artificial intelligence, big data and cloud computing and our mature and rich online insurance products to help strategic partners enhance their capabilities in Internet customer operations, data mining and traffic monetization, so as to build up five major ecosystems: health, consumer finance, auto, e-commerce and travel. In addition, we will invest more heavily in the technology and operation of our own platforms and use AI to improve user experience in the process of marketing and customers service, with a view to enhancing the efficiency of Internet operations, user loyalty and users' perception of ZhongAn's "Young & Fearless" (年輕無畏) brand value.

Scale up technology export, and establish international presence: We will continue to increase R&D investment in insurance and financial technology and focus on applications in insurance and other financial fields. Moreover, we will continue to develop clients at home and abroad, especially the key clients in Asia, in a drive to boost the digital transformation of the financial industry.

Constantly improve the Company's comprehensive risk management system, and achieve a balance between risk management and business development: Based on capital flow and risk appetite, we will utilize risk quantification tools (comprehensive budget, asset and liability management, capital planning and allocation, stress testing, etc.) and risk performance assessment to continuously enhance our risk management and technology strength in this regard and improve the comprehensive risk management system, in an effort to strike a balance between risk management and business development and gradually realize the Company's strategies.

Strengthen the construction of the Company's comprehensive internal control system: With the rapid business growth, the Company is committed to building and improving its internal control system. In order to consolidate the foundation of corporate governance, to help improve management and implement strategies, and to defend the bottom line, ensure reasonable authorization and enhance efficiency, we will focus internal control on corporate compliance, asset safety, information authenticity, operational effectiveness and strategic support to improve operations management and risk prevention capabilities and promote sustainable and stable development of the Company.

Strengthen medium and long-term investment planning and risk prevention and control: We will strengthen our asset allocation management by focusing on medium and long-term investment planning and capital management, following market trends and employing scientific quantitative models to select optimal allocation schemes, so as to improve capital efficiency and achieve stable asset returns. In addition, we will continuously improve and strengthen our ex-ante risk management and penetration management models, including the multi-dimensional risk alert system covering our investment fields, varieties and tools, and identify post-investment risks in a timely manner to ensure that the risks of investment assets are under control.

Management Discussion and Analysis

FINANCIAL REVIEW

For the year ended December 31, 2018, 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 cooperation with our ecosystem partners. For the year ended December 31, 2018, the Company's GWP reached RMB11,255.7 million, representing a year-on-year increase of 89.0%. According to the data disclosed by the CBIRC, we ranked 12th in the PRC property and casualty insurance market in terms of GWP in the year ended December 31, 2018, a significant improvement from our market ranking of 18th in the same period of last year, 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, 2018 and the year ended December 31, 2017:

	For the Year Ended December 31	
	2018 RMB'000	2017 RMB'000
Gross written premiums	**11,255,718**	5,954,475
Net premiums earned	**8,800,303**	4,614,107
Total income	**9,610,314**	5,583,193
Net (loss) for the year	**(1,796,718)**	(996,356)
Total comprehensive (loss) for the year	**(1,743,768)**	(1,056,514)
(Loss) per share		
– Basic (RMB yuan)	**(1.19)**	(0.77)
– Diluted (RMB yuan)	**(1.19)**	(0.77)

The following table sets forth our key financial ratios for the year ended December 31, 2018 and the year ended December 31, 2017:

	For the Year Ended December 31	
	2018	2017
Retention ratio(1)	**95.9%**	95.8%
Loss ratio(2)	**59.9%**	59.5%
Expense ratio(3)	**61.0%**	73.6%
Combined ratio(4)	**120.9%**	133.1%
Net investment yield(5)	**4.2%**	3.8%
Total investment yield(6)	**2.6%**	7.7%
Return on assets(7)	**(7.3%)**	(8.1%)
Return on equity(8)	**(10.7%)**	(10.5%)
Gearing ratio(9)	**37.5%**	18.3%

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, dividend income and share of net profit of associate 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.

(6) Total investment yield equals total investment income (defined as the sum of net investment income, net fair value changes through profit or loss and share of net profit of associate less interest expense relating to securities sold under agreements to repurchase and impairment relating to investment assets) for the period as a percentage of the average of the opening and closing balances of total investment assets of the period.

(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.

(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.

(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			
	2018		2017	
	RMB'000	%	RMB'000	%
Net premiums earned	**8,800,303**	**100.0**	4,614,107	100.0
Net claims incurred	**5,268,436**	**(59.9)**	2,745,947	(59.5)
Insurance operating expenses	**5,367,238**	**(61.0)**	3,397,790	(73.6)
Underwriting loss	**(1,835,371)**	**(20.9)**	(1,529,630)	(33.1)

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 CBIRC, 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 and credit insurance, including products provided to leading internet finance platform, mainly serving the consumer finance ecosystem, and products such as Fang Xin Tao (放心淘), mainly serving the lifestyle consumption and consumer finance ecosystems;
- Health insurance, including products such as Personal Clinic Policy (尊享e生), Hao Yi Bao (好醫保) and Group Health Insurance Plan (健康團險計劃), mainly serving the health ecosystem;
- Liability insurance, including products such as Employer Liability Insurance(僱主責任險) and Unmanned Aerial Vehicle Liability Insurance (無人機責任險), mainly serving other ecosystem and the lifestyle consumption 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 (退貨費險) and Generic Buyer Version of Shipping Return Policy (任性退), mainly serving the lifestyle consumption ecosystem.

Gross written premiums increased by 89.0% from RMB5,954.5 million for the year ended December 31, 2017 to RMB11,255.7 million for the year ended December 31, 2018 primarily due to significant increases in the GWP from health insurance, credit and bond insurance and motor insurance, which are main products of our health, consumer finance and auto ecosystem.

Management Discussion and Analysis

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

	For the Year Ended December 31		
	2018	2017	(% of change)
Health insurance	**2,365,378**	938,507	152.0
Bond insurance	**2,267,705**	818,454	177.1
Accident insurance	**2,199,784**	1,476,141	49.0
Credit insurance	**1,492,190**	525,727	183.8
Motor insurance	**1,146,030**	77,901	1,371.1
Liability insurance	**467,179**	426,468	9.5
Cargo insurance	**148,623**	111,792	32.9
Household property insurance	**33,480**	56,674	(40.9)
Others[1]	**1,135,349**	1,522,811	(25.4)
Of which:			
Shipping return insurance	**1,057,889**	1,224,985	(13.6)
Total	**11,255,718**	5,954,475	89.0

Note:

(1) The CBIRC 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 CBIRC.

2. Premiums ceded to reinsurers

The premiums ceded to reinsurers increased from RMB249.3 million for the year ended December 31, 2017 to RMB462.6 million for the year ended December 31, 2018, of which the ceded premiums of accident insurance amounted to RMB233.7 million and the ceded premiums of health insurance amounted to RMB222.6 million. The Company did not operate any reinsurance business in 2018. The rise in premiums ceded to reinsurers is mainly due to the significant increase in health insurance and accident insurance.

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 2018, our net change in unearned premium reserves increased significantly mainly due to the rapid growth of our gross written premiums and change in product mix which includes more products with longer terms (mainly 1-year-term), such as the Group's health, consumer finance and motor 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 approximately 82.7% from RMB1,091.1 million for the year ended December 31, 2017 to RMB1,992.8 million for the year ended December 31, 2018.

4. 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 91.9% from RMB2,745.9 million for the year ended December 31, 2017 to RMB5,268.4 million for the year ended December 31, 2018, among which net claims for bond and credit insurance rose from RMB634.4 million to RMB2,001.0 million and net claims for health and motor insurance increased by RMB540.9 million and RMB388.7 million, respectively.

5. 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 approximately 78.3% from RMB602.7 million for the year ended December 31, 2017 to RMB1,074.8 million for the year ended December 31, 2018, primarily due to an increase in business scale of health insurance, accident insurance, employer liability insurance and auto insurance products.

6. **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 approximately 60.3% from RMB2,885.6 million for the year ended December 31, 2017 to RMB4,627.0 million for the year ended December 31, 2018, primarily because we further strengthened our cooperation with domestic leading internet platforms which brings high rise in our consulting fees and service charges. Additionally, our labor force increases as business scale expands, leading to higher employee salaries and benefits as well as outsourcing labor cost.

INVESTMENT BUSINESS

In 2018, 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 engaged five additional public offering fund investment managers, including E Fund Management Co., Ltd., China Universal Asset Management Company Limited, Harvest Fund Management Co., Ltd., China Southern Asset Management Co., Ltd. and ICBC Credit Suisse Asset Management Co. Ltd., to diversity our investment risks with a multi-manager model during the year of 2018.

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. The following table shows the composition of our investment assets:

Composition of Investment Assets

	December 31, 2018		December 31, 2017	
	Balance RMB'000	Percentage %	Balance RMB'000	Percentage %
By category:				
Cash and cash equivalents	2,426,829	12.8	5,256,367	27.0
Fixed income investments	11,612,736	61.2	6,704,163	34.5
Bonds	11,805,904	62.2	3,548,021	18.2
Term Deposits	960,000	5.1	—	—
Other Fixed Income Investments	(1,153,168)	(6.1)	3,156,142	16.3
Equity and investment funds	2,601,663	13.7	3,165,951	16.3
Investment funds	1,463,927	7.7	1,784,079	9.2
Stocks	767,720	4.0	1,192,382	6.1
Unlisted equity shares	370,016	2.0	189,490	1.0
Other investments	2,328,326	12.3	4,325,566	22.2
Wealth management products	1,731,257	9.1	3,409,737	17.5
Trust	597,069	3.2	915,829	4.7
Total investment assets	18,969,554	100.0	19,452,047	100.0

Management Discussion and Analysis

We had total investment assets of RMB19,452.0 million in 2017 and RMB18,969.6 million in 2018, respectively, representing a decrease of RMB482.4 million. Total investment assets represented 92.0% and 72.0% of our total assets in 2017 and 2018, respectively. As of December 31, 2018, equity and investment funds and other investments represented approximately 13.7% and approximately 12.3% of our total investment assets, respectively. Our total investment yield was approximately 7.7% and 2.6% in 2017 and 2018, respectively.

7. Cash and cash equivalents

Cash and cash equivalents primarily include cash and term deposits with original maturity of no more than three months. Cash and cash equivalents decreased from RMB5,256.4 million for the year ended December 31, 2017 to RMB2,426.8 million for the year ended December 31, 2018. The reasons for the substantial decrease in the cash and cash equivalents were i) our engagements of two additional entrusted investment managers in December 2017 and five additional entrusted investment managers in 2018. Such entrusted investment managers optimized the allocation of cash generated from foreign exchange settlement at the end of 2017 to each asset class; and ii) net operating cash outflows as discussed in the section headed "Cash Flows". As at December 31, 2018, the Company held cash and cash equivalents denominated in HK$1,067.3 million, USD7.8 million and JPY172.7 million.

8. Bonds

Bonds included government bonds, financial bonds, corporate bonds and interbank deposits. As of December 31, 2018, 99.71% of the bonds the Company held received external ratings of AA level or above with more than approximately 46.92% of them receiving external ratings of AAA level. Bonds increased from RMB3,548.0 million for the year ended December 31, 2017 to RMB11,805.9 million for the year ended December 31, 2018. The reason for the substantial increase in bond investment was the Company engaged additional investment managers during the period from the end of 2017 to June 2018, and the majority of the fund were allocated to the bond asset according to the allocation requirement of insurance funds and investment strategy optimization to achieve value preservation.

9. 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 RMB1,192.4 million for the year ended December 31, 2017 to RMB767.7 million for the year ended December 31, 2018 as a result of investment strategy adjustment to cope with the stagnant stock market condition.

10. 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 decreased from RMB1,784.1 million for the year ended December 31, 2017 to RMB1,463.9 million for the year ended December 31, 2018. The reason for the slight decrease in fund investment was that some monetary funds were redeemed and the proceeds therefore were allocated to other assets as of December 2018 while the Company had a number of monetary funds at the end of 2017 for the purpose of liquidity management.

11. 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 decreased from RMB4,325.6 million for the year ended December 31, 2017 to RMB2,328.3 million for the year ended December 31, 2018. The decrease was because the funds were reinvested into fixed income products after some trust products matured during the year of 2018.

Net Investment Income

	For the Year Ended December 31		
	2018 RMB'000	2017 RMB'000	(% of change)
Interest income			
– Bond investments	517,414	141,173	266.5
– Loans	95,842	108,487	(11.7)
– Bank deposits	63,008	26,260	139.9
– Securities purchased under agreements to resell	24,450	7,943	207.8
Dividend income			
– Fund investment	89,161	105,887	(15.8)
– Equity investment	39,703	19,544	103.1
– Wealth management products	13,515	9,184	47.2
Realized gain/(loss), net	(68,608)	360,417	(119.0)
	774,485	778,895	(0.6)

12. 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 RMB774.5 million for the year ended December 31, 2018. Compared to that of 2017, interest income from bond investments rose significantly primarily due to more assets allocated to fixed income type of assets. We realized loss of RMB68.6 million because of the investment managers' disposal of shares purchased on the secondary market after share structure adjustment.

13. Net fair value change through profit or loss

We had net fair value loss amounting to RMB153.9 million during the year ended December 31,2018 compared to gain of RMB58.8 million during the year ended December 31, 2017. The big fluctuation is due to general condition change of capital markets in 2018.

14. Finance cost

Finance costs represent interest paid on certain financial liabilities. Finance costs increased from approximately RMB4.1 million for the year ended December 31, 2017 to approximately RMB43.3 million for the year ended December 31, 2018, primarily because of the increase in average balance of securities sold under agreements to repurchase during the year of 2018.

Management Discussion and Analysis

TECHNOLOGY BUSINESS

Revenue generated from technology export business of ZhongAn Technology and ZhongAn International rose from RMB40.7 million in 2017 to RMB112.4 million in 2018. Correspondingly, ZhongAn Technology and ZhongAn International together incurred RMB453.1 million loss for the year ending December 31, 2018 due to high investment in technology innovation.

OVERALL RESULTS

15. 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 approximately 72.1% from RMB5,583.2 million for the year ended December 31, 2017 to RMB9,610.3 million for the year ended December 31, 2018.

16. Loss before income tax

Total loss before tax of the Company was RMB1,810.2 million for the year ended December 31, 2018 compared with total loss before tax of RMB1,002.2 million for the year ended December 31, 2017.

17. 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 is subject to the statutory rate of 25%. We had income tax credit of RMB13.4 million and RMB5.8 million for the year ended December 31, 2018 and 2017, respectively, which were primarily generated from changes in deferred income tax liabilities.

18. Net loss for the Reporting Period

The Company incurred a net loss of RMB1,796.7 million for the year ended December 31, 2018 compared to a net loss of RMB996.4 million in 2017. The net loss was mainly due to decrease of total investment income and high investment in the development of technology business.

CASH FLOW

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

	For the Year Ended December 31	
	2018 RMB'000	2017 RMB'000
Net cash (outflow) from operating activities	(1,279,097)	(709,794)
Net cash (outflow) from investing activities	(4,938,149)	(6,310,001)
Net cash inflow from financing activities	3,384,654	11,269,604
Effect of exchange rate changes on cash and cash equivalents	(838)	(142,794)
Net (decrease)/increase in cash and cash equivalents	(2,833,430)	4,107,015
Cash and cash equivalents at the beginning of period	5,260,259	1,153,244
Cash and cash equivalents at the end of period	2,426,829	5,260,259

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 RMB1,279.1 million for the year ended December 31, 2018 primarily because some of our insurance products are paid in installment, leading to high increase of premium receivable.

We had net cash outflows used in investing activities of RMB4,938.1 million for the year ended December 31, 2018 compared with net cash outflows of RMB6,310.0 million used in investing activities for the year ended December 31, 2017, primarily due to purchase of investments.

We had net cash inflows from financing activities of RMB3,384.7 million for the year ended December 31, 2018, primarily due to capital injection from our non-controlling shareholders and purchase of securities sold under agreements to repurchase.

INDEBTEDNESS

Other than one outstanding secured loan amounting to approximately RMB33.3 million with a fixed interest rate of 7% from a bank and one outstanding unsecured loan amounting to USD3,844 thousand (RMB26,500 thousand equivalent) from an independent third party, 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 as of December 31, 2018, nor had any guarantees or other contingent liabilities. The two outstanding loans will mature within one year.

19. Material investments

We did not hold any material investments during the year ended December 31, 2018.

20. 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, 2018.

21. Future plans for material investments and capital assets

As of December 31, 2018, we did not have other plans for material investments and capital assets.

22. Pledge of assets

As at December 31, 2018, none of the Group's assets were pledged.

23. Gearing ratio

As of December 31, 2018, our gearing ratio, calculated as total liabilities (excluding capital supplementary bonds and subordinated term debts) divided by total assets, was approximately 37.5%, representing an increase of 19.2 percentage points as compared with 18.3% as of December 31, 2017. The increase was primarily due to purchase of securities sold under agreements to repurchase and increase of insurance contract liabilities.

Management Discussion and Analysis

24. Foreign exchange exposure

During the year ended December 31, 2018, we mainly operated our underwriting business in the PRC and majority of the transactions were settled in Renminbi, the Company's functional currency. As of December 31, 2018, we have limited foreign exchange exposure mainly arising from the operation of ZhongAn International. We did not use any financial instruments for hedging purposes during the year ended December 31, 2018.

25. Contingent liabilities

As of December 31, 2018, we did not have any material contingent liabilities.

26. Off-balance sheet commitments and arrangements

As of December 31, 2018, we have not entered into any off-balance sheet arrangements.

27. Events after the Reporting Period

On 2 February 2019, Warrior Treasure Limited paid to ZhongAn International RMB342,048 (HKD400,000 equivalent) thousand in cash to subscribe for 342,048,000 redeemable preference shares of RMB1 each.

28. Employees and remuneration policies

As at December 31, 2018, the Group had 3,090 full-time employees (December 31, 2017: 2,541). 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 nomination and 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, 2018 was RMB1,166.0 million, including RMB306.4 million incurred by ZhongAn Technology and its subsidiaries.

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	56	November 14, 2013
Jin Chen	Executive Director	50	November 14, 2014
	Chief executive officer		June 9, 2014
Hugo Jin Yi Ou [(1)]	Executive Director	26	November 27, 2017
Xinyi Han	Non-executive Director	41	November 23, 2016
Jimmy Chi Ming Lai	Non-executive Director	46	November 29, 2013
Guoping Wang	Non-executive Director	55	December 9, 2016
Xiaoming Hu	Non-executive Director	48	November 29, 2013
Fang Zheng	Non-executive Director	54	March 9, 2017
Shuang Zhang	Independent non-executive Director	47	November 14, 2014
Hui Chen	Independent non-executive Director	52	December 21, 2016
Li Du	Independent non-executive Director	38	December 21, 2016
Yifan Li	Independent non-executive Director	51	December 21, 2016
Ying Wu	Independent non-executive Director	59	July 4, 2017
Yuping Wen	Chairman of the Supervisory Committee	38	November 29, 2013
Baoyan Gan	Supervisor	44	November 14, 2014
Haijiao Liu	Employee representative Supervisor	33	May 14, 2018
Xing Jiang	Vice general manger and chief business officer	41	June 9, 2014
Wei Xu	Vice general manager	39	November 21, 2014
Francis Yui Man Tang	Vice general manager and chief financial officer	55	July 10, 2018
	Temporary financial director		August 28, 2018
Yongbo Zhang	Vice general manager	40	April 20, 2018
	Compliance director and chief legal officer		November 7, 2013
Min Wang	Assistant general manager and strategic development director	33	August 8, 2017
	Secretary of the Board		May 14, 2018
Hui Teng	Chief actuary	40	April 2, 2018
Jingwei Zhang	Audit director	35	January 11, 2016
Mingyu Ma	Assistant general manager and chief risk management officer	45	June 8, 2016
Lei Xiang	Assistant general manager	39	July 9, 2018

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 and Senior Management

Executive Directors

Yaping Ou (歐亞平), aged 56, has been the chairman of the Board since November 2013. Mr. Ou joined our Group in November 2013 and 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 50, is an executive Director and chief executive officer of the Company and the chairman of the Investment Strategy Committee. Mr. Chen joined our Group in June 2014 and 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 (香港中文大學). 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. (招商銀行股份有限公司) from March 1999 to July 2001.

Hugo Jin Yi Ou (歐晉羿), aged 26, has been an executive Director of the Company. He is also a member of the Investment Strategy Committee. He joined our Group in July 2017 and 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 41, is a non-executive Director and a member of the Investment Strategy Committee. Mr. Han joined our Group in November 2016. 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. (恒生電子股份有限公司), a company listed on the Shanghai Stock Exchange ("**SSE**") (SSE Stock Code: 600570) since February 2016.

Jimmy Chi Ming Lai (賴智明), aged 46, is a non-executive Director and a member of the Investment Strategy Committee. Mr. Lai joined our Group in November 2013. 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 NEEQ (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) (Stock Code: 832950) from December 2015 to February 2017.

Guoping Wang (王國平), aged 55, is a non-executive Director and a member of the Audit Committee. Mr. Wang joined our Group in December 2016. 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 had been a vice general manager of Ping An P&C from June 2016 to July 2018. Mr. Wang has been deputy head of the strategic development center of Ping An Insurance since July 2018.

Xiaoming Hu (胡曉明), aged 48, is a non-executive Director and a member of the Risk Management Committee. Mr. Hu joined our Group in November 2013. 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 Ant Financial since November 2018. Mr. Hu has been the president of Alibaba Cloud Computing Ltd. (阿里雲計算有限公司) from November 2014 to 2018. 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) and a non-executive director of China United Network Communications Group Co., Ltd. (中國聯合網絡通信集團有限公司), a company listed on the SSE (SSE Stock Code: 600050), since February 2018. 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 SSE (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 54, is a non-executive Director and chairman of the Risk Management Committee. Mr. Zheng joined our Group in November 2013. 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 bachelor's degree in economics from University of International Business and Economics (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 (凱思博投資管理 (香港) 有限公司) since 2006.

Independent Non-Executive Directors

Shuang Zhang (張爽), aged 47, is an independent non-executive Director and chairman of the Remuneration and Nomination Committee. Mr. Zhang joined our Group in November 2013. 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 52, is an independent non-executive Director and chairman of the Audit Committee. Ms. Chen joined our Group in December 2016. 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 38, is an independent non-executive Director and a member of the Remuneration and Nomination Committee. Mr. Du joined our Group in December 2016. 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, the chairman of the board of Guosheng Financial Holding Inc. (國盛金融控股集團股份有限公司), a company listed on the Shenzhen Stock Exchange ("**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. Mr. Du served as the chairman of the board of directors of 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 SZSE (SZSE Stock Code: 002209), from May 2016 to April 2018.

Directors, Supervisors and Senior Management

Yifan Li, aged 51, is an independent non-executive Director and a member of the Audit Committee. Mr. Li joined our Group in December 2016. 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, 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 Heilongjiang 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 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) between November 2016 and April 2018, 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, and 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 59, is an independent non-executive Director of the Company and a member of the Risk Management Committee. Mr. Wu joined our Group in July 2017. 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 (新澤西理工學院) 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 the chairman of ZJBC Information Technology Co., Ltd. (中嘉博創信息技術股份有限公司), a company listed on the SZSE (Stock Code: 000889), an independent non-executive director of Zall Smart Commerce Group Ltd. (卓爾智聯集團有限公司), 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 a director of HyUnion Holdings Co., Ltd. (海聯金匯科技股份有限公司), a company listed on the SZSE (Stock Code: 002537), 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), a director of Joyoung Co., Ltd. (九陽股份有限公司), a company listed on the SZSE (SZSE Stock Code: 002242), and an independent director of 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 SZSE (SZSE Stock Code: 002209).

Supervisors

Yuping Wen (溫玉萍), aged 38, is the chairman of the Supervisor Committee. Mr. Wen joined our Group in November 2013. 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 44, is a Supervisor. Mr. Gan joined our Group in November 2014. 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. (鹿鳴穀諮詢管理有限公司) 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.

