

# 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)

## INTERIM REPORT 2020



科技驅動金融 做有溫度的保險



\* For identification purposes only



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# Corporate Information

## Board of Directors

### Executive Directors

Yaping Ou (*Chairman of the Board*)  
Jin Chen  
Hugo Jin Yi Ou

### Non-Executive Directors

Xinyi Han  
Xiaoming Hu<sup>\*</sup>  
Liangxun Shi  
Ming Yin  
Weibiao Zhan<sup>\*\*</sup>

### Independent Non-Executive Directors

Shuang Zhang  
Hui Chen  
Yifan Li  
Ying Wu  
Wei Ou

## Supervisors

Yuping Wen  
Baoyan Gan  
Haijiao Liu

## Audit Committee

Hui Chen (*Chairman*)  
Yifan Li  
Liangxun Shi

## Risk Management Committee

Yifan Li (*Chairman*)  
Xiaoming Hu<sup>\*</sup>  
Ming Yin

## Remuneration and Nomination Committee

Shuang Zhang (*Chairman*)  
Yaping Ou  
Ying Wu

## Investment Strategy Committee

Jin Chen (*Chairman*)  
Hugo Jin Yi Ou  
Xinyi Han  
Weibiao Zhan<sup>\*\*</sup>

## Related Transactions Control Committee

Wei Ou (*Chairman*)  
Hui Chen  
Yifan Li

## Consumer Rights Protection Committee

Ying Wu (*Chairman*)  
Hugo Jin Yi Ou  
Liangxun Shi

## Headquarters and Principal Place of Business in the PRC

219 Yuanmingyuan Road  
Shanghai  
PRC

## Registered Office

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 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## Joint Company Secretaries

Yongbo Zhang  
Ella Wai Yee Wong

## Authorized Representatives

Jin Chen/Hugo Jin Yi Ou (*effective on August 26, 2020*)  
Ella Wai Yee Wong

## Legal Advisors

*As to Hong Kong and U.S. laws:*  
Skadden, Arps, Slate, Meagher & Flom

*As to PRC law:*  
CM Law Firm

## Auditors

PricewaterhouseCoopers  
*Certified Public Accountants and Registered PIE Auditor*

## Principal Banks

ICBC Shanghai Branch Sales Department  
CITIC Bank Shanghai Branch Sales Department

## Listing Information

Stock Code: 6060

## Company Website

www.zhongan.com

<sup>\*</sup> Resigned on August 26, 2020.

<sup>\*\*</sup> Mr. Weibiao Zhan shall be a non-executive director of the Company and member of the investment strategy committee of the Company upon his qualification as a director of the Company being approved by the CBIRC.

# Management Discussion and Analysis<sup>1</sup>

## Business Review

### Business Development Overview

As the first Internet-based Insuretech company in China, ZhongAn upholds the mission of “empowering the finance business with technologies and providing insurance services with a caring hand”. We embrace the two-winged growth strategy of “Insurance + Technology”, and adhere to integrating technologies into the whole insurance value chain. Through platforms operated by our ecosystem partners and our proprietary platforms, we aim to build ecosystems around customers’ online activities and offer a comprehensive product suite to meet their diversified protection needs, thus revolutionizing the insurance value chain with technologies. Meanwhile, we consistently demonstrate and enhance our technology strength in the operation of our insurance business, and we aim to enable the online insurance industry chain by exporting Insuretech, facilitating the digital transformation of industry players across the world.

In the first half of 2020, we provided services to approximately 400 million insured customers, among which approximately 55% were under the age of 35 with insurance policies per capita of 9.0 and premiums contribution per capita of RMB16.9 (first half of 2019: 348 million insured customers with insurance policies per capita of 9.6 and premiums contribution per capita of RMB16.9).