Haijiao Liu (劉海姣), aged 33, is the employee representative Supervisor. Ms. Liu joined our Group in April 2013. She currently is the person-in-charge of health insurance business department of the Company. Ms. Liu joined the Company in April 2013 as the person-in-charge of health insurance business department of the Company. Ms. Liu obtained a bachelor's degree in marketing from Shanghai University of Finance and Economics (上海財經大學).

Senior Management

Xing Jiang (姜興), aged 41, is the vice general manager and chief business officer of our Company and an executive director and legal representative of ZhongAn Technology, a subsidiary of the Company. Mr. Jiang joined our Group in April 2014. 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 39, is the vice general manager of our Company. Mr. Xu joined our Group in February 2014. He is primarily responsible for overseas business and international business cooperation 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 15 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.

Francis Yui Man Tang (鄧鋭民), aged 55, is the vice general manager, the chief financial officer and the temporary financial director of our Company, in charge of the Company's finance department and investor relations department. Mr. Tang joined our Group in July 2017. Mr. Yui Man Tang obtained a bachelor's degree in computer science from the University of Victoria (維多利亞大學) in Canada and a master's degree in business administration from The City University of New York (紐約市立大學) in USA in 1986 and 1990 respectively. Mr. Tang has worked in finance and corporate management for many years and has extensive financial and management experience.

Yongbo Zhang (張勇博), aged 40, is the vice general manager, the compliance director and the chief legal officer of our Company. Mr. Zhang joined our Group in May 2013. 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.

Min Wang (王敏), aged 33, is the secretary of the Board, the assistant general manager and the strategic development director of our Company, in charge of the strategic development center of the Office of Board and new business incubation work. Mr. Wang joined our Group in August 2015. 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 former CIRC, and was involved in the development of a number of insurance regulatory measures.

Hui Teng (滕輝), aged 40, is the Chief actuary of our Company. Mr. Teng joined our Group in May 2013. 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 CBIRC since April 2008.

Jingwei Zhang (張經緯), aged 35, is the audit director of our Company responsible for the internal audit work. Mr. Zhang joined our Group in November 2015. Mr. Zhang graduated from Shanghai University of Finance and Economics (上海財經大學) with a bachelor's degree in financial management. Mr. Zhang has more than 10 years of experience in auditing and management in the insurance and financial industry and served at PricewaterhouseCoopers Zhong Tian LLP (普華永道中天會計師事務所), the auditing department of Ernst & Young Hua Ming LLP (安永華明會計師事務所), Allianz China Life Insurance Company Limited (中德安聯人壽保險有限公司) and Sino-US United MetLife Insurance Company Limited (中美聯泰大都會人壽保險有限公司) responsible for audit management.

Directors, Supervisors and Senior Management

Mingyu Ma (馬明宇), aged 45, is the assistant general manager and chief risk management officer of our Company, and is responsible for overseeing risk management. Mr. Ma joined our Group in June 2015. He obtained a master of business administration from the Smith School of Business at the University of Maryland (美國馬里蘭大學史密斯商學院) in June 2006, a master of laws from the Renmin University of China (中國人民大學) 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 operation officer to the East Asian and Pacific region of the International Finance Corporation (IFC) of the World Bank Group.

Lei Xiang (向雷), aged 39, is the assistant general manager in charge of the social network business department and the Internet financial business department of our Company and the supervisor of ZhongAn Information Technology Services Co., Ltd. (眾安資訊技術服務有限公司). Mr. Xiang joined our Group in January 2016. Mr. Lei Xiang graduated from South-Central Institute for Nationalities (中南民族大學) with a bachelor's degree in science and has 18 years of experience in IT and Internet working. Mr. Lei Xiang has been awarded various scientific and technology advancement awards at the national and provincial level and from the Ministry of science and technology, was a visiting professor of Southwestern University of Finance and Economics (西南財經大學), enjoyed the senior talent allowance from the Chinese government and served as a vice president of Kingdee International Software Group Company Limited (金蝶國際軟體集團有限公司).

Changes to Directors' information

Pursuant to Rule 13.51(B)(1) of the Listing Rules, the changes in information of Directors as notified to the Company during the Reporting Period are set out below:

1. Mr. Guoping Wang has been deputy head of the strategic development center of Ping An Insurance since July 2018 and ceased to be a vice general manager of Ping An P&C in July 2018.

2. Mr. Xiaoming Hu has been the president of Ant Financial since November 2018 and a non-executive director of China United Network Communications Group Co., Ltd. (中國聯合網絡通信集團有限公司), a company listed on the SSE (SSE Stock Code: 600050), since February 2018.

3. Mr. Li Du ceased to be the chairman of the board of directors of 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 SZSE (SZSE Stock Code: 002209) with effect from April 2018.

4. Mr. Yifan Li ceased to be 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) with effect from April 2018.

5. Mr. Ying Wu ceased to be an independent director of 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 SZSE (SZSE Stock Code: 002209) with effect from April 2018 and is no longer a director of HyUnion Holdings Co., Ltd. (海聯金匯科技股份有限公司), a company listed on the SZSE (Stock Code: 002537), with effect from September 2018.

Corporate Governance Report

The Board of Directors is pleased to report to the Shareholders on the corporate governance of the Company for the year ended December 31, 2018.

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. In the opinion of the Directors, throughout the year ended December 31, 2018, 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 set out in Appendix 10 of the Listing Rules 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 throughout the year ended December 31, 2018.

Board of Directors

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

The details of the Board composition are as follows:

Name of Director	Membership of Board Committee(s)
Executive Directors	
Yaping Ou *(Chairman of the Board)*	Member of the Remuneration and Nomination Committee
Jin Chen *(Chief Executive Officer)*	Chairman of the Investment Strategy Committee
Hugo Jin Yi Ou	Member of the Investment Strategy Committee
Non-executive Directors	
Xinyi Han	Member of the Investment Strategy Committee
Jimmy Chi Ming Lai	Member of the Investment Strategy Committee
Guoping Wang	Member of the Audit Committee
Xiaoming Hu	Member of the Risk Management Committee
Fang Zheng	Chairman of the Risk Management Committee
Independent non-executive Directors	
Shuang Zhang	Chairman of the Remuneration and Nomination Committee
Hui Chen	Chairman of the Audit Committee
Li Du	Member of the Remuneration and Nomination Committee
Yifan Li	Member of the Audit Committee
Ying Wu	Member of the Risk Management Committee

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 33 to 38 of this annual report.

Corporate Governance 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 entitled to be present, 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 and independent non-executive Directors without the presence of executive Directors during the year. Code provision A.2.7 of the CG Code has been revised to require that the chairman of the Board should at least annually hold one meeting with independent non-executive Directors without the presence of other Directors. Arrangements have been made for compliance with the revised code provision which took effect from January 1, 2019.

A summary of the attendance record of the Directors at the Board meetings held during the year is set out in the table below:

Name of Directors	Number of meetings attended/held during the year ended December 31, 2018	Attendance rate
Executive Directors		
Yaping Ou	8/8	100%
Jin Chen	8/8	100%
Hugo Jin Yi Ou	8/8	100%
Non-executive Directors		
Xinyi Han	7/8	88%
Jimmy Chi Ming Lai	5/8	63%
Guoping Wang	8/8	100%
Xiaoming Hu	8/8	100%
Fang Zheng	8/8	100%
Independent Non-executive Directors		
Shuang Zhang	8/8	100%
Hui Chen	8/8	100%
Li Du	8/8	100%
Yifan Li	8/8	100%
Ying Wu	8/8	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 mormal business. The respective responsibilities are clearly defined and set out in writing.

Independent Non-executive Directors

During the year ended December 31, 2018, 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 180 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 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 senior managements' 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 responsibilities and duties. 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. The composition and duties of the Investment Strategy Committee are set out in this corporate governance report.

Audit Committee

The Company has established an Audit Committee in compliance with Rule 3.21 of the Listing Rules and the CG Code. The Audit Committee is primarily responsible for the appointment, removal, remuneration and other relevant matters of the external auditor, financial information disclosure and financial reporting matters.

The Audit Committee comprises Mr. Guoping Wang, Mr. Yifan Li and Ms. Hui Chen. Ms. Hui Chen is the chairman of the Audit Committee.

During the year ended December 31, 2018, the Audit Committee convened 8 meetings. The attendance record of these meetings is set out in the table below:

Name of Committee Members	Number of meetings attended/held during the year ended December 31, 2018	Attendance rate
Guoping Wang	8/8	100%
Yifan Li	8/8	100%
Hui Chen	8/8	100%

During these meetings, the Audit Committee reviewed the annual results announcement and report of the Company for the year ended December 31, 2018 and the relevant financial disclosure, issues on operations and compliance control, the effectiveness of the risk management and internal control systems and the effectiveness of the internal audit function of the Company, scope of work and appointment of external auditors and non-audit related services, connected transactions, as well as arrangements for employees to raise concerns about possible improprieties.

The Audit Committee also held 2 meetings with the external auditors without the presence of executive Directors during the year.

Risk Management Committee

The Company has established a Risk Management Committee which is responsible for advising the Board on the overall risk appetite/tolerance and risk management strategies of the Company, overseeing senior management's implementation of those strategies established and approved by the Board and providing an independent review of the effectiveness of the strategies adopted to ensure that it aligned with the Company's overall business objectives.

The Risk Management Committee comprises Mr. Ying Wu, Mr. Fang Zheng and Mr. Xiaoming Hu. Mr. Fang Zheng is the chairman of the Risk Management Committee.

During the year ended December 31, 2018, the Risk Management Committee convened 7 meetings. The attendance record of these meetings is set out in the table below:

Name of Committee Members	Number of meetings attended/held during the year ended December 31, 2018	Attendance rate
Ying Wu	7/7	100%
Fang Zheng	6/7	86%
Xiaoming Hu	7/7	100%

Taking into account the Company's overall risk appetite and all relevant risk-related matters encountered by the Company, the Risk Management Committee reviewed the overall risk management strategies and the adequacy and effectiveness of the risk management and internal control systems of the Company, during these meetings.

Remuneration and Nomination Committee

The Company established a Remuneration and Nomination Committee in compliance with Rule 3.25 of the Listing Rules and the relevant CG Codes. The terms of reference of the Remuneration and Nomination Committee are of no less exacting terms than those set out in the CG Codes. The primary functions of the Remuneration and Nomination Committee include overseeing and developing the process and policies relating to nomination and appointment and the remuneration of Directors, reviewing and making recommendations to the Board on appropriate candidates for directorships, Board composition and succession planning, assessing the independence of independent non-executive Directors and reviewing and making recommendations to the Board on remuneration packages of individual executive Directors and senior management.

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 as set out in the Company's Director Nomination Policy necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

The Remuneration and Nomination Committee comprises Mr. Yaping Ou, Mr. Shuang Zhang and Mr. Li Du. Mr. Shuang Zhang is the chairman of the Remuneration and Nomination Committee.

Corporate Governance Report

During the year ended December 31, 2018, the Remuneration and Nomination Committee convened 4 meetings. The attendance record of these meetings is set out in the table below:

Name of Committee Members	Number of meetings attended/held during the year ended December 31, 2018	Attendance rate
Shuang Zhang	3/4	75%
Yaping Ou	4/4	100%
Li Du	4/4	100%

During the meetings, the Remuneration and Nomination Committee reviewed the remuneration packages of the Directors and senior management of the Company, matters relating to the structure, size and composition of the Board and different aspects of the Directors by making reference to the factors and criteria set out in the Board Diversity Policy and the Director Nomination Policy, and the independence of the independent non-executive Directors.

Details of the remuneration payable to each Director of the Company for the year ended December 31, 2018 are set out in Note 16 to the Financial Statements.

The remuneration of the members of senior management by band for the year ended December 31, 2018 is set out below:

Remuneration bands (RMB)	Number of persons
0-1,000,000	4
1,000,000-2,000,000	6
2,000,000-3,000,000	0
Total	10

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 and is available on the website of the Company. 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.

Pursuant to the Diversity Policy, 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 and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Remuneration and Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and regional and industry experience.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

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.

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.

Director Nomination Policy

On November 27, 2018, the Company adopted a Director Nomination Policy in accordance with the CG Code. The Director Nomination Policy sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Remuneration and Nomination Committee of the Company.

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- Diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
- Requirements of independent non-executive Directors on the Board and independence of the proposed independent non-executive Directors in accordance with the Listing Rules; and
- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings. During the year ended December 31, 2018, there was no change in the composition of the Board.

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

Investment Strategy Committee

The Company has established an Investment Strategy Committee. The primary responsibilities of the Investment Strategy Committee include but are not limited to the following:

- to consider the management regulations 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 the strategic asset 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 make recommendations to the Board;
- to consider the relevant management regulations 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.

The Investment Strategy Committee comprises Mr. Jin Chen, Mr. Xinyi Han, Mr. Jimmy Chi Ming Lai and Mr. Hugo Jin Yi Ou. It is chaired by Mr. Jin Chen.

During the year ended December 31, 2018, the Investment Strategy Committee convened 5 meetings. The attendance record of these meetings is set out in the table below:

Name of Committee Members	Number of meetings attended/held during the year ended December 31, 2018	Attendance rate
Jin Chen	5/5	100%
Xinyi Han	5/5	100%
Jimmy Chi Ming Lai	3/5	60%
Hugo Jin Yi Ou	5/5	100%

Corporate Governance Report

During the meetings, the Investment Strategy Committee considered the regulations 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.

Dividend Policy

On November 27, 2018, the Company adopted a Dividend Policy in accordance with the CG Code. The Company does not have any pre-determined dividend payout ratio and intends to retain most, if not all, of available funds and any future earnings to operate and expand the business of the Company. The Dividend Policy outlines the following factors that the Board should take into account in determining any dividend for distribution to the Shareholders:

- earnings and financial condition;
- operating requirements;
- capital requirements and expenditure plans;
- financial results;
- cash flow situation;
- business conditions and strategies;
- interests of the Shareholders;
- any restrictions on payment of dividends; and
- any other factors that the Board may consider relevant.

Depending on the financial conditions of the Group and the conditions and factors as set out above, dividends may be proposed and/or declared by the Board during the financial year and any final dividend for a financial year will be subject to the Shareholders' approval.

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, 2018.

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, 2018, the Company organized a number of training sessions conducted by the Insurance Association of China, Insurance Asset Management Association of China and Hong Kong Stock Exchange, for the Directors in respect of the policy interpretation of insurance asset and liability management regulatory rules, macro economy and investment market, risk management and internal control as well as environmental, social and governance report. 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.

During the year ended December 31, 2018, 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, 2018. A statement by PricewaterhouseCoopers about their reporting responsibilities for the financial statements is included in the Independent Auditors' Report on pages 102 to 105.

Details of the fees paid/payable in respect of the audit and non-audit services provided by PricewaterhouseCoopers for the year ended December 31, 2018 are set out in the table below:

Services rendered for the Company	Fees paid and payable
	RMB'000
Audit services	8,651
Non-audit services	270
Total	8,921

Corporate Governance Report

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, 2018.

The Company regulates the handling and dissemination of inside information as set out in various inside information disclosure procedures to ensure inside information remains confidential until the disclosure of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made.

The Board, as supported by the Audit Committee and Risk Management Committee as well as the management report and the internal audit findings by the internal audit department, conducted an annual review on the effectiveness of the risk management and internal control systems of the Group, including the financial, operational and compliance controls, for the year ended December 31, 2018, 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 43, 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 a Fellow 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. The primary corporate contact person of the Company is Yongbo Zhang who holds the positions of vice general manager, chief legal officer and compliance director in the Company.

For the year ended December 31, 2018, 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.

Shareholders' Rights

Convening of extraordinary general meetings ("EGM") by Shareholders

Pursuant to Articles 70 and 73 of the Articles of Association, EGMs may be convened by any two or more Shareholders jointly holding 10% or more of the Company's issued shares carrying voting rights by signing a written requisition or several copies with the same format and content, and to illustrate the subject of the meetings. The Board shall convene an EGM as soon as possible upon receipt of the foresaid written requisition. The aforesaid number of shareholdings is calculated as at the date of the submission of the written requisition by the Shareholders. If the Board fails to issue a notice of convening such an EGM within thirty (30) days from the date of receipt of the aforesaid written requisition, the Shareholders who raise the requisition may themselves convene the EGM within four (4) months from the date of receipt of the requisition by the Board. The procedures of convening the EGM shall be similar as those of convening a shareholders' general meeting by the Board as far as possible. 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 in writing 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 ten (10) days prior to the Shareholders' general meeting.

The contents of a proposal shall (i) be within the scope of duties and responsibilities of the Shareholders' general meeting, (ii) have definite topics and specific matters to be resolved on, and (iii) 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 of the Company, 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

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. The information of the Shareholder(s) may be disclosed as required by law.

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 Annual General Meeting, Directors (or their delegates as appropriate) will be available to meet Shareholders and answer their enquiries.

Changes in Constitutional Documents

The Company's existing Articles of Association, which are available for viewing on the websites of the Company and the Hong Kong Stock Exchange, were adopted on March 26, 2018 and there has been no changes to the Articles of Association since then.

Report of Directors

The Board is pleased to present this Report of Directors together with the consolidated financial statements of the Group for the year ended December 31, 2018.

Directors

The Directors who held office during the year ended December 31, 2018 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 33 to 38 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, 2018 is set out in the sections headed "Message from the Chairman and CEO" on pages 4 to 7, and "Management Discussion and Analysis" on pages 11 to 32 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.

Principal risks and uncertainties

Since establishment, we have gradually developed and improved a comprehensive risk management system in strict compliance with regulatory requirements and based on the strategic development needs of the Group. In 2016, we took initiative in building a risk-oriented solvency system ("C-Ross") and made continuous efforts in optimizing the risk control system and improving the business procedures, with an aim to prevent and resolve foreseeable risks in an effective manner. The major types of risks facing by the Group include:

- Insurance risk: refers to the risk of adverse deviation of the actual loss ratio, expense ratio or surrender rate from expectations, which may cause potential losses to the Group.
- Market risk: refers to the risk of unexpected losses arising from unfavorable movements in interest rates, equity prices and foreign exchange rates. Fixed income investments held by the Group with a fixed maturity date and booked at fair value are exposed to the interest rate risk. Listed and unlisted equity investments held by the Group are exposed to market price risks. Foreign currency-denominated assets held by the Group are exposed to foreign exchange risks.
- Credit risk: refers to the risk of unexpected losses resulting from any failure or delay of debtors or counterparties to perform its contractual obligations or adverse changes in their credit profiles. The Group is exposed to credit risk primarily associated with the fixed income investment assets, reinsurance assets (including reinsurers' share of insurance contract provisions and reinsurance debtors) and premium receivables.
- Operational risk: refers to the risk of losses resulting from inadequate or flawed internal procedures, employees, information technology systems and external events.
- Strategic risk: refers to the risk of the Company's strategy not matching the market environments and the Company's capabilities due to ineffective development and implementation of the strategy or changes in the business environments.
- Reputation risk: refers to the risk of the Company's brand or reputation being damaged and other relevant losses caused by negative comments from stakeholders on the Company due to a defect in the Group's operation or an external event.
- Liquidity risk: refers to the risk of the Group being unable to obtain sufficient cash in time, or being unable to obtain sufficient cash in time at a reasonable cost, to repay debts that have become due or fulfill other payment obligations.

As an internet group, unlike traditional insurance companies, the Group has built up and served financial businesses and their ecosystems leveraging on new technologies. The Group made continuous efforts in improving risk management and technological strengths and optimizing the comprehensive risk management system by focusing on capital, adhering to the risk appetite-oriented principle and managing risks through risk quantification tools (e.g. comprehensive budget, asset and liability management, capital planning and allocation and stress testing, etc.) and risk performance appraisal, with an aim to achieve a balance between risk management and business development as well as sound and solid implementation of the Group's strategies.

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.

Report of Directors

Employees

As at December 31, 2018, the Group had 3,090 employees (2017: 2,541). As of December 31, 2018, 2,304 of the Company's employees are primarily based at our headquarters in Shanghai, China, 158 of our employees are based in Hangzhou, China, 266 of our employees are primarily based in Beijing, China, 329 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, 2018:

Function	Number of Employees	% of Total
Management	56	1.81
Technology	1,618	52.36
Product Managers	595	19.26
Operations	201	6.50
Support	394	12.75
Sales and Marketing	206	6.67
General administrative	20	0.65
Total	3,090	100.00

The Company primarily recruits employees in China through recruitment agencies, internal referral, 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, 2018 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, 2018, our top five policyholders combined accounted for approximately 10.3% of our GWP, while our top policyholder accounted for 5.5% of our GWP.

During the year ended December 31, 2018, 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 December 31, 2018, 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 five 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 6 to the consolidated financial statements.

Share capital and Shares issued

Details of the share capital of the Company for the year ended December 31, 2018 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, 2018 (2017: nil).

Directors', Supervisors' and chief executive's interests and short positions in the Shares, underlying Shares and debentures of the Company and any associated corporation

As of December 31, 2018, the interests and short positions of the Directors, Supervisors 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 therein, or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code are as follows:

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 issued 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	60,309,167 (Long position)	12.83%	4.10%

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 Holdings Limited (百仕達控股有限公司) 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 Holdings Limited (百仕達控股有限公司), 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.

Report of Directors

Save as disclosed above, as at December 31, 2018, so far as is known to any Director, Supervisor or the chief executive of the Company, none of the Directors, the Supervisors and 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' and other persons' interests and short positions in the Shares and underlying Shares of the Company

As at December 31, 2018, within the knowledge of the Directors, the following persons (other than the Directors, the Supervisors and 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%
Hangzhou Yunbo Investment Consulting Co, Ltd. (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 Holdings Limited(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%
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%

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]
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 Holdings Limited[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%
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%
CICC Securities (HK) Limited[11]	H Shares	Beneficial interest	27,368,250	5.82%	1.86%
Ciccjiazi Holdings Limited[11]	H Shares	Interest of controlled corporation	27,368,250	5.82%	1.86%
CICC Active Global Investments Holding Limited[11]	H Shares	Interest of controlled corporation	27,368,250	5.82%	1.86%
CICC Capital (Cayman) Limited[11]	H Shares	Interest of controlled corporation	27,368,250	5.82%	1.86%

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[11]	H Shares	Interest of controlled corporation	27,368,250	5.82%	1.86%
China International Capital Corporation Limited[11]	H Shares	Interest of controlled corporation	27,368,250	5.82%	1.86%
Keywise ZA Investment[12]	H Shares	Beneficial interest	60,309,167	12.83%	4.10%
SVF Zen Subco (Singapore) Pte. Ltd. [13]	H Shares	Beneficial interest	71,909,800	15.30%	4.89%
SVF Holdco (Singapore) Pte. Ltd. [13]	H Shares	Interest of controlled corporation	71,909,800	15.30%	4.89%
SVF Holdings (Cayman) Ltd. [13]	H Shares	Interest of controlled corporation	71,909,800	15.30%	4.89%
SVF Holdings (UK) LLP[13]	H Shares	Interest of controlled corporation	71,909,800	15.30%	4.89%
SoftBank Vision Fund L.P. [13]	H Shares	Interest of controlled corporation	71,909,800	15.30%	4.89%
Vision Technology Investment Company[13]	H Shares	Interest of controlled corporation	71,909,800	15.30%	4.89%
Public Investment Fund[13]	H Shares	Interest of controlled corporation	71,909,800	15.30%	4.89%
SVF GP (Jersey) Limited[13]	H Shares	Interest of controlled corporation	71,909,800	15.30%	4.89%
Softbank Group Corp. [13]	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 32.14% 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 42.46% 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)) in Ant Financial are controlled by Hangzhou Yunbo Investment Consulting Co., Ltd. (杭州雲鉑投資諮詢有限公司), the general partner, 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 Holdings Limited, 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 Holdings Limited 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 Stock Exchange (stock code: 02318) 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 Holdings Limited (百仕達控股有限公司), 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 Holdings Limited (百仕達控股有限公司), 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).

(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 (彭作傑) 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 (彭作傑) 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) 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).

(12) 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.

(13) SVF Zen Subco (Singapore) Pte. Ltd. is a wholly owned subsidiary of SVF Holdco (Singapore) Pte. Ltd., which is wholly owned by SVF Holdings (Cayman) Ltd. SVF Holdings (Cayman) Ltd. is a 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, 2018.

Report of Directors

Directors' rights to acquire Shares or debentures

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 16 and Note 17 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, 2018, 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. Yaping 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

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 "**Joint Venture Agreement**"). The transaction constitutes a connected transaction under the Listing Rules. On March 28, 2018, ZhongAn Technology and Sinolink Worldwide (collectively, the "**JV Parties**") entered into an amendment agreement pursuant to which the JV Parties agreed to amend certain terms of the Joint Venture Agreement. Further details of the transaction are set out in the Company's announcements dated December 8, 2017 and March 28, 2018.

Continuing connected transactions

During the year ended December 31, 2018, 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. Yaping 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, 2018, which are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Report of Directors

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 from 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 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 table below 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, 2018:

Name	Type of transaction	Annual cap for the year ended December 31, 2018 (RMB thousand)	Transaction amount for the year ended December 31, 2018 (RMB thousand)
Sinolink Worldwide	Provision of insurance products to Sinolink Worldwide and its subsidiaries by us	80,000	28,681

2. Continuing connected transactions with associates of Tencent

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

We entered into three agreements with (i) two different entities that are associates of Tencent on August 21, 2017 and May 28, 2018, respectively, and (ii) WeBank, an associate of Tencent and a connected person of the Company on August 31, 2018. Each agreement has a duration of one year. The second agreement is a renewal of the employee insurance agreement entered into with Tencent Technology dated June 1, 2018, further details of which can be found in the section headed "Relationship with connected persons – Non-exempt continuing connected transactions – Transactions with Associates of Tencent – Provision of insurance products to associates of Tencent by us" of the Prospectus. 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 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. It is beneficial to the Company to provide these insurance products to large corporations that have a large number of employees, such as Tencent and its associates.

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.

Report of Directors

(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 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.

The table below sets out the comparison between the annual cap and actual transaction amount of the continuing connected transactions with Tencent's associates for the year ended December 31, 2018:

Name	Type of transaction	Annual cap for the year ended December 31, 2018 (RMB thousand)	Transaction amount for the year ended December 31, 2018 (RMB thousand)
Tencent Group	Provision of insurance products to associates of Tencent by us	10,000	4,218
	Online platform cooperation agreement between associates of Tencent Computer System and us	8,900	7,669

3. Continuing connected transactions with Ping An Group

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

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

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

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.

(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 on January 13, 2014 and two others 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.

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.

Report of Directors

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 Group, to provide auto co-insurance to the public (the "**Auto Co-insurance Cooperation Agreement**"). The Company entered into an agreement dated January 1, 2018 with Ping An P&C to amend the Auto Co-insurance Cooperation Agreement (the "**Amendment Agreement**"), pursuant to which the premiums and claim payments shared between us and Ping An P&C will be amended from a proportion of 30%: 70%, respectively, to a proportion of 50%: 50%, effective on January 1, 2018. Further details of the Amendment Agreement are set out in the Company's announcement dated January 1, 2018.

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 CBIRC. 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 50% and 50% between Ping An P&C and us, respectively.

The table below 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, 2018:

Name	Type of transaction	Annual cap for the year ended December 31, 2018 (RMB thousand)	Transaction amount for the year ended December 31, 2018 (RMB thousand)
Ping An Group	Cooperation agreement for the provision of auto co-insurance	1,960,000 *(Note 1)*	1,146,030
	Online information technology system support services agreement between Ping An P&C and us	20,000 *(Note 2)*	82
	Provision of asset management services provided by Ping An Asset Management to us	20,569	16,242

Notes:

1. The annual cap for the three years ending December 31, 2020 was revised during the year ended December 31, 2018. Please refer to the announcement of the Company dated January 1, 2018 for further details.

2. This cap is for the period up to December 5, 2018, being the date on which the online information technology system support services agreement between Ping An Group and us has expired after one year automatic renewal.

Report of Directors

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.

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

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 from 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.

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, prevailing market prices for similar insurance products and the scale of the product business.

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 associates 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 from 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.

Report of Directors

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; and
- 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 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 of other independent third parties.

The table below 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, 2018:

Name	Type of transaction	Annual cap for the year ended December 31, 2018 (RMB thousand)	Transaction amount for the year ended December 31, 2018 (RMB thousand)
Ant Financial Group	Provision of insurance products to Ant Financial and/or its associates by us	1,152	83
	Online platform cooperation agreement between Ant Financial and/or its associates and us	612,321	487,624
	Reward points purchase agreement between associates of Ant Financial Group and us	29,500	127

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, 2018:

(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, 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, 2018, 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 46 to the financial statements constituted a connected transaction or continuing connected transaction which should be disclosed pursuant to the Listing Rules.

Material litigation

The Group was not involved in any material litigation or arbitration during the year ended December 31, 2018. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group as of December 31, 2018.

Distributable reserves

Details of the movements in the reserves of the Company during the year ended December 31, 2018 are set out in Note 38 to the financial statements. There is no reserves available for distribution to Shareholders as at December 31, 2018.

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, 2018 are set out in the section headed "2018 Environmental, Social and Governance (ESG) Report" of this annual report.

Report of Directors

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, 2018 are set out in Note 33 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.

Tax relief

The Company is not aware of any tax relief available to the Shareholders by reason of their holding of the Company's securities.

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 January 1, 2018 up to December 31, 2018.

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, 2018.

Service contracts of Directors and Supervisors

Each of the Directors and Supervisors has entered into a service contract with the Company for an initial term of three years with effect, subject to CIRC's approval, from the date of their respective appointment or until the third annual general meeting of the Company.

None of the Directors (including the Directors proposed for re-election at the annual general meeting) or Supervisors have 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.

Interests of Directors and Supervisors in transactions, arrangements or contracts of significance

Save as disclosed in the section headed "Continuing Connected Transactions", none of the Directors and Supervisors nor any entity connected with the Directors and/or Supervisors 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, 2018.

Directors' and Supervisors' Interests in Competing Business

As far as the Directors are aware, none of the Directors or Supervisors of the Company has any competing interest in a business, which competes or is likely to compete, either directly or indirectly, with the Group's business. During the Reporting Period and up to the date of this annual report, the Company has no controlling shareholders.

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, 2018, 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 annual general meeting of the Company.

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 ended December 31, 2018, 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

Shanghai, the PRC
March 25, 2019

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 eight 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	8	8	0	100%
2	Shareholder Representative Supervisor	November 14, 2014	Baoyan Gan	8	8	0	100%
3	Employee Representative Supervisor	May 14, 2018	Haijiao Liu	3	3	0	100%
4	Employee Representative Supervisor	May 25, 2017	Lei Xiang	5	5	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 2018. The consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2018, 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 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

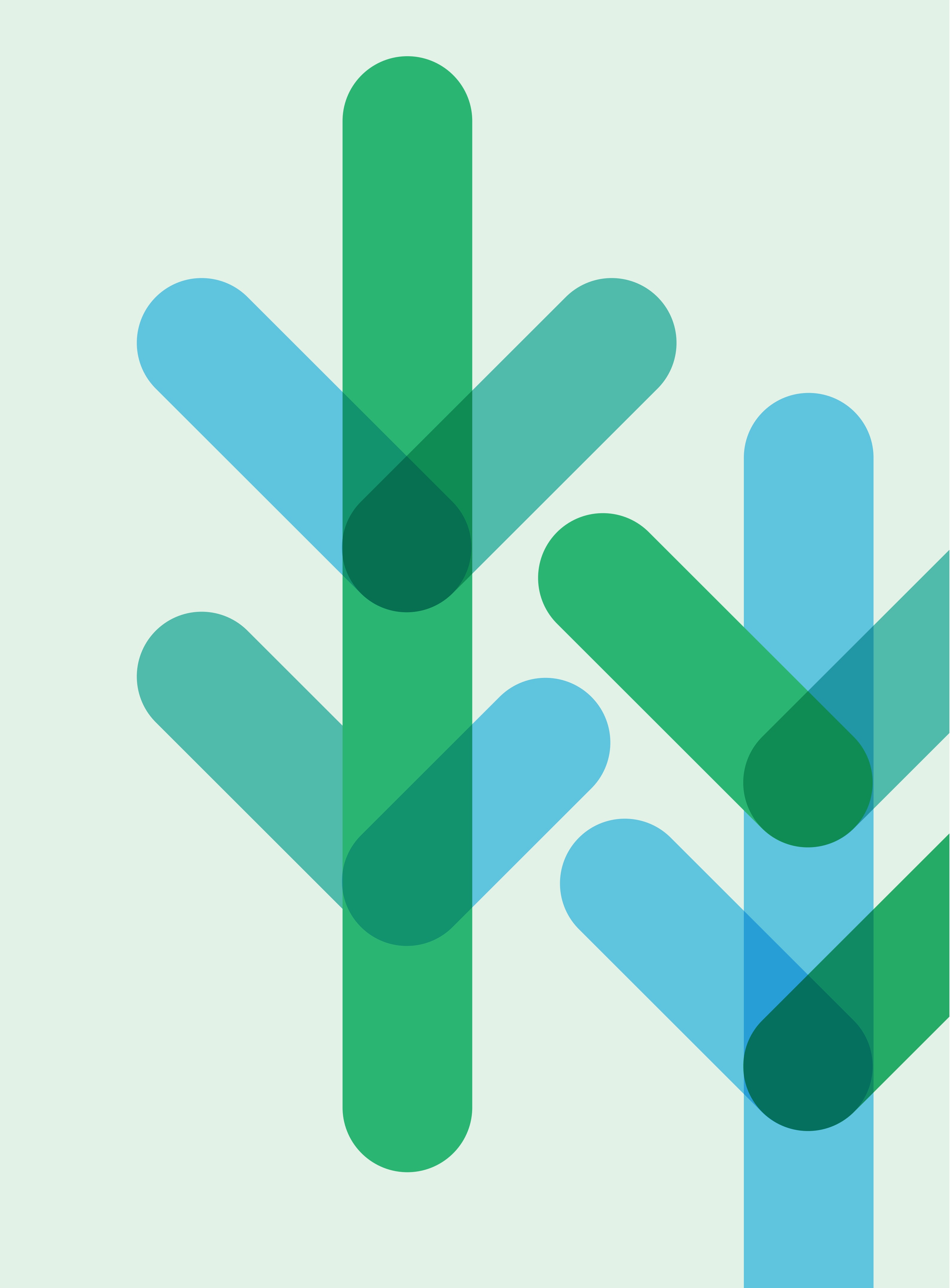
The Supervisory Committee regarded the connected-party transactions of the Company conducted during the Reporting Period to be fair and reasonable, without prejudice to the interests of the shareholders and the Company.

(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. In 2018, the Supervisory Committee has heard and reviewed the Resolution on Internal Audit Report for 2017（《關於2017年內部審計工作報告的議案》）, the Resolution on Management Letter of the Company for 2017（《關於公司2017年度管理建議書的議案》）, and the Resolution on Amending the "Measurement Processes and Internal Control Regulations on Reserves of ZhongAn Insurance"（《關於修訂「眾安保險準備金計量工作流程及內控管理規定」的議案》）, and considered that the Company has set up a relatively complete, rational and effective internal control system.

(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.



Environmental, Social and Governance (ESG) Report

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

5 **major areas-**

"Compliance Responsibility and Operation", "Providing Insurance Services with a Caring Hand", "Professional Service Team", "Shared Green Ecology" and "Contribution to Society and Livelihood".

Environmental, Social and Governance (ESG) Report

1. About the ESG Report

This is the second Environment, Social and Governance report ("**ESG report**") published by ZhongAn Online P & C Insurance Co., Ltd. and its subsidiaries ("**ZhongAn**" 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.

Basis for preparation

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.

Reporting period and boundary

The content of the report mainly focuses on the core businesses of the Group, its practices in sustainable development from January 1, 2018 to December 31, 2018 (the "**Year**") and overall performance in fulfilling CSR. Unless otherwise specified, this report covers the businesses directly controlled by ZhongAn. Unless otherwise specified, the "Group" stated in this report refers to ZhongAn and its subsidiaries.

Reporting language

This report is published in Traditional Chinese and English versions. If there is any ambiguity, the Traditional Chinese version shall prevail.

Contact information

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 at 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 insists on promoting its business growth and prioritizes CSR in the entire business operation, with a view to reducing its impact on the environment and contributing more to the society. In the spirit of "win-win cooperation", we exchange opinions with stakeholders through various channels to formulate the Group's sustainable development strategy, which was divided into five major areas - "Compliance Responsibility and Operation", "Providing Insurance Services with a Caring Hand", "Professional Service Team", "Shared Green Ecology" and "Contribution to Society and Livelihood".

Environmental, Social and Governance (ESG) Report

Communication with stakeholders

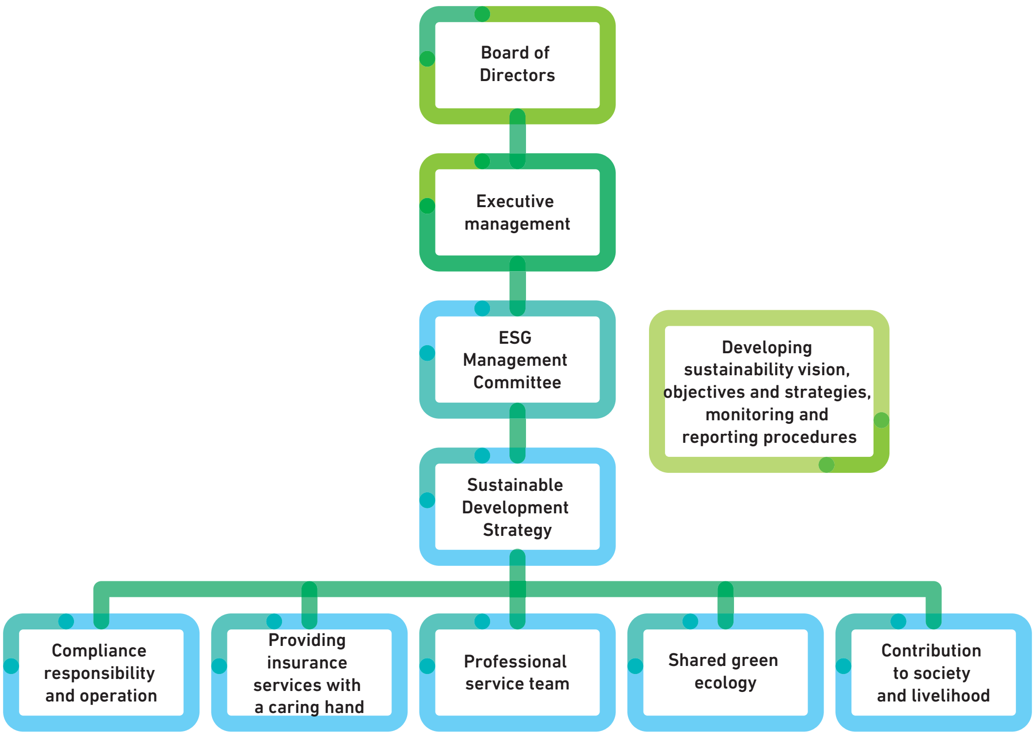
We attach great importance to the communication with various stakeholders, and identify seven stakeholders during the Year, including shareholders and investors, regulatory authorities, customers, employees, business partners, community environment and peer enterprises. We listen and understand their expectations and aspirations with an open and proactive attitude to determine our key issues of corporate social responsibility and set corresponding goals.

We have built long-term and mutual-trust relationships with stakeholders in different sectors. We determine the scope of this ESG report by virtue of understanding their opinions and expectations on the Group. Meanwhile, through communication and exchange with stakeholders, we can timely understand the views and expectations of investors and the capital market on the Group and constantly improve the Group's work, further enhancing their acknowledgement and recognition of the Group.

Major stakeholders	Expectations and aspirations	Main communication methods
Shareholders and investors	Robust operational compliance Good returns on investment Disclosure of information in a just, fair, transparent and timely manner	General meetings Annual reports and announcements Annual reports and ESG reports Shareholders visits Performance roadshow "Investor Relations" section on our website
Regulatory authorities	Maintaining financial stability Promoting economic development Supporting community livelihood	Compliance reports Responses to public consultation in writing Meetings
Customers	Providing convenient, fast and quality insurance services and products Improving user satisfaction	Website and emails of the Group Hotline Customer service center Customer satisfaction survey and opinion form Daily operation/exchange
Employees	Stable employment Reasonable welfares Safe working environment Broad career path	Channels for employees to express their opinions Performance assessment Employee research Employee representative assembly
Business partners/suppliers	Integrity and mutual benefit Fair purchase	Supplier evaluation system
Community/Environment/ Non-governmental organizations	Promoting social harmony Supporting charity activities Advocating energy saving and emissions reduction	Charity activities Seminars/Lectures/Workshops
Peers in the insurance industry	Creating a good competitive environment	Strategic cooperation project

ESG Management Committee

In 2017, ZhongAn established an Environmental, Social and Governance Management Committee (the "**ESG Management Committee**") to improve the Group's work on sustainable development. The ESG Management Committee is co-ordinated by team leader, Jin Chen, who is an executive Director and general manager of the Group, vice team leader, Yongbo Zhang, who is deputy general manager, chief legal officer and compliance director of the Group, and representatives from various major departments of the Group.



Its main responsibilities are as follows:

- Identify operations that are relevant and significant to the Group and environmental, social and governance issues that affect the shareholders and other key stakeholders, including the quality of working environment, environmental protection, operation practices, community engagement, etc.;
- Maintain the operation of the CSR management system and enhance employees' awareness of CSR;
- Promote implementation of various environmental, social and governance policies in all departments;
- Identify and understand stakeholders' views on major ESG issues through appropriate channels, and respond in a timely manner;
- Be responsible for self-inspection and monitoring of the Group's ESG policies and practices; and
- Ensure that the Group meets relevant legal and regulatory requirements and monitors and responds to the latest environmental, social and governance issues; and when appropriate, make relevant recommendations to the Board to enhance the Group's environmental, social and governance performance.

Corporate environmental, social and governance policies

We have formulated the ESG Policies (《企業環境、社會及治理政策》), which clearly illustrate the Group's objectives and management guidelines on the environment, society and governance, with an aim to establish a sound environmental management system. We strictly abide by relevant environmental protection laws and regulations of all countries as well as environmental protection regulations of areas in which we operate. Meanwhile, we actively reduce direct and indirect emissions of air pollutants, greenhouse gases and other ozone-depleting substances, and set emissions reduction targets where appropriate.

Environmental, Social and Governance (ESG) Report

3. Compliance responsibility and operation

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

3.1. Technology leader in insurance industry

Since its establishment, ZhongAn has formed the following core advantages:

With the mission of "Making Financial Life Warmer", lean management and standardized corporate governance, the Group has been ranked Top 5 among Global Top 100 Fintech Companies by KPMG International for three consecutive years. ZhongAn will continue to forge ahead and sail through wind and waves in the industry of trillion-level insurance technology. The following are the other awards received by ZhongAn during the Year (in order of the awarding date):

Awarded unit	Product/ People	Awarded items	Hosting/Awarding institutions
Jin Chen		The 2nd Fintech Leaders List of Global People (第二屆環球人物金融科技領軍人物榜)	GLOBAL PEOPLE
ZhongAn Insurance		JV Insurance Company of the Year (年度影響力合資保險公司)	Hexun.com
ZhongAn Insurance		Innovative Fintech Company of the Year (年度金融科技創新企業)	Hexun.com
ZhongAn Automobile		Property & Casualty Insurance Brand of the Year (年度財險品牌)	ThePaper.cn
ZhongAn Insurance		Applet of the Year (年度優秀小程序)	WeChat
ZhongAn Online		2017 Golden Hong Kong Stock Award Competition - Most Popular New Listing Award (金港股-2017最受投資者歡迎新股公司)	Zhitong Finance

Awarded unit	Product/ People	Awarded items	Hosting/Awarding institutions
ZhongAn Insurance		2018 Hurun Top 100 New Financial Companies - Most Valuable Brands (2018胡潤新金融百強榜-最具品牌價值企業)	Hurun Wealth
ZhongAn Insurance		Top 50 New Financial Companies - 2018 Hurun Top 100 New Financial Companies (2018胡潤新金融百強榜-新金融100強)	Hurun Wealth
ZhongAn Insurance		2017 Most Influential New Financial Company of China - Best Product Award (2017中國最具影響力新金融大獎-最佳產品獎)	Dongshiju.com & DataTechnology.com.cn
ZhongAn Technology		Huaying Award (華鷹獎)	
ZhongAn Insurance	Baobiao Auto Insurance (保驫車險)	Best Insurance Innovation Award (最佳保險創新獎)	SZ&W Group
ZhongAn Insurance	Baobiao Auto Insurance (保驫車險)	Best Employer Unit/'Touching China' Organization (最優僱主單位/'感動中國'感動組織)	China Customer Services Festival & Award Ceremony (中國客戶服務節暨頒獎典禮)
ZhongAn Insurance	Personal Clinic Policy (尊享e生)	2018 Golden Insurance Product Ark Award (Property & Casualty Insurance) (2018金牌保險產品方舟獎 (財險類))	STCN
ZhongAn Insurance	Personal Clinic Policy (尊享e生)	Innovation Award for Excellent Health Insurance (優秀健康保險產品創新獎)	SZ&W Group
ZhongAn Insurance		2018 Best Insurance Technology Company (2018最佳保險科技公司)	Molecular Lab
ZhongAn Insurance		Chinese Insurance Leader's List 2018 - Excellent Internet Insurance Platform (2018中國保險風雲榜-優秀互聯網保險平台)	National Business Daily
ZhongAn Insurance	Walk to Wellness Policy (步步保)	2017 Shanghai Financial Innovation Award (2017年度上海金融創新獎)	Shanghai Municipal People's Government
ZhongAn Insurance	Baobiao Auto Insurance (保驫車險)	2018 Fintech Award for Commercial Value (2018年度金融科技商業價值獎)	Institute for China Finance Technology Research (中國金融科技研究院)
ZhongAn Insurance		Insurance Company with Excellent Value of the Year (年度卓越價值經營保險公司)	National Business Daily
ZhongAn Technology		Photon 20 (光子20)	JAZZYEAR (甲子光年)
ZhongAn Insurance		The 4th Insurance Pioneer Award 2018 (2018第四屆保險先鋒獎)	Investor China
ZhongAn Insurance	Personal Clinic Policy (尊享e生)	The 16th Financial and Economic List - Most Popular Internet Insurance Product of the Year (第十六屆中國財經風雲榜—年度人氣互聯網保險產品)	Hexun.com
ZhongAn Insurance		2018 Top 10 Chinese Health Insurance Supplier (2018中國健康保險供應商10強)	HREC
ZhongAn Insurance		2018 Property & Casualty Insurance Company of the Year (2018年度財險公司)	ThePaper.cn
ZhongAn Insurance	Baobiao Auto Insurance (保驫車險)	Best Investment Value Award of the Year (年度最具投資價值獎)	2018 China Finance Summit Winter Forum (2018中國財經峰會冬季論壇)
ZhongAn Insurance		WISE 2018 Best Fintech (WISE 2018 Fintech之王)	36kr
ZhongAn Insurance		2018 Innovation Enterprise in China's Fintech Industry (2018中國金融科技產業年度創新力企業)	i-yiou