**In the first half of 2020, ZhongAn continued to pursue growth with quality** and recorded a GWP of RMB6,766.5 million, representing a year-on-year increase of 14.7%. **Our business structure has been continuously optimizing, driven by the accelerated growth of our health and lifestyle consumption ecosystems.** In the first half of 2020, GWP from the health ecosystem grew by 115.6% year-on-year, now contributing to 45% of GWP (first half of 2019: 24%). Meanwhile, GWP from the lifestyle consumption ecosystem grew by 40.4% year-on-year, now accounting for 28% of GWP (first half of 2019: 23%).

The rapid growth of our health and lifestyle consumption ecosystem segments and the constant optimization of our business structure were driven by the following forces:

(1) **Thanks to the convenience of our online services, we effectively captured the rapid growth in consumer demand for insurance fueled by the pandemic**

The outbreak of COVID-19 at the beginning of the year not only significantly raised consumer health insurance protection awareness, but also further shifted their insurance purchasing activities from offline to online. Leveraging our mature Internet model, ZhongAn has effectively captured this market opportunity by offering

customers a smooth and pleasurable purchasing experience, strengthening our Insuretech brand recognition, leading to a 138.2% year-on-year growth of GWP from the Personal Clinic Policy Series within the health ecosystem in the first half of the year.

The rapid development of the e-commerce industry during the same period also led to a 40.4% growth of GWP from our lifestyle consumption ecosystem.

(2) **Empowering our proprietary platforms with technologies to further explore the potential of the aforementioned markets**

As we continued to build out the marketing, customer acquisition and service capacities of our proprietary platforms, GWP generated through our proprietary platforms reached RMB1,048.7 million in the first half of 2020, representing a year-on-year increase of approximately 8.1 times, and its percentage contribution to GWP increased to approximately 16% (first half of 2019: approximately 2%). We served 1.66 million insured customers for the first half of 2020. In particular, the Personal Clinic Policy Series contributed approximately 88% of GWP generated through our proprietary platform, and accounted for approximately 34% of total Personal Clinic Policy Series premiums (first half of 2019: approximately 11%).

Using original promotion materials distributed through our proprietary platforms (including APP, mini programs, official websites), we constantly carried out market education under new scenarios to enhance users’ insurance awareness and attract users to purchase insurance products through our proprietary platforms. Leveraging the self-developed intelligent marketing system, we apply user profiles to achieve targeted marketing and customer reach in new scenarios, and implement closed-loop real-time monitoring of the entire marketing process to continuously optimize our marketing efforts.

(3) **Enhancing the closed-loop health ecosystem to provide inclusive medical treatment, deeply integrating insurance protection and medical services to differentiate ZhongAn’s competitive advantage**

By deeply integrating insurance protection and medical services, ZhongAn successfully established a closed-loop health ecosystem, providing customers with an one-stop-shop service experience, which is also our starting point for enhancing brand recognition and competitive differentiation amid rapidly growing user demands.

<sup>1</sup> Except for specifically explained, all data referred to in Management Discussion and Analysis contained the offset effect by segment; the insurance business referred therein does not include life insurance business.



## Management Discussion and Analysis

We have formed a closed-loop ecosystem through the integration of health insurance, ZhongAn Internet Hospital, Nova Technology, etc., providing users with insurance-centric products and a one-stop-shop solution that encompasses disease prevention, health management, medical consulting and medical records, to assist users to manage their health in a more efficient and convenient way and achieve wellness goals. Our services cover users' entire life cycle, satisfying their needs for various medical services under different health conditions, and strive to enhance service experience and user loyalty. As a result, we can achieve a win-win relationship, strengthening ZhongAn's brand image by providing users with health management services, which in turn improves our risk control capabilities.

As the payment end of the medical service industry chain, health insurance can effectively integrate the value of relevant health services. It is especially powerful in pioneering and influencing the planning, design, and innovation of health services.

**Due to our persistent pursuit for growth with quality as well as technology-driven cost reduction and efficiency improvement**, the combined ratio for the first half of 2020 improved from 108.3% in the first half of 2019 to 103.5%, representing a year-on-year improvement of 4.8 percentage points. In particular, the loss ratio was 56.6%, representing a year-on-year drop of 7.3 percentage points, while the expense ratio increased by 2.5 percentage points year-on-year to 46.9%. **The underwriting loss for the first half of 2020 has narrowed** to RMB263.2 million, representing a year-on-year decrease of RMB229.0 million or 46.5% as compared to the underwriting loss of RMB492.2 million for the first half of 2019.