Environmental, Social and Governance (ESG) Report

Awarded unit	Product/ People	Awarded items	Hosting/Awarding institutions
ZhongAn Insurance	Personal Clinic Policy (尊享e生)	2018 Lead The Chinese Advance - Outstanding Medical Insurance Product Award (2018金融界領航中國—傑出醫療險產品獎)	JRJ.com
ZhongAn Insurance		2018 Lead The Chinese Advance - Outstanding Insurance Technology Innovation Award (2018金融界領航中國—傑出保險科技創新獎)	JRJ.com
ZhongAn Insurance		The First China Fintech Innovation and Development Forum - Golden Insurance Technology Company of the Year (首屆中國金融科技創新與發展論壇—年度金牌保險科技公司)	Yiqu Media (易趣傳媒) & Financial Money (《金融理財》)
ZhongAn Insurance	Jin Chen	The First China Fintech Innovation and Development Forum - Financial Insurance Technology Leader of the Year (首屆中國金融科技創新與發展論壇—年度金融保險科技領軍人物)	Yiqu Media (易趣傳媒) & Financial Money (《金融理財》)
ZhongAn Insurance		2018 Beijing Top 10 Financial Brands - Leading Value Technology Award (2018年度北京金融業十大品牌—技術領先價值獎)	Beijing Business Today
ZhongAn Technology	Insurance General Certificate Project (保險通證項目)	2018 Beijing Top 10 Financial Brands - Fintech Innovation Model Case (2018年度北京金融業十大品牌——金融科技創新榜樣案例)	Beijing Business Today
ZhongAn Technology		The 3rd Chinese Fintech Leader - Top 5 Blockchain (第三屆中國金融科技領軍企業—區塊鏈類Top5)	GLOBAL PEOPLE from People's Daily
ZhongAn Technology		2018 T-EDGE WARDS Blockchain Application Innovation Award (2018 T-EDGE WARDS年度區塊鏈應用創新獎)	TMTPOST
ZhongAn Insurance	Baobiao Auto Insurance (保驫車險)	The 3rd China Ding Insurance Industry Awards - Best Internet Insurance Products of the Year (第三屆中國鼎保險行業評選—年度最優互聯網保險產品)	China.org.cn & Jinri.com
ZhongAn Insurance		2018 Top 50 Fintech Enterprise (2018金融科技50強)	The Economic Observer & China Finance
ZhongAn Insurance		2018 Top 50 Fintech Enterprise of China (2018年度中國金融科技50強)	KPMG
ZhongAn Insurance		Innovation Award for Health Insurance Contact Product (健康保險行業接觸產品創新獎)	The 2nd Asia Health Insurance Summit (第二屆亞太區健康險國際峰會)
ZhongAn Insurance	Baobiao Auto Insurance (保驫車險)	Best Service Insurance Company Award (最佳服務保險公司獎)	Xi'an Evening News
ZhongAn Insurance		2018 Most Growing IPO Companies (2018最具成長性新股上市公司)	finance.sina.com.cn
ZhongAn Insurance		2018 Hurun Top 50 New Financial Companies (2018胡潤新金融百強榜50強)	Hurun New Finance
ZhongAn Insurance		2018 China's Digital Finance Champion Awards - Top 30 Digital Finance Companies (2018中國數字金融風雲榜數字金融公司30強)	Investor China
ZhongAn Insurance		2018 Golden Hong Kong Stock Award Competition - Best New Listing Award (2018金港股最佳新經濟股公司)	Zhitong Finance

3.2. Risk management system

In order to effectively and comprehensively control all kinds of risks, the Group has established a risk management organization structure in which the Group's Board of directors, Risk Management Committee, Audit Committee, Investment Strategy Committee, Remuneration and Nomination Committee, management, risk management department, legal compliance department, internal audit department and all functional departments and business departments fully participate, with the aim to implement the risk management work at the entire process system of the Group's strategic, management and operational levels. In addition, we have formulated the Regulations on Insurance Risk Management (《保險風險管理規定》) in accordance with the Guidelines for the Risk Management of Insurance Companies (《保險公司風險管理指引》) and the Solvency Regulatory Rules for Insurance Companies (《保險公司償付能力監管規則》) issued by the China Banking and Insurance Regulatory Commission (CBIRC) to fully implement risk management and establish three defense lines with risk management as its center:

First defense line

It consists of various business divisions and functional departments, with the aim to identify, analyze, evaluate, respond to, monitor and report risks at business front end.

Second defense line

It consists of a risk management committee and a risk management department, with the aim to comprehensively coordinate the formulation of risk management policies and systems, risk standards and limits, and propose countermeasures.

Third defense line

It consists of a committee whose audit functions are performed by the Board of Directors and an internal audit department. It is responsible for monitoring the Company's established risk management process and various risk control procedures and activities.

3.3. Anti-corruption

ZhongAn has actively promoted anti-corruption, and prevention of money laundering, extortion, fraud and terrorist financing activities as to comply with the Criminal Law of the People's Republic of China (《中華人民共和國刑法》) and other laws and regulations. Pursuant to Company Law of the People's Republic of China (《中華人民共和國公司法》), Insurance Law of the People's Republic of China (《中華人民共和國保險法》), Provisions on the Administration of Insurance Companies (《保險公司管理規定》), the Measures for the Compliance Management of Insurance Companies (《保險公司合規管理辦法》) and the Guidelines for the Assessment of Money Laundering and Terrorism Financing Risks and Categorized Management of Customers of Financial Institutions (《金融機構洗錢和恐怖融資風險評估及客戶分類管理指引》), the Group has formulated the Regulations on Anti-Money Laundering Management of ZhongAn (《眾安反洗錢管理規定》) 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》). In order to further enhance effectiveness of anti-money laundering and anti-terrorism financing and practice risk-based anti-money laundering methods thoroughly, we will first determine the level of customer money laundering risk, evaluate internal and external risk assessment indicators, and take appropriate categorized management measures for all levels of customers. We have also stated in the Employee Handbook (《員工手冊》), the Group has adopted a zero-tolerance approach to all forms of corruption, including deception, bribery, forgery, extortion, conspiracy, embezzlement and collusion.

Furthermore, we have established a leading group on anti-money laundering to comprehensively supervise the implementation of internal control system on anti-money laundering, organize publicity and training activities on anti-money laundering, and urge various departments to perform their anti-money laundering duties, and continuously monitor the effectiveness of the system. During the Year, the Group strictly complies with the national and Party disciplines and relevant laws and regulations, the 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》), United Nations (Anti-Terrorism Measures) Ordinance (《聯合國(反恐怖主義措施)條例》) and the relevant laws and regulations. There were no corruption or money laundering litigation involving the Group or its employees.

Environmental, Social and Governance (ESG) Report

4. Providing insurance services with a caring hand

4.1. Investing in technology research and development

With "Personalized", "Customized" and "Intelligent" as its development objectives, ZhongAn actively invested in technology research and development across various ecosystems, so as to improve operational efficiency and deepen competitive advantages. During the Year, we empowered our health ecosystem, consumer finance ecosystem and automobile ecosystem, etc. with more technologies. In the future, we will implant artificial intelligence into more products and solutions to upgrade the automation level of our business and reduce dependence on manpower.

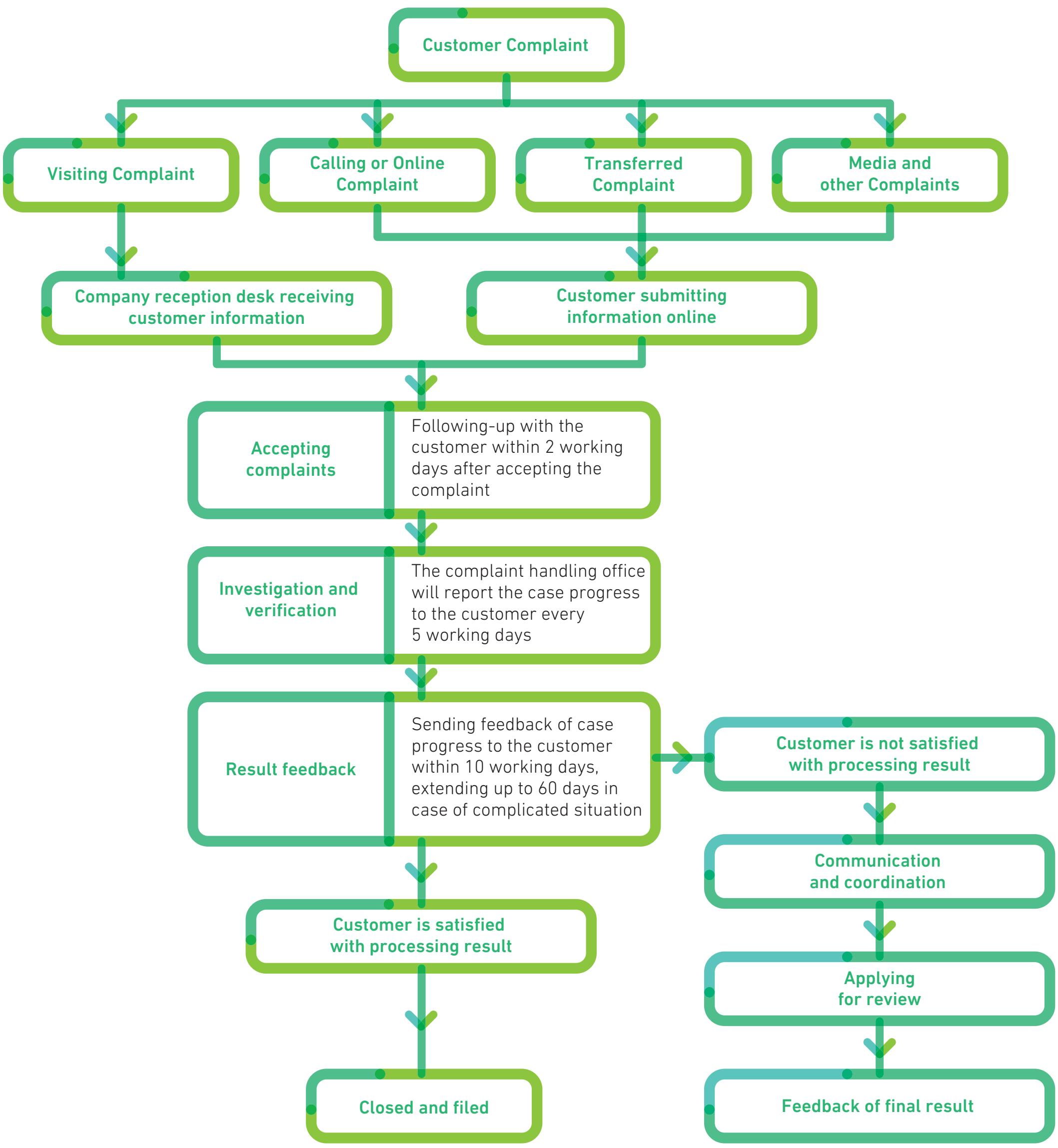
Personalized
Our pricing of insurance product varies by person

Customized
Our content of insurance varies by scenario

Intelligent
Our services are more intelligent with technological advancement

4.2. Valuing comments from clients

With the concept of "User First", and pursuant to the Administrative Measures for Handling the Complaints of Insurance Consumption (《保險消費投訴處理管理辦法》) issued by the CBIRC, 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 Guiding Opinions of the General Office of the China Insurance Regulatory Commission on Further Improving the Handling of Public Complaints in the Insurance Industry (《中國保監會辦公廳關於進一步加強保險業信訪工作的指導意見》), we have formulated and continuously improved the Administrative Measures for Customers' Complaint of ZhongAn (《眾安客戶投訴管理規定》). We actively carry out investor relations management, and timely collect customer opinions, thus promoting healthy growth of our business. We attach great importance to customer relationship management. Upon receiving an inquiry or a complaint, we will follow the established standard procedures, and we have promised that our complaints management personnel will contact the customer concerned within two working days after receiving the complaint. We are committed to actively handling complaints and reaching consensus with our customers. For general cases, we will give feedback and decisions on complaints within 10 working days. During the Year, we received a total of 2,212 complaints, and more than 85% of which were handled and filed. Our standard procedure for handling complaints are as follows:



Environmental, Social and Governance (ESG) Report

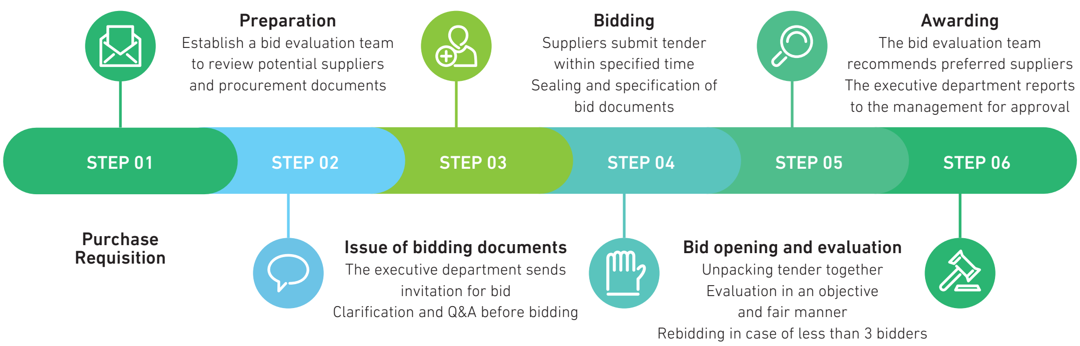
4.3. Protecting customer privacy

In addition to customer feedback, ZhongAn also attaches great importance to information security of the Group and customer privacy. 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 procedures of use of various types of data, specifying 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.

In accordance with the relevant regulatory requirements of the industry, including 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 CBIRC, we have established the Regulations for Information System Security and Compliance Management (《信息安全合規管理規定》) to ensure that the Group can comply with laws, regulations and regulatory requirements in daily work and the operation of the information security management system. In addition, we have formulated the Regulations for Information System and Network Security Management (《信息系統網絡安全管理規定》) to implement our construction plan of network security protection system. The technical platform department undertakes all network security management of the Group. We also appointed independent network administrators and security administrators to reduce network management risks with decentralized permissions.

4.4. Being responsible for supply chain

ZhongAn attaches great importance to supplier management and actively conducts surveys and assessments on suppliers' performance of social responsibility to enhance their sense of responsibility. With a view to improving efficiency and quality of procurement, reducing procurement costs, and ensuring smooth progress of procurement procedure, we have formulated the Regulations on Procurement and Bidding Management (《採購與招標管理規定》) during the Year. ZhongAn bidding procedure are as follows:



Currently, the procurement methods include invitation bidding and exemption bidding. Invitation bidding refers to individual procurement in which the procurement evaluation team will evaluate three or more suppliers who meet relevant qualification requirements. In addition to the quality of their products or services, goodwill and cost, we also attach importance to suppliers' compliance with regulations, regulatory codes and commitment to environmental and social responsibility. Since 2019, the Group will require the procurement review members to sign the Commitment Letter for Evaluation Integrity (《評審廉潔承諾書》) and promise to perform their duties of evaluating bidding projects in accordance with the principle of "Profession, Independence, Objectivity and Fairness, Faithfulness and Integrity".

The following table sets out our major suppliers during the Year by product categories and regional distribution:

Type/Area	Beijing	Shanghai	Shenzhen	Hangzhou
Administrative service	10	35	11	12
Administrative engineering	4	11	3	1
Administrative goods	4	12	—	—

In addition, we have formulated the Regulations on Management of Outsourcing Services for Information System Construction (《信息系統建設外包服務管理規定》) to promote the regulation and standardization of supplier management procedures, and strengthen management of the Group's outsourcing services information system construction. According to be relevant requirements, we will conduct an assessment on outsourced staff every six months to ensure the quality and compliance of their work, thus building a sustainable supply chain.

4.5. Respecting Intellectual Property Rights

The Group strictly abides by Patent Law of the People's Republic of China (《中華人民共和國專利法》), the Detailed Rules for the Implementation of the Patent Law of the People's Republic of China (《中華人民共和國專利法實施細則》), Trademark Law of the People's Republic of China (《中華人民共和國商標法》) and the Regulation on the Customs Protection of Intellectual Property Rights (《知識產權海關保護條例》) and other laws and regulations to protect the intellectual property rights, patents and copyrights of the Group and third parties. Although we have not formulated policies relating to health and safety, advertising, labelling and privacy matters as we believe they do not matter the most to our products and services, we still fully comply with the Advertisment Law of the People's Republic of China (《中華人民共和國廣告法》), ensuring that all advertisements for brand promotion deliver complete, truthful and accurate product information to the public and eliminating all acts in relation to the use of false and misleading product descriptions to deceive customers, and will strengthen the standard of these areas in the future. In cooperation with external suppliers, we also require suppliers not to infringe any legal rights of any third party such as legal patent right, trademark right, copyright and trade secrets. We will consider "blacklisting" and suspending cooperation with the suppliers who violate the above-mentioned requirements.

4.6 Promoting Healthy Living

We focus on safeguarding the health and safety of our customers and their families and are in compliance with the laws and regulations relating to health and safety. We currently market and sell health and accident insurance products recognized by the CBIRC such as Personal Clinic Policy (尊享e生), Hao Yi Bao (好醫保), Group Health Insurance Plan (健康團險計劃), Flight Accident and Delay Policy (航意航延險) and Train Accident Policy. We are striving to embed healthy living practices of our customers to enable them to live healthier, longer, better lives.

5. Professional service team

The Group upholds the management philosophy of talent-oriented and cooperation under the mutual trust to grow with its employees together. It strictly abides by Labor Law of the People's Republic of China (《勞動法》), Labor Contract Law of the People's Republic of China (《勞動合同法》), Law of the People's Republic of China on the Protection of Minors (《未成年人保護法》), Provisions on the Prohibition of Using Child Labor (《禁止使用童工規定》) and other relevant laws and regulations.

5.1. Diversified and inclusive employment

ZhongAn is committed to equal employment and prohibiting employment discrimination and forced labor, with a view to providing all employees with a working environment featuring harmony, inclusiveness, fairness and non-discrimination, complying with all laws and regulations relating to labour protection including but not limited to compensation, dismissal, recruitment and promotion, working hours, rest peroids, equal opportunity, diversity, anti-discrimination. In order to improve the talent selection mechanism and give full play to the enthusiasm of employees, we have formulated the Employee Recruitment Management System (《僱員招聘管理制度》) to conduct recruitment management based on the principles of open recruitment, fair competition, position-oriented selection and merit-based recruitment. Through annual recruitment plan and process management, we 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 and eliminate child labor and forced labor.

Environmental, Social and Governance (ESG) Report

ZhongAn takes serious attention to the dismissal cases. The human resources department will conduct exit interview with the employees to understand the reasons for departure. Throughout the communication, ZhongAn can identify proper improvement measures in order to enhance the sense of belongings for the existing employees and maintain a good employment relationship.

5.2. Valuing talent development

In order to build a high-quality talent team, we have formulated the Employee Training Management System (《僱員培訓管理制度》) to improve the talent cultivation mechanism. The human resources department creates training plans each year that are in compliance with ZhongAn's culture to enhance employees' performance, enrich their knowledge and skills and maintain the Group's competitiveness. The following table shows our annual training programs and their respective performance:

Annual training performance	
Total training times	97 times
Total number of trainees	2,987 shifts
Total training hours	377 hours
Total training cost	RMB400,000 (external training)
Average training satisfaction	4.68 points (out of 5)

Type of Training	Purposes of Training
Orientation training for new employee	To help new employees to understand the history and culture of the Group, learn its businesses and cultivate the concept of online insurance products and develop capabilities of cross-functional and cross-position collaboration.
Professional skills training	Mainly for employees in professional works, including professional skills and general skills.
Policy and regulatory training	To provide necessary trainings for all employees in accordance with industry compliance requirements.
Management improvement training	Mainly for management employees, primarily including leadership and business management capabilities.
Training for directors, supervisors and officers	Officers shall complete online or offline training on a yearly basis as required by the CBIRC.

Employee performance review system

In order to promote the modernization of the Group's management and give full play to the enthusiasm of employees, we have formulated the Employee Performance Management System (《僱員績效管理制度》). The purpose of performance review is to evaluate the performance contribution and behavior of employees, and improve the quality and performance of employees through appropriate reward and punishment systems, thereby effectively improving the overall performance of the Group and realizing the overall strategy of the Group. We evaluate employee's annual performance through quarterly and annual reviews, which will serve as a basis for performance bonuses distribution compensation adjustments and promotion.

5.3. Employee compensation and benefits

ZhongAn has zero tolerance on forced labour and strictly complies with Labor Law of the People's Republic of China (《勞動法》), prohibiting the means of threat and deprival of personal freedom from employers during the employment.

According to the Employee Handbook (《員工手冊》), ZhongAn's employees work five working days with fixed working hours, as the Group would like its employees to have work-life balance and enough rest; however, if employees need to work on the rest days, agreement should be obtained prior to the arrangement and compensation leave should also be provided, with the aim of preventing forced labour from happening within ZhongAn.

Moreover, ZhongAn is committed to providing competitive remuneration, benefits and working environment to employees to enhance their sense of belonging, and has specifically formulated the Employee Benefits Management System (《僱員福利管理制度》). We regularly review the salary and welfare policies to attract and retain talents. 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 leave for ethnic minorities and foreign employees. In addition to fully funding various social insurance for employees according to the national and local laws and regulations, including housing funds, basic endowment insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance, 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. We also provide staff with in-service benefits, including meals, correspondence subsidies, delayed work meals, vehicle benefits and annual physical examination. In addition, we also provide staff with welfare benefits at festivals such as the Chinese New Year, Dragon Boat Festival, Mid-Autumn Festival and Women's Day on 8 March according to traditional customs, and send our blessings and gifts on employees' birthdays, weddings and births.

Close communication with employees

We attach great importance to employee opinions, and communicate with employees through different channels. We organize regular meeting among all staff and executives for all employees to reflect their opinions to the management, thus striving to build an innovative and efficient group. We also organize various types of cultural activities on a regular basis to deepen the team spirit and cohesion, such as Celebrating Meeting on Lantern Festival, providing care and welfare for overtime colleagues and organizing employee celebration activities.

"The Paternity Day" in workplace on Children's Day

Quarterly Birthday Party for employees

Tug of War

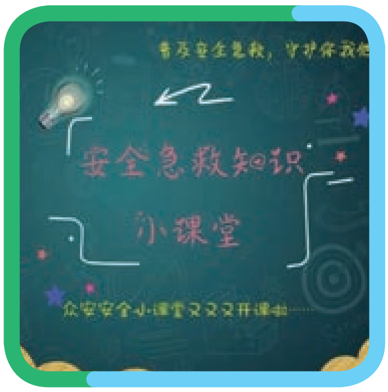
Women's Day on 8 March

Environmental, Social and Governance (ESG) Report

5.4. Health and safety

ZhongAn pays much attention to the health and safety of its employees and strictly complies with relevant laws and regulations, such as the Law of the People's Republic of China on Prevention and Control of Occupational Diseases (《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 endeavor to improve indoor air quality by prohibiting the employees smoking in the workplace, air-conditioning temperature to provide a comfortable working environment and office lighting by providing sufficient brightness in the working environment as well as to encourage employees to plant green plants in the office. We have organized trainings regarding a safe workplace and lectures on health for our employees during the Year, such as first-aid safety trainings, Chinese medical consultations and lecture on summer cooling tips. In order to keep employees with health in physically and mentally, corresponding sports competitions such as the tug of war and fun football match are organized for our staff.

Free stomach function tests, blood lipid, cardiovascular and cerebrovascular diseases tests and ultrasound scan tests for important organs



Lecture on First Aid Knowledge (《安全急救知識小課堂》)

Tips on Summer Cooling

6. Shared green ecology

In order to establish and improve environmental management systems and measures, we have established the ESG Codes (《環境、社會及治理規範》) of the Group, and conducted annual environmental reviews to assess environmental performance and make appropriate adjustments and revisions to environmental policies. We comply with relevant environmental protection laws and regulations of all countries, such as environmental protection regulations of areas in which we operate.

6.1. Promoting low-carbon culture

In November 2018, the State Council of China issued the 2018 China's Policies and Actions for Addressing Climate Change Report (《中國應對氣候變化的政策與行動 2018 年度報告》), which aims at mitigating climate change, adapting to climate change, improving institutional mechanisms, strengthening capacity building, encouraging local actions, and raising public awareness. In line with the national climate change strategies, the Group actively implements economic development models with low energy consumption, low pollution and low emissions to jointly mitigate climate change.

As a global citizen, we have conducted greenhouse gas (GHG) emissions inspections for the Group's head office in Shanghai since 2017 in compliance with the Greenhouse Gas 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 ISO14064-1 set by the International Organization for Standardization. The summary of GHG emissions during the Reporting Period is as follows:

Summary of GHG Emissions		**Unit**	**2018**
Scope 1	Direct GHG emissions	tonnes CO_2 equivalent (CO_2e)	99.68
Scope 2	Indirect GHG emissions from energy consumption	tonnes CO_2e	373.54
Scope 3	Other indirect GHG emissions	tonnes CO_2e	989.15
Total GHG emissions		tonnes CO_2e	1,462.37

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, the GHG emissions of our head office in Shanghai includes carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbon (PFCs), sulfur hexafluoride (SF_6), and can be classified into direct emissions (Scope 1) and indirect emissions (Scope 2 and Scope 3). GHG emissions of each scope comes from fuel used by vehicles of the Group (Scope 1), electricity consumption during the operation (Scope 2) and employees' overseas business trips by air, waste disposal and paper consumption (Scope 3), respectively. In the Year, the total amount of GHG emissions is 1,462.37 CO_2e tonnes. Although the GHG emissions indirectly generated by use of energy (Scope 2) decreased tremendously by 351.92 CO_2e tonnes compared to the last year statistics, an increasing trend is seen in the total amount of GHG emissions. The main reason for the increase is that the overseas business of the Group is frequent and more employees conduct overseas business travel, increasing the indirect GHG emissions (Scope 3). In the future, we will use video conferencing to the greatest extent, instead of conducting overseas business trips. For those inevitable business trips, we will choose to take direct flight.

6.2. Implementing green finance

Electronic and automated insurance policy procedure

The Group is committed to developing green finance and achieving sustainable economic and environmental development. As the first insurance company to build cloud-based core system and the world's first insurance company without IOE, we always adhere to the concept of green finance. We continue to accumulate experience in artificial intelligence, blockchain, cloud computing and big data, with the aim to fully realize electronic automation transactions, and gradually subvert the traditional insurance industry. Since customers can buy insurance through online platforms, we can handle hundreds or tens of millions times of insurance transactions with limited energy and resources compared to the traditional insurance industry, and reduce waste of unnecessary papers and energy consumption.

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High performance data center

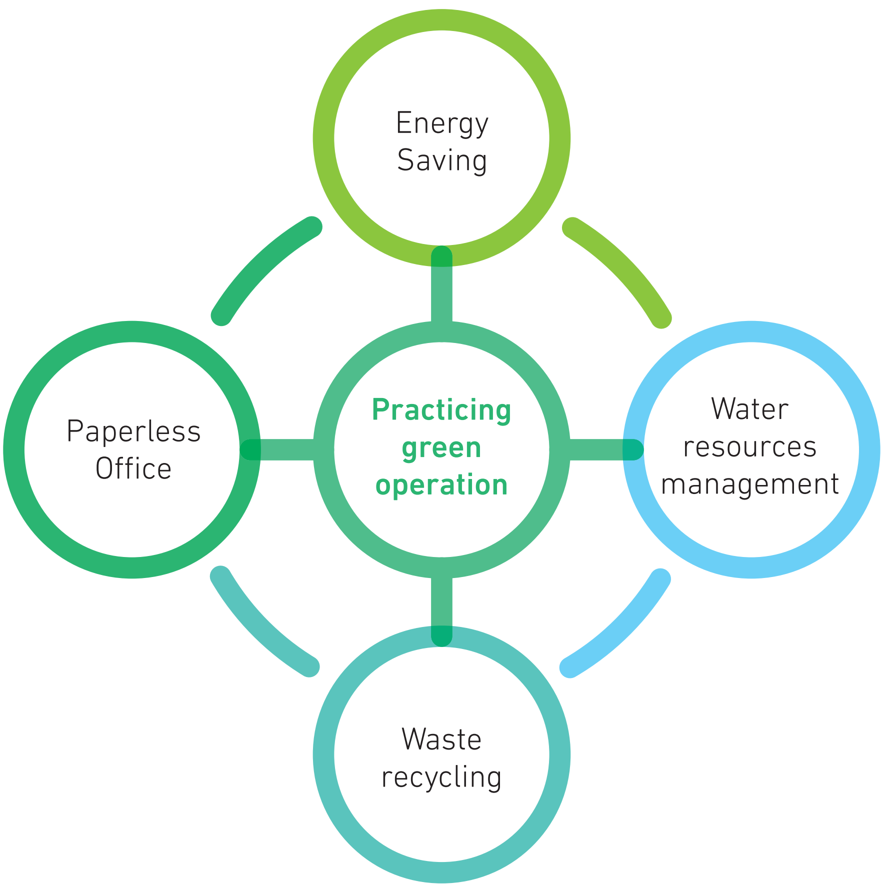
Fully electronic and automated trading also relies on reliable and stable data center, so we use Alibaba Cloud Data Center for stable operation and high energy efficiency. This data center is a leading new-generation green data center in China compared to the traditional ones. Its overall Power Usage Effectiveness (PUE) value of 1.13 is much lower than China's average of 2.5. It introduces clean and cold air into the data center room to cool the equipment, reducing cooling energy consumption by 59%. Not only creating competitive advantages to the business, the energy-saving technology can also save operating costs and reduce our environmental impact, enabling us to provide our customers with more cost-effective services.

Protecting natural resources and endangered species

In order to protect the endangered wild giant pandas, ZhongAn has been working with The Nature Conservancy (TNC) since 2015 to launch a compensation insurance for the rescue fees of giant pandas, and bear insurance responsibilities for additional expenses incurring from inedible bamboo caused by natural disasters and other reasons. Meanwhile, ZhongAn also provides personal accidents, injury, death and disability insurance for scientists working in the wild of Laohegou Reserve. As the first online insurance company in China, we are actively stimulating chemical reactions among many industries, and will continue to invest in social responsibility and public welfares in the future, thus contributing our part to protecting the ecosystem and maintaining biodiversity.

6.3. Practicing green operation

The Group has developed a range of measures to improve energy efficiency through combating its GHG emissions. We are committed to reducing GHG emissions and energy consumptions from the Group's daily operation with innovative technologies. ZhongAn 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.



Reducing energy consumption

To monitor the use of electricity, we conduct monthly electricity statistics and make appropriate improvements. During the Year, we have implemented the measures of switching off not-in-use lighting thoroughly, and we have divided the office into several lighting areas where we set up individually controlled lighting switches to allow employees to turn off individual lights when not in use. We also regularly clean lighting devices and lights to increase their energy efficiency. In addition, we turn off printers with a timer and completely turn them off during off hours. In terms of air conditioning systems, we regularly clean filters to improve energy efficiency. Meanwhile, we put anti-ultraviolet and heat-insulating film on windows to reduce the absorption of heat energy, and seal doors and windows to prevent the air-conditioned air from escaping. To further enhance employees' sense of environmental responsibility, we regularly promote and instruct emissions reduction measures to employees through media such as emails, posters and internal networks. As a result, the total amount of electricity used in the Group's head office in Shanghai is 530,972kWh in the Year, which is 32% less than that of last year, showing the effectiveness of the relevant measures.

Treasuring Water

Although the Group's business does not belong to a high water consumption industry, we are still actively encouraging employees to treasure water in the face of a global crisis of scarce water resources. We use sanitary ware with water-saving labels and infrared sensing to reduce water consumption. We post water-saving reminder labels in various toilets, and regularly check the water meter readings and whether there is any hidden water leakage. We have only started to analyze water consumption during this Year and hence are unable to analyze the results achieved in our reduction initiatives in respect of water consumption this Year. In the future, ZhongAn will continue to monitor the water consumption behavior of our employees and hope to achieve continuous improvement as for contribution towards the environment.

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. In order to reduce paper usage, we recommend our employees to use smaller fonts and line spacing for internal documents that must be printed. With a view to raising employees' awareness of environmental protection, we also post notices in the prominent place next to the printer to remind employees to use double-sided photocopying or reuse paper as well as to use telecommunication technology to transfer information as much as possible to reduce the use of paper. We use e-cards at festivals instead of paper cards. In the Year, the total amount of paper usage in the Group's head office in Shanghai is 3,980,500 pieces, which is 56% less than the total amount of paper used in 2017 (8,944,000 pieces).

Wastes Management

Non-hazardous wastes

We run our operations mainly in office and produce non-hazardous solid wastes like paper and general wastes generated from daily operation. We strictly abide by the laws and regulations concerning waste and reduce the consumption of natural resources through daily recycling. 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. Furthermore, all wasted paper will be sent to recycling companies apart from those that contain confidential details.

We have only started to analyze non-hazardous waste production during this Year and hence are unable to analyze the results achieved in our reduction initiatives in respect of non-hazardous wastes this Year. In the future, ZhongAn will continue to carry out the analysis to monitor the behavior and hope to achieve continuous improvement as for contribution towards the environment.

Hazardous wastes

As for office waste such as waste batteries, we have specific recycling bins for employees to collect. For example, when computers and electronic products reach their end of life, we will actively consider working with electronics companies to recycle used computers and other electronic waste. In the Year, the total number of waste batteries generated by the Group's head office in Shanghai reduced to 10,752 pieces, and the reduction rate is as much as 81.93% from 59,496 pieces in 2017.

Use environmental-friendly products

We reduce the use of disposable and non-recyclable products, replacing all disposable cups and wooden chopsticks with non-disposable items, such as ceramic cups and reusable tableware.

Environmental, Social and Governance (ESG) Report

7. Contribution to society and livelihood

ZhongAn always cares for and actively participates in the development of people's livelihood, fulfilling its social responsibilities and contributing to China's charity cause.

Improving social security and people's livelihood

With the mission of protecting and improving people's livelihood and building a harmonious society, we undertake various types of insurance related to people's livelihood, including basic medical insurance, major illness insurance, accident insurance, family planning insurance and unemployment insurance, to protect the production or life of the people from being destroyed and interrupted by major accidents and risk events. Following the trend of times, we provide customers with a people-oriented life insurance relying on technological innovation and focusing on mature e-commerce platform, reflecting our humane care and social responsibility.

Case

Helping patients reduce expenses through accurate medication

With the increasing consumption power of the middle class, the prevalence of disease is also growing with the increase of age. ZhongAn has provided medical treatment process for cancer patients and high quality value-added services, including medical treatment in Japan, new special drugs for cancer, and home care after surgery. From the early stage of treatment, we provide patients with green channel for serious illness covering 100 cities, 900 general hospitals and specialized hospitals nationwide. We provide full process cancer management services from medical treatment, hospitalization and meditation after discharge, and help patients reduce expenses through accurate medication. In case of sudden hospital treatment costs, patients can also apply for advanced payment. In the future, with insurance technology as the driving force, ZhongAn will continue to provide intelligent services within healthcare ecosystem, as well as customized and personalized medical insurance and medical service solutions for Chinese people.

Case

Targeted poverty alleviation in ecological agriculture

In line with China's Poverty Alleviation Plan for the 13th Five-Year Plan Period (《十三五脱貧攻堅規劃》), which sets the goal of getting more than 70 million rural poor people out of poverty by 2020, ZhongAn Technology fully applies the blockchain to chicken raising business in China and support startups to launch "Walk to Chicken Insurance" project. With blockchain technology from Anlink of ZhongAn Technology and IOT intelligent equipment and anti-counterfeiting technology from Hangzhou Wopu IOT, thousands of poor townships and villages can trace the entire growing process of chickens through real-time geographical location and step record. It is estimated that 2,500 farms will be established nationwide within the next 3 years, directly benefiting 15,000 farmers and indirectly helping 150,000 poor people. With the promotion Walk to Chicken Insurance project, we will provide financial services such as loan financing in the future according to the economic situation of farmers. Meanwhile, we will donate certain proportion of sales revenue to non-profit organizations to benefit community based on the sales performance.

Safeguarding social health

Upholding the value of "Simplicity, Rapidness, Breakthrough and Win-win", ZhongAn is dedicated to public welfare undertakings, actively advocates voluntary blood donation, and call on people around to support and participate in the blood donation cause. On November 2, 2018, the Company organized a voluntary blood donation event for employees to take part in, and encourage employees to take concrete actions to support public welfare undertakings, gaining an annual blood donation indicator of 129 employees.

Dedicated to charity

The Group and its employees have been dedicated to charity, and are active in various charity and fundraising events. In the Year, ZhongAn employees launched the "ZhongAn Charity Market" to sell goods for charity and raise donations for helping homeless cats and dogs to spend the winter. A total of 124 employees from six major groups were recruited as stall owners, who sold charity items including books, hand-made items, cosmetics, daily necessities and dolls. A total of RMB4,700 was raised for the benefit of the disadvantaged.

Cross-Border Study Tour for Post-Secondary Financial Talents

In July 2018, ZhongAn participated in Cross-Border Study Tour for Post-Secondary Financial Talents 2018 hosted by Hong Kong Financial Services and the Treasury Bureau and the Shanghai Financial Services Office and co-organized by The Hong Kong Federation of Youth Groups, which offers a four-week exchange internship for 2 Hong Kong college students. This exchange visit has enhanced Hong Kong students' understanding of the culture and operation of the financial market and financial service institutions in the Mainland, has increased their understanding of the social and economic environment in the Mainland, and has promoted the interaction and exchange between future financial talents in Shanghai and Hong Kong.

Environmental, Social and Governance (ESG) Report

8. Sustainability Data Statements

Environment performance	Unit	2018
GHG Emissions		
Direct GHG emissions (Scope 1)	tonnes CO_2e	99.68
Indirect GHG emissions (Scope 2)	tonnes CO_2e	373.54
Other indirect GHG emissions (Scope 3)	tonnes CO_2e	989.15
Total GHG emissions (Scope 1, 2 & 3)	tonnes CO_2e	1,462.37
GHG Intensity		
Per square meter of floor area (Scope 1, 2 & 3)	tonnes CO_2e/m^2	0.08
Per staff (Scope 1, 2 &3)	tonnes CO_2e/staff	0.63
Fuel Consumption		
Fuel consumption of motorcade	tonnes	15.23
Natural gas consumption	m^3	29,800.00
Energy Consumption		
Total electricity consumption	kWh	530,972.40
Total electricity consumption intensity (per square meter of floor area)	kWh/m^2	28.31
Total electricity consumption intensity (per staff)	kWh/staff	230.46
Water Consumption		
Total water consumption	m^3	17,615.00
Total water consumption intensity (per square meter of floor area)	m^3/m^2	0.94
Total water consumption intensity (per staff)	m^3/staff	7.65
Hazardous Waste		
Production of hazardous waste	pieces of battery	62,306
Hazardous waste intensity (per staff)	pieces of battery/staff	27.04
Non-Hazardous Waste		
Production of non-hazardous waste	tonnes	144.00
Non-hazardous waste intensity (per staff)	tonnes/staff	0.06
Paper consumption	pieces	3,980,500.00
Paper consumption intensity	pieces/staff	1,727.65

Social Scope	Unit	2018
Total Workforce		
Total Workforce	no. of people	3,090
Female	no. of people	1,254
Male	no. of people	1,836
Direct Employees by Employee Category		
Junior staff	no. of people	3,090
Intermediate management	no. of people	62
Senior management	no. of people	10
Direct Employees by Age Group and Gendre		
Below 30	no. of people	1,619
30-50	no. of people	1,467
Above 50	no. of people	4
Total Staff Turnover		
Total staff turnover	no. of people	904
Total male staff turnover	no. of people	591
Total female staff turnover	no. of people	313
Total Staff Turnover by Age Group		
Below 30	no. of people	504
30-50	no. of people	400
Above 50	no. of people	0
Staff Turnover Rate		
Total staff turnover	%	29.26
Total male staff turnover	%	32.19
Total female staff turnover	%	24.96
Total Staff Turnover by Age Group		
Below 30	%	31.13
30-50	%	27.27
Above 50	%	0.00
Occupational Health and Safety		
Work-related Injuries and Fatalities		
Injuries	no. of people	0
Number of work-related fatalities	no. of people	0

Environmental, Social and Governance (ESG) Report

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

Description of the indicator			Related Sections
A. ENVIRONMENT CATEGORY			
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.	Shared green ecology - Promoting low-carbon culture
	A1.1	The types of emissions and respective emissions data.	Shared green ecology - Promoting low-carbon culture; Sustainability Data Statements
	A1.2	Greenhouse gas emissions in total and intensity.	Shared green ecology - Promoting low-carbon culture; Sustainability Data Statements
	A1.3	Total hazardous waste produced and intensity.	Sustainability Data Statements
	A1.4	Total non-hazardous waste produced and intensity.	Sustainability Data Statements
	A1.5	Description of measures to mitigate emissions and results achieved.	Shared green ecology - Promoting low-carbon culture; Implementing green finance; Practicing green operation
	A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Shared green ecology - Practicing green operation
A2: USE OF RESOURCES	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Shared green ecology - Implementing green finance; Practicing green operation
	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total and intensity.	Sustainability Data Statements
	A2.2	Water consumption in total and intensity.	Sustainability Data Statements
	A2.3	Description of energy use efficiency initiatives and results achieved.	Shared green ecology - Implementing green finance; Practicing green operation
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Shared green ecology - Implementing green finance; Practicing green operation
	A2.5	Total packaging material used for finished products and with reference to per unit produced.	Not applicable (our Group's business does not involve packaging materials)

Description of the indicator			Related Sections
A3: THE ENVIRONMENT AND NATURAL RESOURCES	General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Shared green ecology - Promoting low-carbon culture; Implementing green finance; Practicing green operation
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Shared green ecology - Promoting low-carbon culture; Implementing green finance; Practicing green operation
B. SOCIAL CATEGORY			
B1: EMPLOYMENT	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 compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Professional service team - Diversified and inclusive employment; Valuing talent development; Employee compensation and benefits; Health and safety
	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 (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer on providing a safe working environment and protecting employees from occupational hazards.	Professional service team - Health and safety
	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.	Professional service team - Health and safety
B3: DEVELOPMENT AND TRAINING	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Professional service team - Valuing talent development
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, intermediate management).	Professional service team - Valuing talent development
	B3.2	The average training hours completed per employee by gender and employee category.	Professional service team - Valuing talent development

Environmental, Social and Governance (ESG) Report

Description of the indicator			Related Sections
B4: LABOUR STANDARDS	General Disclosure	Information on (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer on preventing child labour or forced labour.	Professional service team - Diversified and inclusive employment
	B4.1	Description of measures to review employment practices to avoid child and forced labour.	Professional service team - Diversified and inclusive employment
	B4.2	Description of steps taken to eliminate such practices when discovered.	Professional service team - Diversified and inclusive employment
B5: SUPPLY CHAIN MANAGEMENT	General Disclosure	Policies on managing environmental and social risks of the supply chain.	Providing insurance services with a caring hand - Being responsible for supply chain
	B5.1	Number of suppliers by geographical region.	Providing insurance services with a caring hand - Being responsible for supply chain
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Providing insurance services with a caring hand - Being responsible for supply chain
B6: PRODUCT RESPONSIBILITY	General Disclosure	Product Responsibility: information on (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer on health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Providing insurance services with a caring hand - 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.	Providing insurance services with a caring hand - Valuing comments from clients
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	Providing insurance services with a caring hand - Respecting intellectual property rights
	B6.4	Description of quality assurance process and recall procedures.	Providing insurance services with a caring hand - Valuing comments from clients
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Providing insurance services with a caring hand – Protecting customer privacy

Description of the indicator			Related Sections
B7: ANTI-CORRUPTION	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 prevention of bribery, extortion, fraud and money laundering.	Compliance responsibility and operation - Technology leader in insurance industry; Risk management system; Anti-corruption
	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.	Compliance responsibility and operation - Anti-corruption
	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Compliance responsibility and operation - Risk management system; Anti-corruption
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 society and livelihood
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Contribution to society and livelihood
	B8.2	Resources contributed to the focus area.	Contribution to society and livelihood

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 106 to 197, which comprise:

- the consolidated balance sheet as at 31 December 2018;
- 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 2018, 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 2.21 Summary of significant accounting policies – Insurance contracts liabilities and note 43 Insurance contracts liabilities. Refer to note 3.1 Significant accounting judgements and estimates - Valuation of insurance contract liabilities. The Group has insurance contract liabilities stated at RMB 5,327,116 thousand at 31 December 2018, representing 53.99% of the Group's total liabilities. We focused on this area because the valuation of insurance contract liabilities 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 insurance contract liabilities as follows: • We compared the underlying data used in the valuation models to the source systems, 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 insurance contract liabilities by comparing the calculation result through independent modelling. Based on our audit work, we found management judgements in the valuation of insurance contract liabilities to be supportable by the audit evidence.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

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

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

If, based on the work we have performed, 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.