Specifically we have taken the following measures:

- (1) **Pursuing “growth with quality” and further optimizing our business structure:** Benefiting from the rapid growth of health and lifestyle consumption ecosystems and their increasing weight in GWP, our combined ratio has further improved.

In the first half of 2020, while continuing to develop the five major ecosystems, we concentrated more resources on our health and lifestyle consumption ecosystems. As a result, the proportion of GWP from health and lifestyle consumption ecosystems reached 45% and 28%, respectively, and our business structure further improved.

At the same time, we focus on risk control and pay close attention to the impact of the macro factor on the businesses. Since 2019, the domestic economy entered a credit down cycle with slowing growth, leading to heightened risks in the consumer finance industry. Correspondingly, we have taken a more cautious approach, tightened our lending standards, and scaled back from our consumer finance business to control overdue risks caused by the macroeconomic downturn. Amid the challenging environment brought about by the outbreak of COVID-19 in early 2020, we further strengthened our risk control measures and tightened the assessment of users' repayment abilities. Our prudent risk control strategy has effectively kept the loss ratio of the consumer finance ecosystem under control. In the first half of 2020, the loss ratio of the consumer finance ecosystem has dropped to 69.8% from 78.0% in the first half of 2019; and the outstanding loan balance shrank to RMB14,400 million, representing a decrease of 44% from the end of 2019. The risk-focused development strategy has significantly reduced the impact of the consumer finance ecosystem on the overall loss ratio of the Company.

- (2) **Leveraging automated and intelligent business processes to further our scale advantage during high-growth periods:** We continue to enhance the degree of automation and intelligence of every process, which has begun to exhibit scale effects as the business grows. Taking the health ecosystem as an example, we promote inclusive insurance through our proprietary platforms and ecosystem partners, centered around the million coverage medical insurance - Personal Clinic Policy Series. The intelligent underwriting, automatic adjustment, intelligent review and other capabilities allow users to enjoy a more convenient and efficient experience in the purchase and claim settlement process of health insurance. Meanwhile, the customer service and risk control processes that originally required huge investment in labor costs are gradually being replaced by algorithm-based models that utilize big data and artificial intelligence.

In the customer service process, user inquiries received for Personal Clinic Policy Series in the first half of 2020 experienced explosive growth momentum by approximately 150% as compared with the second half of 2019, while the labor cost of the customer service department only increased by 42%, which was attributable to the application of AI in online and voice customer services. AI has been used in over 85% of our online services. In the first half of 2020, intelligent customer service robots have served a total of 2.35 million users, and intelligent voice customer service has covered 275 business scenarios. As a result the proportion of calls transferred to customer service representatives has decreased by 36%, effectively mitigating the inquiry-answering tasks of manual operators. This was achieved by our extensive database of nearly 50,000 data entries accumulated throughout the insurance industry and our 96% accuracy rate of recognizing customers' insurance needs.

In the insurance purchase, claim settlement and risk control processes, through data connected to the "Nova Technology" platform, as well as the jointly developed intelligent underwriting and claim settlement models, we have built a risk control chain driven by data analytics to provide customers with a more efficient insurance purchase and claim settlement experience, as well as empowering risk control with effective technology.

Through the platform developed by our incubator "Nova Technology", we have connected with the systems of more than 1,000 hospitals in 28 provinces (over 80% of which are second-class and above) and the regional medical information platform of 16 provinces and cities (covering 60% of the top 10 provinces in terms of sales of the health ecosystem). With our customers' authorization, we achieved direct online connection with medical information databases, which not only effectively enhances our intelligent risk control capabilities and efficiency by conducting risk identification in the underwriting and claim management process, but also immensely improves our customers claim settlement experience. For customers of the hospitals directly connected with ZhongAn, claim settlement can be completed by simply clicking on the case under the "claim settlement" page in the APP without providing any paper documents.