Independent Auditor's Report

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, 25 March 2019

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018

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

	Notes	2018	2017
Gross written premiums	7(a)	11,255,718	5,954,475
Less: Premiums ceded to reinsurers	7(b)	(462,622)	(249,310)
Net written premiums	7	10,793,096	5,705,165
Less: Net change in unearned premium reserves	7	(1,992,793)	(1,091,058)
Net premiums earned	7	8,800,303	4,614,107
Net investment income	8	774,485	778,895
Net fair value changes through profit or loss	9	(153,949)	58,800
Other income	10	189,475	131,391
Total income		9,610,314	5,583,193
Net claims incurred	11	(5,268,436)	(2,745,947)
Handling charges and commissions	12	(1,074,756)	(602,719)
Foreign exchange losses		(838)	(138,688)
Finance costs		(43,276)	(4,139)
General and administrative expenses	13	(4,626,959)	(2,885,647)
Other expenses	14	(413,040)	(205,435)
Total expenses		(11,427,305)	(6,582,575)
Share of net profit/(loss) of associates accounted for using the equity method	32	6,830	(2,807)
Loss before income tax		(1,810,161)	(1,002,189)
Income tax	18	13,443	5,833
Net loss for the period		(1,796,718)	(996,356)
Loss attributable to:			
– Owners of the Company		(1,743,895)	(997,250)
– Non-controlling interests		(52,823)	894
		(1,796,718)	(996,356)

	Notes	2018	2017
Loss per share			
– Basic loss per share (RMB yuan)	19	(1.19)	(0.77)
– Diluted loss per share (RMB yuan)	19	(1.19)	(0.77)
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods, net of tax:			
– Changes in fair value of available-for-sale financial assets	20	46,011	(56,052)
– Exchange differences on translation of foreign operations	20	6,939	(4,106)
Other comprehensive income/(loss) for the period	20	52,950	(60,158)
Total comprehensive loss for the period		(1,743,768)	(1,056,514)
Total comprehensive loss for the period attributable to:			
– Owners of the Company		(1,695,654)	(1,055,397)
– Non-controlling interests	6(b)	(48,114)	(1,117)
		(1,743,768)	(1,056,514)

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

The consolidated financial statements and the accompanying notes starting from page 106 to page 197 are signed by:

OU Yaping	CHEN Jin
(On behalf of Board of Directors)	(On behalf of Board of Directors)

Consolidated Balance Sheet

As at 31 December 2018
(All amounts expressed in RMB'000 unless otherwise stated)

	Notes	At 31 December 2018	At 31 December 2017 Restated
ASSETS			
Cash and cash equivalents	21	2,426,829	5,260,259
Financial assets at fair value through profit or loss	22	9,288,084	5,608,633
Securities purchased under agreements to resell	23	1,038,887	3,043,417
Interest receivables	24	377,895	155,641
Premium receivables	25	2,037,286	523,761
Reinsurance debtors	26	287,379	46,692
Reinsurers' share of insurance contract liabilities	43	243,216	132,423
Available-for-sale financial assets	27	6,572,814	3,191,179
Loans and advances to customers	28	71,295	90,104
Investments classified as loans and receivables	29	597,069	2,089,291
Term deposits	30	960,000	—
Restricted statutory deposits	31	293,963	248,125
Investment in associates	32	344,836	164,399
Property and equipment	33	106,730	85,179
Intangible assets	34	409,261	253,659
Goodwill		3,997	1,047
Deferred tax assets	35	19	—
Other assets	36	1,281,536	255,683
Total assets		26,341,096	21,149,492
EQUITY AND LIABILITIES			
Equity			
Share capital	37	1,469,813	1,469,813
Reserves	38	16,642,673	16,593,652
Accumulated losses		(2,680,447)	(936,552)
Total equity attributable to equity owners of the Company		15,432,039	17,126,913
Non-controlling interests	6(b)	1,042,634	143,783
Total equity		16,474,673	17,270,696
Liabilities			
Securities sold under agreements to repurchase	40	2,552,928	135,400
Premiums received in advance		111,736	75,356
Reinsurance payables	41	355,271	247,831
Income tax payable		927	—
Insurance contract liabilities	43	5,327,116	2,430,076
Investment contract liabilities		—	17,840
Borrowings	42	59,716	—
Deferred income tax liabilities	35	—	—
Contract liabilities		15,205	12,915
Other liabilities	44	1,443,524	959,378
Total liabilities		9,866,423	3,878,796
Total equity and liabilities		26,341,096	21,149,492

Consolidated Statement of Change in Equity

For the year ended 31 December 2018

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

		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 2017	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
Total comprehensive income	—	—	—	46,011	2,230	(1,743,895)	(1,695,654)	(48,114)	(1,743,768)
Transaction with non-controlling interests 6(b)	—	—	—	—	—	—	—	950,686	950,686
Share-based payments	—	—	780	—	—	—	780	—	780
Others	—	—	—	—	—	—	—	(3,721)	(3,721)
At 31 December 2018	**1,469,813**	**16,596,375**	**38,400**	**7,763**	**135**	**(2,680,447)**	**15,432,039**	**1,042,634**	**16,474,673**

Consolidated Statement Cash Flow

For the year ended 31 December 2018

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

	Notes	Year ended 31 December 2018	Year ended 31 December 2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in operating activities	45	(1,279,097)	(709,794)
Net cash outflow from operating activities		(1,279,097)	(709,794)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment, intangible assets and other assets		(328,202)	(215,559)
Proceeds from sale of property and equipment, intangible assets and other assets		57	18
Purchases of investments, net		(4,982,424)	(6,670,453)
Acquisition of a subsidiary and other business entities, net		(173,606)	(162,400)
Dividends and others received from investments		546,026	738,393
Net cash outflow from investing activities		(4,938,149)	(6,310,001)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of ordinary shares		—	11,335,064
Proceeds from issues of preference shares		614,185	—
Securities sold under agreements to repurchase, net		2,374,252	(151,413)
Proceeds from capital injection of non-controlling interests		336,501	151,000
Proceeds from borrowings		59,716	—
Other cash payment related to financing activities		—	(65,047)
Net cash inflow from financing activities		3,384,654	11,269,604
Effects of exchange rate changes on cash and cash equivalents		(838)	(142,794)
Net (decrease)/increase in cash and cash equivalents		(2,833,430)	4,107,015
Cash and cash equivalents at the beginning of year		5,260,259	1,153,244
Cash and cash equivalents at the end of year		2,426,829	5,260,259

Notes to Consolidated Financial Statement

For the year ended 31 December 2018
(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 have 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.

HKFRS 4 Amendments	Applying HKFRS 9 with HKFRS 4 Insurance Contracts
HKFRS 15	Revenue from contracts with customers
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of investment property
HK(IFRIC 22)	Foreign currency transactions and advance consideration

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 2018
(All amounts expressed in RMB'000 unless otherwise stated)

2. Summary of Significant Accounting Policies *(continued)*

2.1 Basis of preparation *(continued)*

(a) Changes in accounting policy and disclosures *(continued)*

HKFRS 15 Revenue from Contracts with Customers

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions in HKFRS 15, the Group has adopted the new rules and has restated comparatives for the 2017 financial year. There is no material impact on the financial statements of 2017 retrospectively except that the following reclassification adjustments were made to the amounts recognised in the balance sheet at the date of initial application:

	HKAS 18 carrying amount 31 December 2017	Reclassification	HKFRS 15 carrying amount 31 December 2017
Contract liabilities	—	12,915	12,915
Other liabilities	972,293	(12,915)	959,378
Other assets	254,679	1,004	255,683
Intangible assets	254,663	(1,004)	253,659

(b) New and revised standards not yet adopted

Standards, amendments and interpretations that have been issued but not yet effective on 1 January 2018 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 9	Financial Instruments	1 January 2018
HKFRS 16	Leases	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2022
HK(IFRIC 23)	Uncertainty over income tax treatments	1 January 2019
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle	1 January 2019

2. Summary of Significant Accounting Policies (continued)

2.1 Basis of preparation (continued)

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

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 used 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. The Group is eligible to and has elected to apply the temporary option to defer the effective date of HKFRS 9 under the amendments to HKFRS 4 'Insurance contracts'. The impact of the adoption of HKFRS 9 on the Group's consolidated financial statements will, to a large extent, have to take into account the interaction with the issued insurance contracts standard. The Group is defined as an insurer with its activities predominantly connected with insurance. The Group will not adopt the HKFRS 9 until 1 January 2021 and the Group makes additional disclosures as below.

Financial assets meeting Solely for Payment of Principal and Interest (SPPI) test are relevant financial assets of which the contractual cash flows generated on a specific date are solely payments of principal and interest on the principal amount.

Notes to the Consolidated Financial Statement

For the year ended 31 December 2018
(All amounts expressed in RMB'000 unless otherwise stated)

2. Summary of Significant Accounting Policies (continued)

2.1 Basis of preparation (continued)

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

HKFRS 9 and HKFRS 4 Amendments (continued)

Additional disclosures of financial assets listed in financial assets at fair value through profit or loss, available-for-sale financial assets, investments classified as loans and receivables are as follows:

	As at 31 December 2018 Fair value	2018 Change in the fair value
Financial assets held for trading (A)	9,288,084	(2,780)
Financial assets managed and whose performance evaluated on a fair value basis (B)	—	—
Financial assets other than A or B		
– Financial assets meet SPPI (C)	5,995,029	(15,828)
– Financial assets not meet SPPI	1,174,854	(25,508)
Total	16,457,967	(44,116)

Credit risk rating grades of financial assets meet SPPI(C)	As at 31 December 2018 Carrying amounts
AAA	4,431,274
A-1	121,360
AA+	1,173,913
AA	247,618
C	20,864
Total	5,995,029

	As at 31 December 2018 Carrying amounts	Fair value
Financial assets not have low credit risk	20,864	20,864

Except for the above assets, other financial assets other than cash held by the Group, including securities purchased under agreements to resell, loans and advances to customers, term deposits, restricted statutory deposits, etc., are financial assets, which meet the SPPI conditions. The carrying amounts are close to their fair value.

2. Summary of Significant Accounting Policies (continued)

2.1 Basis of preparation (continued)

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

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 will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. All right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses). The Group does not expect significant impact on the financial statements.

HKFRS 17

HKFRS 17 was issued in May 2017 and will replace the current 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 is currently mandatorily effective for annual periods beginning on or after 1 January 2021 and earlier application is permitted, however in November 2018, The International Accounting Standards Board ("IASB") proposed to defer IFRS17 until the finacial period beginning on or after 1 January 2022. The Board had also decided to propose extending to 2022 the temporary exemption for insurers to apply the financial instruments Standard, IFRS 9, so that both IFRS 9 and IFRS 17 can be applied at the same time. The impact is expected to be significant. However, it won't have impact on the Group until be adopted.

There are no other HKFRSs or HK (IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the group.

Notes to the Consolidated Financial Statement

For the year ended 31 December 2018
(All amounts expressed in RMB'000 unless otherwise stated)

2. Summary of Significant Accounting Policies (continued)

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.

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 (continued)

2.2 Subsidiaries (continued)

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 2018
(All amounts expressed in RMB'000 unless otherwise stated)

2. Summary of Significant Accounting Policies (continued)

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.

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's 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 (continued)

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 2.10).

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 2018
(All amounts expressed in RMB'000 unless otherwise stated)

2. Summary of Significant Accounting Policies (continued)

2.6 Intangible assets

The Group's intangible assets include patent, 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
Patent	10 years
Trademark	10 years
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 (continued)

2.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Cost includes the reclassification from equity of any gains or losses on qualifying cash flow hedges relating to purchases of raw material but excludes borrowing costs. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.8 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Notes to the Consolidated Financial Statement

For the year ended 31 December 2018

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

2. Summary of Significant Accounting Policies (continued)

2.9 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.

2.10 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 (continued)

2.11 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 of 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. Loans and receivables mainly comprise different kinds of account receivables, loans and advances to customers, investments classified as loans and receivables, term deposits, restricted statutory deposits and securities purchased under agreements to resell. 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 premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. Gains and losses are recognized in the income statement as "Investment income" when the loans and receivables are derecognized or impaired, as well as through the amortization process.

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.

Notes to the Consolidated Financial Statement

For the year ended 31 December 2018
(All amounts expressed in RMB'000 unless otherwise stated)

2. Summary of Significant Accounting Policies (continued)

2.11 Financial assets (continued)

(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 changes 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.

2.12 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.

2. Summary of Significant Accounting Policies (continued)

2.12 Fair value measurement (continued)

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.

2.13 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.

2.14 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.

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For the year ended 31 December 2018
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2. Summary of Significant Accounting Policies (continued)

2.14 Impairment of financial assets (continued)

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 in-come statement on equity instruments are not reversed through the consolidated income statement. The Group inspects the equity instrument investments indi-vidually 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.

2.15 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.

2.16 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.

2.17 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.

2. Summary of Significant Accounting Policies (continued)

2.18 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.

2.19 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.

2.20 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.

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2. Summary of Significant Accounting Policies (continued)

2.20 Testing the significance of insurance risk (continued)

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.

2.21 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.

2. Summary of Significant Accounting Policies (continued)

2.21 Insurance contract liabilities (continued)

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.

2.22 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.

2.23 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.

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2. Summary of Significant Accounting Policies (continued)

2.24 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.

2. Summary of Significant Accounting Policies (continued)

2.25 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.

2.26 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.

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For the year ended 31 December 2018
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2. Summary of Significant Accounting Policies (continued)

2.27 Revenue recognition

Revenue is recognized 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 and interest income

Investment income includes interest from term deposits, fixed maturity securities, securities purchased under agreements to resell, 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 services

The Group provides services including IT system solution, design, implementation and support under fixed-price. Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. This is determined based on the actual labour hours spent relative to the total expected labour hours.

Some contracts include multiple deliverables, such as the sale of software and related installation services. However, the installation is simple, does not include an integration service and could be performed by another party. It is therefore accounted for as a separate performance obligation.

Where the contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin. If contracts include the installation of software, revenue for the software is recognised at a point in time when the software is delivered, the legal title has passed and the customer has accepted the software.

2. Summary of Significant Accounting Policies (continued)

2.27 Revenue recognition (continued)

(c) Revenue from services (continued)

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Group exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

If the contract includes an hourly fee, revenue is recognised in the amount to which the Group has a right to invoice. Customers are invoiced on a monthly basis and consideration is payable when invoiced.

(d) Sale of goods

Revenue from the sale of product is recognised when a group entity sells a product to the customer. Payment of the transaction price is due immediately when the customer purchases the product.

2.28 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.

2.29 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.

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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 Segment Reporting

The Groups operating segments are listed as follows:

- The Insurance segment offers a wide range of online P&C insurance business;
- The Technology segment provides IT related business to its customers;
- The Others segment includes entities other than the insurance segment and the technology segment, which provides international IT consulting, insurance brokerage, bio technology and loan services.

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.

99.8% of the Group's revenue is derived from its operations in the PRC. 96.1% of the Group's assets are located in PRC. In 2018, the income from transactions with the top five external customers amounted to 12.1% (2017 10.1%) of the Group's total segment income.

Segment income statement for the year ended 31 December 2018

	Insurance	Technology	Others	Eliminations	Total
Gross written premiums	11,263,109	—	—	(7,391)	11,255,718
Less: Premiums ceded to reinsurers	(462,622)	—	—	—	(462,622)
Net change in unearned premium reserves	(1,990,937)	—	—	(1,856)	(1,992,793)
Net premiums earned	8,809,550	—	—	(9,247)	8,800,303
Net Investment income	761,309	439	7,929	4,808	774,485
Net fair value changes through profit or loss	(153,949)	—	—	—	(153,949)
Share of net profits/(loss) of associates for using the equity method	17,727	(10,803)	(94)	—	6,830
Other revenues and other gains	56,328	103,703	41,279	(11,835)	189,475
Segment income	9,490,965	93,339	49,114	(16,274)	9,617,144
Net claims incurred	(5,282,748)	—	—	14,312	(5,268,436)
Handling charges and commissions	(1,074,756)	—	—	—	(1,074,756)
Foreign exchange gains/(losses)	3,275	—	(4,113)	—	(838)
Finance costs	(40,891)	(1,239)	(1,146)	—	(43,276)
General and administrative expenses	(4,437,478)	(25,777)	(160,854)	(2,850)	(4,626,959)
Other expenses	(4,034)	(406,545)	(4,913)	2,452	(413,040)
Segment expenses	(10,836,632)	(433,561)	(171,026)	13,914	(11,427,305)
Loss before income tax	(1,345,667)	(340,222)	(121,912)	(2,360)	(1,810,161)
Income tax	15,355	—	(1,912)	—	13,443
Net loss	(1,330,312)	(340,222)	(123,824)	(2,360)	(1,796,718)

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4 Segment Reporting (continued)

Segment balance sheet at 31 December 2018

	Insurance	Technology	Others	Eliminations	Total
Cash and cash equivalents	944,369	145,792	1,336,668	—	2,426,829
Financial assets	18,669,688	4,780	154,387	(6,743)	18,822,112
Insurance receivables	2,567,881	—	—	—	2,567,881
Investment in associates and subsidiaries	1,322,565	351,516	11,932	(1,341,177)	344,836
Other assets	2,140,855	290,555	71,932	(323,904)	2,179,438
Segment assets	25,645,358	792,643	1,574,919	(1,671,824)	26,341,096
Insurance contract liabilities	5,328,198	—	(2,882)	1,800	5,327,116
Securities sold under agreements to repurchase	2,552,928	—	—	—	2,552,928
Other liabilities	1,809,488	336,149	170,054	(329,312)	1,986,379
Segment liabilities	9,690,614	336,149	167,172	(327,512)	9,866,423

Financial assets comprise financial assets at fair value through profit or loss, securities purchased under agreements to resell, available-for-sale financial assets, loans and advances to customers, investments classified as loans and receivables, term deposits and restricted statutory deposits.

Insurance receivables comprise premium receivables, reinsurance debtors and reinsurers' share of insurance contract liabilities.

Other segment information for the year ended 31 December 2018

	Insurance	Technology	Others	Eliminations	Total
Depreciation and amortization	88,761	21,802	2,066	—	112,629
Capital expenditure	154,489	123,869	49,844	—	328,202
Impairment loss charges	121,727	761	(43)	14,256	136,701
Interest income	692,908	7,525	281	—	700,714
Interest expense	40,891	1,239	1,146	—	43,276
Unrealized gains/(loss) from financial assets at fair value through profit or loss	(153,949)	—	—	—	(153,949)

4 Segment Reporting (continued)

Segment income statement for the year ended 31 December 2017

	Insurance	Technology	Others	Eliminations	Total
Gross written premiums	5,957,353	—	—	(2,878)	5,954,475
Less: Premiums ceded to reinsurers	(249,310)	—	—	—	(249,310)
Net change in unearned premium reserves	(1,093,940)	—	—	2,882	(1,091,058)
Net premiums earned	4,614,103	—	—	4	4,614,107
Net Investment income	770,723	7,600	572	—	778,895
Net fair value changes through profit or loss	58,800	—	—	—	58,800
Share of net profits/(loss) of associates for using the equity method	(1,162)	(925)	(720)	—	(2,807)
Other revenues and other gains	74,370	40,743	21,856	(5,578)	131,391
Segment income	5,516,834	47,418	21,708	(5,574)	5,580,386
Net claims incurred	(2,745,947)	—	—	—	(2,745,947)
Handling charges and commissions	(602,719)	—	—	—	(602,719)
Foreign exchange gains/(losses)	(141,407)	—	2,719	—	(138,688)
Finance costs	(4,139)	—	—	—	(4,139)
General and administrative expenses	(2,890,387)	(261)	(118)	5,119	(2,885,647)
Other expenses	(17,990)	(155,979)	(32,151)	685	(205,435)
Segment expenses	(6,402,589)	(156,240)	(29,550)	5,804	(6,582,575)
Loss before income tax	(885,755)	(108,822)	(7,842)	230	(1,002,189)
Income tax	5,833	—	—	—	5,833
Net loss	(879,922)	(108,822)	(7,842)	230	(996,356)

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For the year ended 31 December 2018
(All amounts expressed in RMB'000 unless otherwise stated)

4 Segment Reporting (continued)

Segment balance sheet at 31 December 2017

	Insurance	Technology	Others	Eliminations	Total
Cash and cash equivalents	4,983,218	25,391	251,650	—	5,260,259
Financial assets	13,683,910	87,324	254,230	(2,840)	14,022,624
Insurance receivables	702,876	—	—	—	702,876
Investment in associates and subsidiaries	1,012,371	332,878	11,280	(1,192,130)	164,399
Other assets	987,263	69,640	10,856	(68,425)	999,334
Segment assets	21,369,638	515,233	528,016	(1,263,395)	21,149,492
Insurance contract liabilities	2,432,958	—	—	(2,882)	2,430,076
Securities sold under agreements to repurchase	135,400	—	—	—	135,400
Other liabilities	1,248,312	118,518	16,153	(69,663)	1,313,320
Segment liabilities	3,816,670	118,518	16,153	(72,545)	3,878,796

Other segment information for the year ended 31 December 2017

	Insurance	Technology	Others	Eliminations	Total
Depreciation and amortization	71,954	1,199	4	—	73,157
Capital expenditure	188,364	26,056	1,139	—	215,559
Impairment loss charges	17,491	—	910	—	18,401
Interest income	283,845	—	18	—	283,863
Interest expense	4,139	—	—	—	4,139
Unrealized gains/(loss) from financial assets at fair value through profit or loss	58,800	—	—	—	58,800

5. 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 7.

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 2018
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5. Management of Insurance and Financial Risk (continued)

(a) Insurance risk (continued)

Changes in expected ultimate loss ratio

	31 December 2018	
	Impact on profit before income tax	Impact on total equity
+1%	(91,633)	(91,633)
–1%	91,633	91,633

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

5. Management of Insurance and Financial Risk (continued)

(a) Insurance risk (continued)

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					
	2014	**2015**	**2016**	**2017**	**2018**	**Total**
Estimate of ultimate claim cost as of:						
End of current year	517,522	1,322,518	1,501,551	2,698,058	**5,396,412**	
One year later	493,173	1,192,162	1,433,179	2,577,762		
Two years later	492,987	1,179,983	1,440,112			
Three years later	492,624	1,182,255				
Four years later	492,598					
Current estimate of cumulative claims	492,598	1,182,255	1,440,112	2,577,762	**5,396,412**	11,089,139
Cumulative payments to date	(492,598)	(1,180,123)	(1,406,249)	(2,346,304)	**(4,266,549)**	(9,691,823)
Liability in respect of prior years, unallocated loss adjustment expenses, assumed business, discount and risk adjustment margin						143,926
Total gross claim reserves included in the consolidated statements of financial position						1,541,242

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For the year ended 31 December 2018
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5. Management of Insurance and Financial Risk (continued)

(a) Insurance risk (continued)

Claim development tables *(continued)*

Net insurance claim reserves:

	Accident year					
	2014	**2015**	**2016**	**2017**	**2018**	**Total**
Estimate of ultimate claim cost as of:						
End of current year	514,695	1,304,608	1,494,242	2,638,157	**5,161,833**	
One year later	492,173	1,174,671	1,424,327	2,493,902		
Two years later	491,978	1,162,482	1,431,445			
Three years later	491,615	1,164,753				
Four years later	491,589					
Current estimate of cumulative claims	491,589	1,164,753	1,431,445	2,493,902	**5,161,833**	10,743,522
Cumulative payments to date	(491,589)	(1,162,623)	(1,397,604)	(2,275,452)	**(4,133,369)**	(9,460,637)
Liability in respect of prior years, unallocated loss adjustment expenses, assumed business, discount and risk adjustment margin						138,207
Total net claim reserves included in the consolidated statements of financial position						1,421,092

5. Management of Insurance and Financial Risk (continued)

(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"), Hong Kong dollar ("HKD") or Japanese yen ("JPY").

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

	As at 31 December 2018			
	HKD'000	USD'000	JPY'000	Equivalent to RMB
Cash and short-term time deposits	1,067,315	7,831	172,693	999,615
Financial assets at fair value through profit or loss	117,762	—	—	103,183
Available-for-sale financial assets	36,071	—	—	31,605
Other receivable	17,782	—	—	15,581
Total	1,238,930	7,831	172,693	1,149,984

	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
Total	332,398	13,613	366,807

The Group has no significant concentration of currency risk.

Notes to the Consolidated Financial Statement

For the year ended 31 December 2018
(All amounts expressed in RMB'000 unless otherwise stated)

5. Management of Insurance and Financial Risk (continued)

(b) Financial risk (continued)

Market risk *(continued)*

(i) Currency risk *(continued)*

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, HKD and JPY 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 2018	
	Impact on profit before income tax	Impact on total equity
+5%	55,919	57,499
–5%	(55,919)	(57,499)

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)

5. Management of Insurance and Financial Risk (continued)

(b) Financial risk (continued)

***Market risk** (continued)*

(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 2018	
	Impact on profit before income tax	Impact on total equity
+50 basis points	(95,110)	(157,913)
–50 basis points	99,368	163,810

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

Notes to the Consolidated Financial Statement

For the year ended 31 December 2018
(All amounts expressed in RMB'000 unless otherwise stated)

5. Management of Insurance and Financial Risk (continued)

(b) Financial risk (continued)

Market risk *(continued)*

(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 2018	
	Impact on profit before income tax	Impact on total equity
+5%	**61,388**	**111,582**
–5%	**(61,388)**	**(111,582)**

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)

5. Management of Insurance and Financial Risk (continued)

(b) Financial risk (continued)

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 2018, the majority of corporate bonds and short-term corporate financing bonds held by the Group had domestic credit rating A- 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's loan and advances to customers are mainly derived from individual customers. The Group assess the credit status of customers on a regular basis and takes necessary actions to ensure the recoverability of the loans.

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.

Notes to the Consolidated Financial Statement

For the year ended 31 December 2018
(All amounts expressed in RMB'000 unless otherwise stated)

5. Management of Insurance and Financial Risk (continued)

(b) Financial risk (continued)

Credit risk *(continued)*

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 2018					
		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	2,426,829	—	—	—	—	2,426,829
Financial assets at fair value through profit or loss	6,474,854	—	—	—	—	6,474,854
Securities purchased under agreements to resell	1,038,887	—	—	—	—	1,038,887
Premium receivables	2,037,286	—	—	—	11,133	2,048,419
Reinsurance debtors	287,379	—	—	—	—	287,379
Interest receivables	377,895	—	—	—	—	377,895
Available-for-sale financial assets	5,377,096	—	—	—	100,000	5,477,096
Investments classified as loans and receivables	597,069	—	—	—	—	597,069
Loans and advances to customers	69,858	1,437	—	1,437	15,102	86,397
Term deposits	960,000	—	—	—	—	960,000
Restricted statutory deposits	293,963	—	—	—	—	293,963
Others	838,720	—	—	—	—	838,720
Total	20,779,836	1,437	—	1,437	126,235	20,907,508

5. Management of Insurance and Financial Risk (continued)

(b) Financial risk (continued)

Credit risk *(continued)*

	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

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.

Notes to the Consolidated Financial Statement

For the year ended 31 December 2018
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5. Management of Insurance and Financial Risk (continued)

(b) Financial risk (continued)

Liquidity risk *(continued)*

The tables below summarize the maturity profiles of the financial assets and financial liabilities of the Group based on remaining undiscounted cash flows.

	As at 31 December 2018					
	On demand	Within 1 year	1 to 5 years	Over 5 years	Undated	Total
Assets:						
Cash and short-term time deposits	2,356,829	70,027	—	—	—	2,426,856
Financial assets at fair value through profit or loss	—	1,270,667	4,986,923	1,689,882	2,813,230	10,760,702
Securities purchased under agreements to resell	—	1,038,887	—	—	—	1,038,887
Premium receivables	—	2,026,922	10,363	—	—	2,037,285
Reinsurance debtors	—	287,379	—	—	—	287,379
Available-for-sale financial assets	—	1,303,289	4,068,784	1,039,854	1,174,854	7,586,781
Investments classified as loans and receivables	—	35,250	343,103	389,900	—	768,253
Loans and advances to customers	—	71,295	—	—	—	71,295
Term deposits	—	301,065	837,300	—	—	1,138,365
Restricted statutory deposits	—	49,193	276,227	—	—	325,420
Other assets	—	756,349	82,371	—	—	838,720
Total	2,356,829	7,210,323	10,605,071	3,119,636	3,988,084	27,279,943
Liabilities:						
Securities sold under agreements to repurchase	—	2,552,928	—	—	—	2,552,928
Reinsurance payables	—	355,271	—	—	—	355,271
Borrowings	—	59,716	—	—	—	59,716
Other liabilities	—	1,092,396	—	—	19,522	1,111,918
Total	—	4,060,311	—	—	19,522	4,079,833

5. Management of Insurance and Financial Risk (continued)

(b) Financial risk (continued)

Liquidity risk *(continued)*

	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	—	523,761	342,729	—	—	866,490
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	8,736,877	3,063,353	667,970	4,607,246	21,533,105
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 2018
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5. Management of Insurance and Financial Risk (continued)

(b) Financial risk (continued)

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 2018, Group's maximum exposure are shown below:

	At 31 December 2018
Wealth management products	1,731,257
Investment funds	1,463,927
Trust investment schemes	597,069
Unlisted equity investments	25,180
Total	3,817,433

(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.

5. Management of Insurance and Financial Risk (continued)

(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 2018, 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 31December 2018	At 31 December 2017
Core capital	15,135,283	16,865,286
Actual capital	15,135,283	16,865,286
Minimum required capital	2,524,270	1,431,317
Core solvency margin ratio	600%	1,178%
Comprehensive solvency margin ratio	600%	1,178%

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.

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5. Management of Insurance and Financial Risk (continued)

(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.

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, restricted 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, China Securities Depository and Clearing Corporation Limited and Shanghai Clearing House. 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.

5. Management of Insurance and Financial Risk (continued)

(e) Fair value measurement (continued)

***Determination of fair value and fair value hierarchy** (continued)*

The following tables provide the fair value measurement hierarchy of the Group's financial assets and liabilities:

	As at 31 December 2018			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Financial assets at fair value through profit or loss				
– Fund investments	748,691	—	—	748,691
– Equity investments	479,074	—	—	479,074
– Debt investments	2,410,420	4,064,434	—	6,474,854
– Wealth management products	—	1,585,465	—	1,585,465
Available-for-sale financial assets				
– Debt investments	1,627,363	3,770,597	—	5,397,960
– Equity investments	288,646	—	—	288,646
– Fund investments	715,236	—	—	715,236
– Wealth management products	—	145,792	—	145,792
– Unlisted equity investments	—	—	25,180	25,180
	6,269,430	9,566,288	25,180	15,860,898
Assets for which fair values are disclosed				
Investments classified as loans and receivables	—	—	597,069	597,069

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5. Management of Insurance and Financial Risk (continued)

(e) Fair value measurement (continued)

Determination of fair value and fair value hierarchy *(continued)*

	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

5. Management of Insurance and Financial Risk (continued)

(e) Fair value measurement (continued)

Determination of fair value and fair value hierarchy *(continued)*

Reconciliation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy:

	As at 31 December 2018			
	Beginning of year	Increase	Net unrealised gain recognized in other comprehensive income	End of year
Available-for-sale financial assets – Unlisted equity investments	25,090	90	—	25,180

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.

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6. Subsidiaries

(a) The Company's subsidiaries as at 31 December 2018 are as follows:

Name	Place of operations	Place of incorporation/ registration	Nature of business	Registered capital (thousand)	Percentage of equity/voting rights attributable to the Company	Acquisition Mode
Hangzhou Qihui Internet Technology Limited Company ("Hangzhou Qihui")	Hangzhou	Hangzhou	Technology Development/ Technology Consulting	RMB3,000	100.00%	Equity Purchase
Beijing Youwozai Technology Beijing Co., Ltd ("Beijing Youwozai")	Beijing	Beijing	Technology Development/ Technology Consulting	RMB1,000	60.00%	Set-up
Chongqing ZhongAn Microloan Limited Company ("ZhongAn Microloan")	Chongqing	Chongqing	Micro Finance	RMB300,000	70.00%	Set-up
ZhongAn Technologies International Group Limited ("ZhongAn International")	Hong Kong	Hong Kong	Technology Development/ Technology Consulting	RMB110,000	51.00%	Set-up
ZA Tech Global Limited ("ZA Tech Global") (a)	Hong Kong	Hong Kong	Technology Development/ Technology Consulting	HKD10	51.00%	Set-up
ZA Tech Global (Cayman) Limited ("ZA Tech Global Cayman") (b)	Cayman Islands	Cayman Islands	Technology Development/ Technology Consulting	USD50	51.00%	Set-up
ZA Tech Japan LLC ("ZA Japan") (c)	Tokyo Japan	Tokyo Japan	Technology Development/ Technology Consulting	JPY20,000	51.00%	Set-up
Ningbo Haoyin Biotechnology Co., Ltd. ("Ningbo Haoyin") (d)	Ningbo	Ningbo	Bio Technology	RMB66,700	54.87%	Set-up
ZhongAn Financial Services Limited ("ZA Financial") (e)	Hong Kong	Hong Kong	Investment holding	HKD1,000,000	33.15%	Set-up
ZhongAn Virtual Finance Limited ("ZA Virtual Finance") (f)	Hong Kong	Hong Kong	Virtual Finance	HKD1,000,000	33.15%	Set-up
ZhongAn Information Technology Services Limited Company ("ZhongAn Information") (g)	Shanghai	Shenzhen	Technology Development/ Technology Consulting	RMB900,000	100.0%	Set-up
ZhongAn Online Insurance Broker Limited Company ("ZhongAn Insurance Broker") (h)	Guangzhou	Guangzhou	Insurance Broker	RMB100,000	100.0%	Set-up
ZhongAn (ShenZhen) Life Sciences Co., Ltd ("ZhongAn Life Sciences") (i)	Shenzhen	Shenzhen	Bio Technology	RMB70,000	100.0%	Set-up
Shanghai Lianmo Information Technology Co., Ltd. ("Shanghai Lianmo") (j)	Shanghai	Shanghai	Technology Development/ Technology Consulting	RMB5,000	100.0%	Equity Purchase

6. Subsidiaries (continued)

(a) (continued)

(a) On 28 May 2018, ZhongAn International set up ZA Tech Global, with registered capital of HKD10 thousand. ZhongAn International holds 100% of the voting rights in ZA Tech Global.

(b) On 14 June 2018, ZA Tech Global set up ZA Tech Global Cayman, with registered capital of USD50 thousand. ZA Tech Global holds 100% of the voting rights of ZA Tech Global Cayman. ZhongAn International holds 100% of the voting rights of ZA Tech Global Cayman through ZA Tech Global. ZhongAn Information holds 100% of the voting rights of ZA Tech Global Cayman through ZhongAn International.

(c) On 3 July 2018, ZA Tech Global set up ZA Japan, with registered capital of JPY20,000 thousand. ZA Tech Global holds 100% of the voting rights of ZA Japan. ZhongAn International holds 100% of the voting rights of ZA Japan through ZA Tech Global, and ZhongAn Information holds 100% of the voting rights of ZA Japan through ZhongAn International.

(d) On 3 August 2018, pursuant to the joint venture formation agreement with ORIG3N, Inc. ZhongAn Life Sciences invested RMB36,600 thousand representing 54.87% of the total registered capital of Ninbo Haoyin.

(e) On 3 August 2018, ZhongAn International set up ZA Financial, with registered capital of HKD1,000,000 thousand. ZhongAn International holds 65% of the voting rights of ZA Financial, and ZhongAn Information holds 65% of the voting rights of ZA Financial through ZhongAn International.

(f) On 8 August 2018, ZA Financial set up ZA Virtual Finance, with registered capital of HKD1,000,000 thousand. ZA Financial holds 100% of the voting rights of ZA Virtual Finance.

(g) On 22 August 2018, 31 October 2018 and 21 December 2018, the Company respectively injected RMB200,000 thousand, RMB100,000thousand and RMB100,000 thousand separately into ZhongAn Information, increasing its registered capital to RMB900,000 thousand. The Company holds 100% voting rights of ZhongAn Information.

(h) On 3 December 2018, the Company injected RMB50,000 thousand into ZhongAn Insurance Broker, increasing its registered capital to RMB100,000 thousand. The Company holds 100% voting rights of ZhongAn Insurance Broker.

(i) On 31 August 2018, ZhongAn Information injected RMB20,000 thousand into ZhongAn Life Sciences, increasing its registered capital to RMB70,000 thousand. After this transaction, ZhongAn Information holds 100% of the voting rights of ZhongAn Life Sciences.

(j) On 30 December 2018, ZhongAn Information subscribed 30% equity of Shanghai Lianmo by RMB1,500 thousand pursuant to the equity transfer agreement with Shenzhen Guanghuanyuanjing Investment Limited Company. After this transaction, ZhongAn Information holds 30% of the voting rights of Shanghai Lianmo. On 12 December 2018, ZhongAn Information subscribed 70% equity of Shanghai Lianmo by RMB3,500 thousand pursuant to the equity transfer agreement with Shenzhen Guanghuanyuanjing Investment Limited Company. After this transaction, ZhongAn Information holds 100% of the voting rights of Shanghai Lianmo. Goodwill of RMB2,950 thousand was recognized.

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6. Subsidiaries (continued)

(b) Non-controlling interests

Set out below is summarised financial information for each subsidiary that has non-controlling interests (NCI) that are material to the Group. The amounts disclosed for each subsidiary are before inter-company eliminations.

	Percentage of equity attribute to the NCI	Profit/(Loss) attributable to NCI	Equity attributable to NCI
ZhongAn Microloan	30.00%	2,115	(91,334)
ZhongAn International	49.00%	(54,262)	(921,877)
Ningbo Haoyin	45.13%	(677)	(29,423)

	At 31 December 2018		At 31 December 2017	
	Assets	Liabilities	Assets	Liabilities
ZhongAn Microloan	342,894	38,448	299,175	1,777
ZhongAn International	1,022,497	101,422	110,691	1,688
Ningbo Haoyin	71,374	18,536	—	—

	Year ended 31 December 2018			Year ended 31 December 2017		
	Revenue	Profit for the year	Total comprehensive income	Revenue	Profit for the year	Total comprehensive income
ZhongAn Microloan	21,071	7,049	7,049	281	(2,602)	(2,602)
ZhongAn International	12,012	(112,624)	(108,513)	699	3,109	(998)
Ningbo Haoyin	5,779	(13,285)	(13,285)	—	—	—

Changes in non-controlling interests

	ZhongAn Microloan	ZhongAn International	Ningbo Haoyin
At 31 December 2017	89,219	55,553	—
Issue of preference shares (i)	—	614,185	—
Capital injection (ii)	—	306,401	30,100
Total comprehensive income	2,115	(54,262)	(677)
At 31 December 2018	91,334	921,877	29,423

i. On 15 August 2018, Sinolink Worldwide Holdings Limited ("Sinolink Worldwide") and Warrior Treasure Limited ("Warrior") injected RMB482,477 (HKD550,000) thousand and RMB87,723 (HKD100,000) thousand into ZhongAn International repectively, in consideration for redeemable preference shares, respectively. On 13 December 2018, Sinolink Worldwide further injected RMB43,985 (HKD50,000) thousand into ZhongAn International in consideration for redeemable preference shares.

ii. On 3 August 2018, China CITIC Bank International Limited injected RMB306,401 thousand into ZA Financial. After this transaction, China CITIC Bank International Limited holds 35% of the voting rights of ZA Financial.

On 3 August 2018, ORIG3N, Inc. injected RMB30,100 thousand into Ninbo Haoyin. After this transaction, ORIG3N, Inc. holds 45.13% of the voting rights of Ninbo Haoyin.

6. Subsidiaries (continued)

(c) As at 31 December 2018, 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%	4,861,639	Asset Management Product
ZhongAn TaiKang Asset Management Plan	100%	5,857,720	Asset Management Product
ZhongAn TaiPing Asset Management Plan	100%	1,400,823	Asset Management Product
ZhongAn ZhongYing No.2 Asset Management Plan	100%	50,437	Asset Management Product
E Fund ZhongAn Insurance No.1 Asset Management Plan	100%	400,000	Asset Management Product
China Southern Asset Management ZhongAn Insurance No.1 Asset Management Plan	100%	700,000	Asset Management Product
Harvest Fund ZhongAn Insurance No.1 Asset Management Plan	100%	300,000	Asset Management Product
China Universal Asset Management ZhongAn Insurance No.1 Asset Management Plan	100%	300,000	Asset Management Product
ICBC Credit Suisse Asset Management ZhongAn Insurance No.1 Asset Management Plan	100%	800,000	Asset Management Product
Tai Kang Wen Ying Ju Li Deposit No.73 Asset Management Product	100%	300,000	Asset Management Product

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7. Net Premiums Earned

	Year ended 31 December 2018	Year ended 31 December 2017
Gross written premiums(a)	11,255,718	5,954,475
– Property and casualty insurance written premiums	6,690,556	3,539,827
– Short-term life insurance written premium	4,565,162	2,414,648
Less: Premiums ceded to reinsurers(b)	(462,622)	(249,310)
Net written premiums	10,793,096	5,705,165
Less: Net change in unearned premium reserves	(1,992,793)	(1,091,058)
Net premiums earned	8,800,303	4,614,107

(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 2018	Year ended 31 December 2017
Health insurance	2,365,378	938,507
Bond insurance	2,267,705	818,454
Accident insurance	2,199,784	1,476,141
Credit insurance	1,492,190	525,727
Motor insurance	1,146,030	77,901
Liability insurance	467,179	426,468
Cargo insurance	148,623	111,792
Household property insurance	33,480	56,674
Others	1,135,349	1,522,811
	11,255,718	5,954,475

Others primarily is consisted of shipping return insurance, which generated gross written premiums of RMB1,057,889 thousand and RMB1,224,985 thousand, in the years ended 31 December 2018 and 2017, respectively.

7. Net Premiums Earned (continued)

(b) Premiums ceded to reinsurers

	Year ended 31 December 2018	Year ended 31 December 2017
Accident insurance	233,736	65,134
Health insurance	222,590	180,360
Liability insurance	4,742	2,756
Cargo insurance	1,332	1,037
Household property insurance	109	7
Others	113	16
	462,622	249,310

8. Net Investment Income

	Year ended 31 December 2018	Year ended 31 December 2017
Interest income		
– Bond investment	517,414	141,173
– Investments classified as loans and receivables	95,842	108,487
– Bank deposit	63,008	26,260
– Securities purchased under agreements to resell	24,450	7,943
Dividend income		
– Fund investment	89,161	105,887
– Equity investment	39,703	19,544
– Wealth management products	13,515	9,184
Realized (loss)/gains, net	(68,608)	360,417
	774,485	778,895

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9. Net Fair Value Changes Through Profit or Loss

	Year ended 31 December 2018	Year ended 31 December 2017
Financial assets designated at fair value through profit or loss		
– Debt investments	82,321	2,776
– Wealth management products	19,639	1,111
– Fund investments	(22,468)	281
– Equity investments	(233,441)	54,632
	(153,949)	58,800

10. Other Income

	Year ended 31 December 2018	Year ended 31 December 2017
Revenue from services (a)	108,692	65,442
Government grants (b)	54,031	48,131
Interest income from loans and advances to customers (c)	19,877	281
Sale of goods (d)	1,189	15,622
Others	5,686	1,915
	189,475	131,391

(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) Interest income from loans and advances to customers is derived from small loan business operated by ZhongAn Microloan, one of the subsidiaries of the Company.

(d) The income of sale of goods is mainly derived from an online platform operated by Hangzhou Qihui, one of the subsidiaries of the Company.

11. Net Claims Incurred

	Year ended 31 December 2018	Year ended 31 December 2017
Insurance claims paid (a)	**4,650,741**	2,343,893
– Property and casualty insurance claims paid	**3,640,997**	1,957,882
– Short-term life insurance claims paid	**1,009,744**	386,011
Less: Claims paid ceded to reinsurers (b)	**(175,759)**	(31,340)
Net claims incurred	**4,474,982**	2,312,553
Add: Net change in insurance contract liabilities	**793,454**	433,394
	5,268,436	2,745,947

(a) Insurance claims paid

	Year ended 31 December 2018	Year ended 31 December 2017
Bond insurance	**1,011,941**	306,183
Credit insurance	**983,973**	295,287
Health insurance	**619,589**	186,660
Accident insurance	**390,155**	199,351
Liability insurance	**370,499**	196,971
Motor insurance	**232,994**	6,162
Cargo insurance	**136,040**	64,988
Household property insurance	**52,982**	29,652
Others	**852,568**	1,058,639
	4,650,741	2,343,893

Others primarily is consisted of shipping return insurance, the insurance claims incurred of which were RMB790,939 thousand and RMB936,111 thousand in the years ended 31 December 2018 and 2017, respectively.

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11. Net Claims Incurred (continued)

(b) Claims paid ceded to reinsurers

	Year ended 31 December 2018	Year ended 31 December 2017
Health insurance	106,108	21,729
Accident insurance	69,325	9,577
Liability insurance	51	1
Household property insurance	21	1
Cargo insurance	2	—
Others	252	32
	175,759	31,340

12. Handling Charges and Commissions

	Year ended 31 December 2018	Year ended 31 December 2017
Handling charges and commissions before reinsurance arrangement	1,237,029	623,909
Less: Reinsurance expense recovered	(162,273)	(21,190)
Handling charges and commissions	1,074,756	602,719

13. General and Administrative Expenses

	Year ended 31 December 2018	Year ended 31 December 2017
Consulting fee and service charge (a)	2,741,296	1,604,510
Employee benefit expense	839,995	621,686
Advertising costs	210,079	202,183
Impairment loss	136,701	17,491
Rental fees	117,290	88,419
Amortisation of intangible assets	64,567	53,378
Taxes and surcharges	46,713	24,505
Depreciation of Property, plant and equipment	27,020	18,576
Auditors' remuneration	8,921	5,400
Other	434,377	249,499
	4,626,959	2,885,647

(a) The Group enters into consulting and technical service fee arrangements with different counterparties, with the related technical service fee being determined based on the customer volume introduced and services provided by the counterparties. As the main operating costs, the Group periodically settles consulting and technical service fee based on the provisions of the contracts.

14. Other Expenses

	Year ended 31 December 2018	Year ended 31 December 2017
Cost of providing services	331,776	136,058
Other	81,264	69,377
	413,040	205,435

15. Employee Benefit Expense (including Directors' and Supervisors' Remuneration)

	Year ended 31 December 2018	Year ended 31 December 2017
Salaries, allowances and other short-term benefits	703,410	504,863
Contributions to defined contribution plans (a)	135,805	113,782
Share-based payments	780	3,041
	839,995	621,686

(a) Contributions to defined contribution plans mainly include contributions made to the state pension schemes.

16. Directors' and Supervisors' Remuneration

	Year ended 31 December 2018	Year ended 31 December 2017
Wages, salaries and bonuses	5,208	2,295
Share-based payments	174	652
Pension costs - defined contribution plans	102	46
Other social security costs, housing benefits and other employee benefits	104	41
	5,588	3,034

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16. Directors' and Supervisors' Remuneration (continued)

(a) Independent non-executive directors

	Year ended 31 December 2018				
	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 (吳鷹)	125	—	—	—	125
	625	—	—	—	625

	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

16. Directors' and Supervisors' Remuneration (continued)

(b) Executive directors and non-executive directors

	Year ended 31 December 2018				
	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 (歐亞平)	—	—	—	—	—
CHEN Jin (陳勁)	1,750	51	44	174	2,019
Ou Jinyi (歐晉羿)	1,231	—	—	—	1,231
Non-executive directors:					
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 (鄭方)	63	—	—	—	63
	3,107	51	44	174	3,376

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16. Directors' and Supervisors' Remuneration (continued)

(b) Executive directors and non-executive directors (continued)

	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

16. Directors' and Supervisors' Remuneration (continued)

(c) Supervisors

	Year ended 31 December 2018				
	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)	513	16	30	—	559
Liu Haijiao[2] (劉海嬌)	913	35	30	—	978
	1,476	51	60	—	1,587

1. Resign from Supervisors since May 2018
2. Supervisor since May 2018

	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

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 2018 and 2017, respectively.

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17. 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 2018	Year ended 31 December 2017
Nil to RMB1,000,000	—	—
RMB1,000,001 to RMB2,000,000	5	5
RMB2,000,001 to RMB3,000,000	—	—
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 2018	Year ended 31 December 2017
Wages, salaries and bonuses	8,562	5,407
Share-based payments	—	1,089
Pension costs — defined contribution plans	192	183
Other social security costs, housing benefits and other employee benefits	194	165
	8,948	6,844

18. Income Tax

(a) Income tax

	Year ended 31 December 2018	Year ended 31 December 2017
Current income tax	1,912	—
Deferred income tax (note 35)	(15,355)	(5,833)
	(13,443)	(5,833)

(b) Reconciliation of income tax

A reconciliation of the tax expense applicable to profit before income tax using the applicable income tax rate to the tax expense at the Group's effective tax rate is as follows:

	Year ended 31 December 2018	Year ended 31 December 2017
Loss before income tax	(1,810,161)	(1,002,189)
Tax computed at the statutory tax rate	(407,705)	(250,547)
Income not subject to tax	(12,352)	(26,379)
Expenses not deductible for tax	8,983	3,950
Deductable temporary differences for which no deferred income tax asset was recognised	397,265	267,141
Others	366	2
Income tax expense/(credit) at the Group's effective rate	(13,443)	(5,833)

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19. Loss Per Share

Basic loss per share is calculated by dividing net profit for the year by the weighted average number of shares in issue during the year. Diluted loss per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares.

The calculation of loss per share is based on the following:

	Year ended 31 December 2018	Year ended 31 December 2017
Net loss for the year attributable to owners of the Company	(1,743,895)	(997,250)
Weighted average number of shares in issue (in thousand)	1,469,813	1,295,431
Basic loss per share	(1.19)	(0.77)
Diluted loss per share	(1.19)	(0.77)

The Company had no dilutive potential shares as at 31 December 2018 and 2017, respectively.

20. Other Comprehensive Income

	Year ended 31 December 2018	Year ended 31 December 2017
Other comprehensive loss to be reclassified to profit or loss in subsequent periods, net of tax:		
– Reclassification adjustments for amounts transferred to profit or loss	17,960	(18,534)
– Fair value change on available-for-sale financial assets	(35,749)	(56,202)
– Impairment charges reclassified to the income statement	79,136	—
	61,347	(74,736)
Income tax relating to available-for-sale financial assets	(15,336)	18,684
Exchange differences on translation of foreign operations	6,939	(4,106)
Other comprehensive income/(loss)	52,950	(60,158)

21. Cash and Cash Equivalents

	At 31 December 2018	At 31 December 2017
Time deposits with original maturity of no more than three months	2,360,898	5,009,516
Other monetary assets (a)	65,931	250,743
	2,426,829	5,260,259

(a) Other monetary assets refer to funds deposited by the Group for daily business operations and investment activities.