Through a data-driven underwriting, claim settlement, and risk control model, we achieved a highly digital one-stop-shop management process: using intelligent underwriting models and personal health profiles, the underwriting

end can identify high-risk insurance applications, thereby achieving effective annualised loss reduction of approximately RMB25 million; the claim settlement end has also cut the loss ratio efficiently by applying medical knowledge graphs and an intelligent claim settlement model, thus leading to an effective annualised loss reduction of approximately RMB60 million.

In addition, relying on the data-based automatic adjustment system and intelligent claim settlement model, we have significantly improved our operational and management efficiency. The claim amount can be automatically calculated based on the insured's medical information, and claim obligations and terms specified under the insurance contract. In the first half of 2020, the efficiency of document review in the claim settlement process (the average daily processing volume of claim-settlement documents per person) increased by 70% month-on-month from the second half of 2019. The automation rate of claims materials for classification, automatic rotation and key phases extraction has reached more than 90% with the help of the OCR.

Meanwhile, **we continue to invest in the buildout of our proprietary platform. Although the brand and advertising expenses have led to a higher expense ratio, it will effectively contribute to our long-term value generation**, which is mainly manifested through the following three aspects:

**(1) For users of our proprietary platform, our renewal expenses will decrease**

When users renew their insurance policy in subsequent and following years, we will incur lower renewal expenses, which will significantly dilute customer acquisition costs incurred in previous periods and reduce the overall expense ratio.

**(2) Targeted marketing based on algorithms helps to increase the repeated purchases rate (different from renewal rate) of customers and allows us to further monetize customers**

On our proprietary platforms, we developed user labels based on various categories of their characteristics. By implementing algorithm-driven redirecting based on user profiles such as age, gender, family and products purchased, the upselling rate of the Personal Clinic Policy Series through our proprietary platforms in the past 12 months has reached approximately 11% (upselling rate = (other insurance products offered by ZhongAn purchased by policyholders of the

## Management Discussion and Analysis

Personal Clinic Policy Series for themselves as the insured on our proprietary platforms + the Personal Clinic Policy Series products purchased by such policyholders for their family members as the insured)/the number of total policyholders of the Personal Clinic Policy Series on our proprietary platforms).

### (3) **Leveraging the value-added services on our proprietary platforms to enhance user loyalty and brand recognition**

In addition to providing insurance products to our users through our proprietary platforms, we also encourage them to obtain one-stop-shop services encompassing insurance knowledge, medical services (including health management, online medical consulting and express channel for critical illnesses, etc.), and post-sale auto services through our proprietary platforms, to improve customer experience, enhance customer loyalty and advance ZhongAn's brand effect.

Taking the integration between our proprietary platforms and health ecosystem as an example, users are able to obtain health knowledge in multiple formats such as short texts and short videos, as well as health management and online medical consulting services like experts-led video courses and one-click diagnosis through ZhongAn Internet Hospital; customers can also access the one-click application function through our own proprietary platforms if they need to apply for express channel for critical illnesses, proton-heavy-ion therapy or medical advance payment, etc. during hospitalization. Our proprietary platforms have become integral bridges to connect customers and services, ensuring that customers under different health situations (healthy, sub-healthy or ill) are all able to enjoy ZhongAn's all-round medical services, maximizing the competitive strengths of ZhongAn's closed-loop health ecosystem.

### **With respect to technology export, COVID-19 has brought more market opportunities to digital transformation of the industry.**

We continue to focus on the Insuretech field, exporting our advanced Insuretech experience and technology strengths to domestic and international customers (including insurance companies and Internet platforms) who intend to expand into the digital insurance sector, to facilitate the

digital transformation throughout the insurance industry. Specifically, we develop core digital insurance systems and scenario-based solutions for insurance companies, and collaborate with Internet platforms to develop online ecosystem-oriented insurance solutions. Our revenue comprises of licensing fees, technology service fees and other charges using a SaaS model (for instance, as a percentage of income or usage). Our technology export business will therefore benefit from the growth of our customers' insurance businesses, achieving sustainable revenue growth that is aligned with the long-term interests of our customers.