22. 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 2018	At 31 December 2017
Listed		
– Debt investments	2,410,420	402,982
– Equity investments	479,074	1,192,382
– Fund investments	73,823	—
Unlisted		
– Debt investments	4,064,434	216,615
– Wealth management products	1,585,465	2,062,274
– Fund investments	674,868	1,734,380
	9,288,084	5,608,633

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23. Securities Purchased Under Agreements to Resell

	At 31 December 2018	At 31 December 2017
Securities - bonds		
– Inter-bank market	660,987	857,517
– Stock exchange	377,900	2,185,900
	1,038,887	3,043,417

24. Interest Receivables

	At 31 December 2018	At 31 December 2017
Debt investments	316,818	83,199
Loans	33,398	21,030
Bank deposits	32,840	48,993
Securities purchased under agreements to resell	1,019	2,419
Less: Impairment provisions	(6,180)	—
	377,895	155,641

25. Premium Receivables

	At 31 December 2018	At 31 December 2017
Premium receivables	2,048,419	523,761
Provision for impairment of premium receivables	(11,133)	—
	2,037,286	523,761

An aging analysis of the premium receivables is as follows:

	At 31 December 2018	At 31 December 2017
Within 3 months (including 3 months)	1,933,879	390,793
Over 3 months and within 1 year (including 1 year)	93,044	123,002
Over 1 year	10,363	9,966
	2,037,286	523,761

26. Reinsurance Debtors

	At 31 December 2018	At 31 December 2017
Reinsurance debtors	287,379	46,692
Provision for impairment of reinsurance debtors	—	—
	287,379	46,692

An aging analysis of reinsurance debtors is as follows:

	At 31 December 2018	At 31 December 2017
Within one year	277,735	44,852
Over one year	9,644	1,840
	287,379	46,692

27. Available-for-Sale Financial Assets

Available-for-sale financial assets are stated at fair value and comprise the following:

	At 31 December 2018	At 31 December 2017
Listed		
– Debt investments	1,627,363	736,392
– Equity investments	288,646	—
– Fund investments	80,602	—
– Wealth management products	—	44,545
Unlisted		
– Debt investments	3,849,733	2,192,032
– Fund investments	634,634	49,699
– Wealth management products	145,792	143,421
– Equity investments	25,180	25,090
Less: Impairment provisions	(79,136)	—
	6,572,814	3,191,179

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28. Loans and Advances to Customers

(a) Analyzed by corporate and individual

	At 31 December 2018	At 31 December 2017
Individual customers	81,797	86,093
Corporate customers	4,600	4,900
Less: Loan loss provisions	(15,102)	(889)
	71,295	90,104

All the loans and advances to customers are unsecured.

(b) Loan loss provision

As at 1 January 2018	889
Provision of the year	17,997
Reversal of the year	(3,784)
As at 31 December 2018	15,102

29. Investments Classified as Loans and Receivables

	At 31 December 2018	At 31 December 2017
Trust investment scheme	597,069	929,794
Wealth management products	—	1,159,497
	597,069	2,089,291

As at 31 December of 2018 and 2017, 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 5(b).

30. Term Deposits

Maturity Period	At 31 December 2018	At 31 December 2017
3 months to 1 year (including 1 year)	300,000	—
4 to 5 years (including 5 years)	660,000	—
	960,000	—

31. Restricted Statutory Deposits

	At 31 December 2018	At 31 December 2017
At the beginning of the year	248,125	248,125
Addition	45,838	—
At the end of the year	293,963	248,125

	As at 31 December 2018		
	Amount	Storage	Period
China Citic Bank	145,838	Term deposit	3 years
China Everbright Bank	100,000	Term deposit	3 years
China Everbright Bank	48,125	Term deposit	1 years
Total	293,963		

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31. Restricted Statutory Deposits (Continue)

	As at 31 December 2017		
	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.

Under 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 in February 2018.

32. Investment in Associates

	At 1 January 2018	Additions	Share of profit/ (loss)	Reduction	At 31 December 2018
Shanghai Dexu Investment Center (Limited Partnership) ("Shanghai Dexu") (a)	148,838	150,000	17,915	—	316,753
ZA-CP Network Technology (Shanghai) Co., Ltd. (the "ZA-CP") (b)	—	10,387	(698)	—	9,689
Youwozai (Beijing) Network Technology Limited Company ("Youwozai (Beijing)")	15,561	—	(8,450)	—	7,111
Shenzhen Small and Medium P&C-Union Investment Co., Ltd. (the "Shenzhen Small and Medium") (c)	—	6,000	(188)	—	5,812
Shanghai Nuanwa Technology Co., Ltd (the"Shanghai Nuanwa") (d)	—	4,400	(1,173)	—	3,227
Shanghai Xiaojia Financial Technology Service Co., Ltd. (the "Shanghai Xiaojia") (e)	—	2,400	(156)	—	2,244
Shanghai Lianmo Information Technology Co., Ltd. ("Shanghai Lianmo")	—	1,500	(420)	(1,080)	—
	164,399	174,687	6,830	(1,080)	344,836

32. Investment in Associates (Continued)

(a) On 14 September 2018, the Company together with Guangzhou Detong Investment Management Limited Company and Tongxiu Commercial Factoring Co., Ltd. injected RMB250,000 thousand into Shanghai Dexu, amongst which the Company injected RMB150,000 thousand. The Company acts as a limited partner with 1 vote out of 5 in the Investments Committee.

(b) On 24 December 2017, Zhongan Life Sciences signed the capital injection agreement with Colgate-Palmolive (H.K.) Holding Limited to set up ZA-CP. Pursuant to the capital injection agreement, in 2018 the Company invested RMB10,387 thousand representing 50% of the registered capital.

(c) On 2 August 2018, the Company signed the capital injection agreement with other investors to set up Shenzhen Small and Medium. Pursuant to the capital injection agreement, the Company invested RMB6,000 thousand representing 2.3% of the total registered capital. The Company acts as a shareholder with 1 designated director out of 7 in the board of directors.

(d) On 2 August 2018, ZhongAn Information signed the capital injection agreement with Shenzhen GuanghuaYuanjing Investment Limited Company (the "Shenzhen GuanghuaYuanjing") to set up Shanghai Nuanwa. Pursuant to the capital injection agreement, ZhongAn Information invested RMB500 thousand representing 50% of the total paid-in capital. On 21 November 2018, ZhongAn Information, together with Shenzhen GuanghuaYuanjing further injected RMB9,000 thousand into Shanghai Nuanwa, amongst which ZhongAn Information injected RMB3,900 thousand, and Shanghai Nuanwa increased its registered capital to RMB10,000 thousand. As a result, ZhongAn Information obtained 44% voting rights of Shanghai Nuanwa.

(e) On 16 July 2018, ZhongAn Microloan signed the capital injection agreement with other investors to set up Shanghai Xiaojia. Pursuant to the capital injection agreement, the Company invested RMB2,400 thousand representing 8% of the registered capital. ZhongAn Microloan acts as a shareholder with 1 designated director out of 5 in the board of directors.

Nature of investment in associates as at 31 December 2018

Name	Place of incorporation	Percentage of ownership interest	Percentage of voting power	Registered capital	Paid-up capital	Principal activity
Shenzhen Small and Medium	Shenzhen	2.3%	2.3%	260,000	212,000	Investment consulting
Shanghai Dexu	Shanghai	60.0%	20.0%	500,000	202,500	Investment management
Youwozai (Beijing)	Beijing	40.7%	40.7%	1,966	1,460	Technology consulting
Shanghai Nuanwa	Shanghai	44.0%	44.0%	10,000	4,400	Technology consulting
Shanghai Xiaojia	Shanghai	8.0%	8.0%	30,000	30,000	Financial technology services
ZA-CP	Shanghai	50.0%	50.0%	USD3,000	USD3,000	Technology consulting

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33. Property and Equipment

	Motor vehicles	Electrical equipment	Office furniture and equipment	Leasehold improvements	Total
Cost					
At 1 January 2017	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
Additions	813	15,724	2,470	40,716	59,723
Disposals	—	(76)	(22)	—	(98)
At 31 December 2018	**4,143**	**52,313**	**8,895**	**115,340**	**180,691**
Accumulated depreciation and impairment					
At 1 January 2017	(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)
Depreciation charge	(688)	(8,398)	(1,544)	(27,486)	(38,116)
Disposals	—	33	9	—	42
At 31 December 2018	**(2,871)**	**(18,384)**	**(3,327)**	**(49,379)**	**(73,961)**
Net book value					
At 31 December 2017	1,147	26,646	4,655	52,731	85,179
At 31 December 2018	**1,272**	**33,929**	**5,568**	**65,961**	**106,730**

34. Intangible Assets

	Software	Patent	Other	Total
Cost				
At 1 January 2017	169,593	—	19	169,612
Additions	177,620	—	—	177,620
At 31 December 2017	347,213	—	19	347,232
Additions	222,282	30,100	1,807	254,189
At 31 December 2018	**569,495**	**30,100**	**1,826**	**601,421**
Accumulated amortisation and impairment				
At 1 January 2017	(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)
Amortization	(73,327)	(1,003)	(183)	(74,513)
Impairment	(24,074)	—	—	(24,074)
At 31 December 2018	**(190,967)**	**(1,003)**	**(190)**	**(192,160)**
Carrying amount				
At 31 December 2017	253,647	—	12	253,659
At 31 December 2018	**378,528**	**29,097**	**1,636**	**409,261**

35. Deferred Income Tax Assets and Liabilities

	At 31 December 2018	At 31 December 2017
Net deferred income tax liabilities, at the beginning of year	—	(24,517)
Recognized in profit or loss	**15,355**	5,833
Recognized in other comprehensive income	**(15,336)**	18,684
Net deferred income tax assets or liabilities, at the end of year	**19**	—

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35. 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 2018	At 31 December 2017
Deferred income tax assets/(liabilities)		
Accumulated taxable losses	**288,152**	293,504
Insurance contract liabilities	**83,565**	30,964
Amortisation of intangible assets	**15,086**	5,301
Impairment loss provisions	**13,608**	4,600
Employee stock ownership plan	**9,600**	9,405
Unrealized gains of structured entities	**(403,668)**	(318,731)
Net fair value adjustment on available-for-sale financial assets	**(2,587)**	12,749
Net fair value adjustment on financial assets carried at fair value through profit or loss	**695**	(37,792)
Share of net profit of associates and joint ventures accounted for using the equity method	**(4,432)**	—
Net deferred income tax assets or liabilities	**19**	—
Represented by		
Deferred income tax assets	**408,119**	356,523
Deferred income tax liabilities	**(408,100)**	(356,523)

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 2018, the Group did not recognise deferred income tax assets of RMB626,524 thousand in respect of losses amounting to RMB2,723,217 thousand that can be carried forward against future taxable income.

36. Other Assets

	At 31 December 2018	At 31 December 2017
Coinsurance expense to be reimbursed	**375,294**	—
Subrogation receivable	**342,516**	—
Advanced payment	**337,012**	165,724
Deposits	**82,371**	35,769
Estimate of input tax	**50,754**	31,813
Assets recognised from costs to fulfil a contract	**20,469**	1,004
Others	**73,120**	21,373
Total	**1,281,536**	255,683

37. Share Capital

	At 31 December 2018	At 31 December 2017
Number of shares issued and fully paid at RMB1 yuan each	**1,469,813**	1,469,813

38. 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 provided.

(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.

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38. Reserves (Continue)

(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 provided.

(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.

39. 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.

39. Share-Based Payments (Continue)

(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 conditions 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"). Aggregate 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.

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 15.

The remaining contractual life of share options outstanding as at 31 December 2018 and 31 December 2017 are 5.9 years and 6.9 years, respectively.

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40. Securities Sold Under Agreements To Repurchase

	At 31 December 2018	At 31 December 2017
Securities - bonds		
– Stock exchange	1,392,928	5,400
– Inter-bank market	1,160,000	130,000
	2,552,928	135,400

41. Reinsurance Payables

	At 31 December 2018	At 31 December 2017
Within one year	334,944	240,666
Over one year	20,327	7,165
	355,271	247,831

42. Borrowings

	At 31 December 2018	At 31 December 2017
Bank Loan (a)	33,333	—
Other Loan (b)	26,383	—
	59,716	—

(a) On 17 August 2018, ZhongAn Microloan applied a loan of RMB50,000 thousand from China Everbright Bank Chongqing Branch pledged by the creditor rights of receivables the Company owned. The term of the loan is one year from 17 August 2018 to 17 August 2019, and the annual interest rate is 7%.

(b) The other loan refers to the loan ZhongAn International received from SCC Venture VII Holdco, Ltd..

43. Insurance Contract Liabilities

	31 December 2018		
	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	Net
Insurance contracts liabilities			
– Unearned premium reserves	3,785,874	(123,066)	3,662,808
– Claim reserves	1,541,242	(120,150)	1,421,092
	5,327,116	(243,216)	5,083,900
Incurred but not reported claim reserves	650,435	56,228	706,663

	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

Movements of unearned premium reserves

	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	Net
At 1 January 2017	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
Premium written	11,255,718	(462,622)	10,793,096
Premium earned	(9,238,856)	438,553	(8,800,303)
At 31 December 2018	3,785,874	(123,066)	3,662,808

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43. Insurance Contract Liabilities (Continue)

Movements of claim reserves

	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	Net
At 1 January 2017	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
Claims incurred	5,530,919	(262,483)	5,268,436
Claims paid	(4,650,741)	175,759	(4,474,982)
At 31 December 2018	1,541,242	(120,150)	1,421,092

44. Other Liabilities

	At 31 December 2018	At 31 December 2017
Consulting fee and service charge payable	431,488	302,252
Salary and staff welfare payable	293,631	173,605
Claims payable	165,130	57,114
Commission and brokerage payable	157,316	89,792
Insurance guarantee fund	54,336	27,043
Tax payable other than income tax	34,571	68,126
Deposit payable	19,522	43,110
Rent payable	12,443	17,723
Deferred income	3,403	4,034
Others	271,684	176,579
	1,443,524	959,378

45. Note to Consolidated Cash Flow Statement

Reconciliation from profit before income tax to cash generated from operating activities:

	Year ended 31 December 2018	Year ended 31 December 2017
Loss before tax	(1,810,161)	(1,002,189)
Asset impairment losses	136,701	18,401
Net investment income	(774,485)	(778,895)
Net fair value changes through profit or loss	153,949	(58,800)
Depreciation of property and equipment	38,116	18,734
Amortization of intangible assets	74,513	54,423
Foreign exchange losses	838	138,688
Finance costs	43,276	4,139
Listing expenses	—	47,368
Expense recognized for share-based payments	780	3,041
Increase in premium receivables	(1,513,525)	(349,480)
Increase in reinsurance assets	(240,687)	(35,854)
Amortisation of deferred income	(631)	(631)
Share of (profit)/loss of associates	(6,830)	2,807
Change in insurance contract liabilities	2,786,247	1,524,452
(Increase)/decrease in other operating receivables	(856,771)	98,046
Increase/(decrease) in other operating liabilities	689,573	(394,044)
Cash used in operating activities	(1,279,097)	(709,794)

46. 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"), Sinolink Worldwide Holdings Limited ("Sinolink Worldwide") 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.

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 below. The Group's transactions with related parties are conducted under the ordinary course of business.

Notes to the Consolidated Financial Statement

For the year ended 31 December 2018
(All amounts expressed in RMB'000 unless otherwise stated)

46. Related Party Transactions (Continue)

(a) Sale of insurance contracts

	Year ended 31 December 2018	Year ended 31 December 2017
Sinolink Worldwide and its subsidiaries	28,681	10,136
Tencent and its subsidiaries	4,218	2,457
Alibaba and its subsidiaries	2,511	4,259
Ant Financial and its subsidiaries	83	9,856
	35,493	26,708

(b) Claim of insurance contracts

	Year ended 31 December 2018	Year ended 31 December 2017
Alibaba and its subsidiaries	4,081	6,847
Tencent and its subsidiaries	3,024	1,126
Ant Financial and its subsidiaries	(90)	46
Sinolink Worldwide and its subsidiaries	72	—
	7,087	8,019

(c) Technical service fees

	Year ended 31 December 2018	Year ended 31 December 2017
Ant Financial and its subsidiaries	487,624	426,957
Tencent and its subsidiaries	7,669	5,063
	495,293	432,020

(d) Interest income

	Year ended 31 December 2018	Year ended 31 December 2017
Ping An Insurance and its subsidiaries	4,137	2,689

46. Related Party Transactions (Continue)

(e) Asset management fees

	Year ended 31 December 2018	Year ended 31 December 2017
Ping An Insurance and its subsidiaries	16,242	41,561

(f) Fees for purchasing goods and other services

	Year ended 31 December 2018	Year ended 31 December 2017
Alibaba and its subsidiaries	64,429	24,844
Tencent and its subsidiaries	16,818	7,567
Ant Financial and its subsidiaries	9,924	17,761
Key management personnel	1,308	31
Ping An Insurance and its subsidiaries	2	1,445
	92,481	51,648

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 2018	Year ended 31 December 2017
Ping An Insurance and its subsidiaries	82	10,647

(h) Capital injection from Sinolink Worldwide and its subsidiaries

On 15 August 2018 Sinolink Worldwide injected RMB482,477 (HKD550,000) thousand into ZhongAn International, in consideration for redeemable preference shares. On 13 December 2018, Sinolink Worldwide further injected RMB43,985 (HKD50,000) thousand into ZhongAn International in consideration for redeemable preference shares.

Notes to the Consolidated Financial Statement

For the year ended 31 December 2018
(All amounts expressed in RMB'000 unless otherwise stated)

46. Related Party Transactions (Continue)

(i) Year end balance of receivables with related parties

	At 31 December 2018	At 31 December 2017
Ping An Insurance and its subsidiaries (i)	357,568	63,849
Ant Financial and its subsidiaries	11,749	6,623
Tencent and its subsidiaries	122	49
Sinolink Worldwide and its subsidiaries	45	586
	369,484	71,107

(i) Due to the auto co-insurance business with Ping An Property and Casualty Insurance Company of China Ltd.

(j) Year end balance of payables with related parties

	At 31 December 2018	At 31 December 2017
Alibaba and its subsidiaries	15,185	6,611
Ping An Insurance and its subsidiaries	5,184	27,891
Tencent and its subsidiaries	3,264	2,970
Sinolink Worldwide and its subsidiaries	15	—
	23,648	37,472

(k) Year end balance of prepayments to related parties

	At 31 December 2018	At 31 December 2017
Alibaba and its subsidiaries	30,039	17,006

46. Related Party Transactions (Continue)

(l) Compensation of key management personnel

The compensations paid or payable to key management personnel are shown below:

	Year ended 31 December 2018	Year ended 31 December 2017
Wages, salaries and bonuses	14,964	10,713
Share-based payments (Note 36)	543	2,317
Pension costs – defined contribution plans	561	473
Other social security costs, housing benefits and other employee benefits	504	426
	16,572	13,929

47. 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 2018 and 2017, the Group has no major pending litigation as the defendant.

48. Commitments

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 2018	At 31 December 2017
Within 1 year (including 1 year)	147,659	97,515
1 to 2 years (including 2 years)	135,598	67,991
2 to 3 years (including 3 years)	121,854	56,030
Over 3 years	180,484	122,757
	585,595	344,293

Notes to the Consolidated Financial Statement

For the year ended 31 December 2018
(All amounts expressed in RMB'000 unless otherwise stated)

49. Balance Sheet And Reserve Movement Of The Company

	At 31 December 2018	At 31 December 2017
ASSETS		
Cash and cash equivalents	549,770	4,151,815
Financial assets at fair value through profit or loss	512,449	132,044
Interest receivables	3,395	48,586
Premium receivables	2,037,286	523,761
Reinsurance debtors	287,379	46,692
Reinsurers' share of insurance contract liabilities	243,216	132,423
Available-for-sale financial assets	25,000	25,000
Investments classified as loans and receivables	—	13,965
Restricted statutory deposits	293,963	248,125
Investments in subsidiaries	15,670,619	13,591,546
Investment in associates	322,565	148,838
Property and equipment	82,286	79,818
Intangible assets	260,837	216,513
Other assets	1,259,875	286,356
Total assets	21,548,640	19,645,482

	At 31 December 2018	At 31 December 2017
EQUITY AND LIABILITIES		
Equity		
Share capital	1,469,813	1,469,813
Reserves	16,623,868	16,623,088
Accumulated loss	(3,628,717)	(2,097,904)
Total equity	14,464,964	15,994,997
Liabilities		
Premium received in advance	111,736	75,401
Reinsurance payables	355,271	247,831
Insurance contract liabilities	5,328,199	2,432,958
Investment contract liabilities	—	17,840
Other liabilities	1,288,470	876,455
Total liabilities	7,083,676	3,650,485
Total equity and liabilities	21,548,640	19,645,482

49. Balance Sheet And Reserve Movement Of The Company (Continue)

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 2017	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
Total comprehensive income	—	—	—	(1,530,813)	(1,530,813)
Share-based payments	—	—	780	—	780
At 31 December 2018	1,469,813	16,585,468	38,400	(3,628,717)	14,464,964

50. Subsquent Event

On 2 February 2019, Warrior paid to ZhongAn International RMB342,048 (HKD400,000 equivalent) thousand in cash to subscribe 342,048 thousand redeemable preference shares of RMB1 each.

51. Approval of the Consolidated Financial Statements

These consolidated financial statements have been approved and authorized for issue by the Company's board of directors on 25 March 2019.

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
"Bestpay"	China Telecom Bestpay E-commerce Ltd. (天翼電子商務有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of China Telecom
"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
"CBIRC"	the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
"CIRC"	the China Insurance Regulatory Commission (中國保險監督管理委員會)
"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
"Guazi"	Guazi (瓜子), a second-hand auto sales platform operated by Chehaoduo Second-hand Auto Broker (Beijing) Co., Ltd. (車好多舊機動車經紀(北京)有限公司), a company incorporated in the PRC
"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
"iyunbao"	iyunbao.com (i雲保), an online insurance platform operated by Baotong Insurance Agent Co., Ltd. (保通保險代理有限公司), a company incorporated in the PRC
"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 were listed and from which dealings in the H Shares took 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)

"Maodou"	Maodou (毛豆), an auto sales platform operated by Jinmaodou Technology Development (Beijing) Co., Ltd. (金毛豆技術開發 (北京) 有限公司), a company incorporated in the PRC
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"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, and 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
"Ping An Group"	Ping An Insurance and its subsidiaries
"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
"Prospectus"	the prospectus of the Company dated September 18, 2017
"RMB" or "Renminbi"	the lawful currency of PRC
"Reporting Period"	the period from January 1, 2018 to December 31, 2018
"Secoo"	Secoo (寺庫), a e-commerce online platform operated by Secoo Holding Limited incorporated in the Cayman Islands
"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
"Shuidihuzhu"	Shuidihuzhu (水滴互助), an online mutual aid platform operated by Beijing Zong Qing Xiang Qian Technology Co., Ltd. (北京縱情向前科技有限公司), a company incorporated in the PRC
"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
"Supervisor(s)"	members of the supervisory committee of the Company
"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

Definitions

"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
"toutiao.com"	toutiao.com (今日頭條), a news and information content platform operated by Beijing ByteDance Technology Co., Ltd. (北京字節跳動科技有限公司), a company incorporated in the PRC
"u51.com"	u51.com (51信用卡), an online lending platform operated by 51 Credit Card Inc. (51信用卡有限公司) incorporated in the Cayman Islands
"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
"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
Haijiao Liu

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