In the first half of 2020, under the effect of COVID-19, users' expectations for digital insurance increased significantly, and insurance companies also actively conducted online transformation to respond to users' demands. Meanwhile, regulatory authorities also set out clear targets for the overall online transition by 2022, stipulating that online business ratio in sectors including auto insurance, agriculture insurance, accident insurance, short-term health insurance and family property insurance, etc. should at least reach 80%, which opens a new phase for the Insuretech market. With several years of experience, we have developed mature Insuretech products and solutions covering comprehensive demands in each stage of the digital transformation of the insurance industry throughout operations (entirely digital process), technology (digital IT infrastructure), data (establishing user profile to empower refined operation), and organizational management (online training).

In the first half of 2020, we recorded income from technology export of RMB119.9 million, representing a year-on-year increase of 26.2%, with 64 contracted clients, among which, 29 were from the insurance industry. Approximately 80% of our existing insurance system product customers purchased additional insurance system modules from us or upgraded their existing modules in the first half of 2020.

Our strategic positioning is not only a cutting-edge technology service provider, we also export and replicate our leading business models to the international insurance industry, and join our customers in exploring business model and product innovation in the Internet ecosystem.



In Japan, we have served three leading local insurance companies and online platforms, including SOMPO, one of the top three domestic property and casualty insurance companies. Through our next-generation cloud-based decentralized core insurance system (i.e. Graphene), our customers have connected with various local ecosystem partners launching a variety of user-based and scenario-based insurance coverage products.

In Singapore, NTUC Income, the largest domestic comprehensive insurer, through our core insurance system (i.e. Graphene), established API connections with various local partners in catering, public transportation, food delivery and other sectors in the first half of 2020. NTUC Income launched an usage-based insurance package, which allows users to upsize their coverage based on their own needs. After signing up with this insurance package plan, NTUC Income will automatically deduct a small fee (less than S\$1) every time the user completes a payment on the aforementioned partner's platform, and increase the coverage on their accident, life and critical illness insurance according to the previous agreement with the user.

We have formed a joint venture company with Grab, a leading O2O platform in Southeast Asia, to jointly explore the online insurance distribution sector in Southeast Asia, and to offer an integrated insurance and finance solution. In particular, ZhongAn establishes the digital insurance platform and provides back-office technology support for the joint venture company. Meanwhile, the joint venture company joins hands with insurance partners around the world to provide various customized and usage-based insurance products (such as the usage-based critical illness plan, usage-based auto insurance, and accident insurance for families launched in Singapore and Malaysia, respectively) for Grab's tens of millions of users in Southeast Asia by exporting sophisticated Insuretech solutions and advanced business models in China. In the first half of 2020, our cooperation with Grab has been further expanded to Indonesia, where we have launched usage-based property insurance products for freight to cover the risk of damage during express delivery on Grab Express. The Grab ecosystem has generated over 12 million policies with the support of our insurance and technology strengths.

On March 24, 2020, our "Virtual Bank" (i.e. ZhongAn Bank) officially opened for business in Hong Kong. On May 18, the "Digital Insurance" (i.e. ZA Life) also officially opened for business in Hong Kong. We hope to apply fintech capabilities to Hong Kong's mature financial market to improve customer experiences, create products that closely cater to users' needs and assist Hong Kong regulators to implement the initiative of inclusive finance.

ZA Bank, as the first licensed Virtual Bank in operation in Hong Kong, has attracted over HKD2.4 billion of savings as of June 30, 2020. This achievement is attributable to the fact that we have always put customer experience as the utmost priority and gained customer recognition: customers of ZA Bank can truly experience 24/7 banking services encompassing account registration, deposit, transfer, loans and other services by our one-stop-shop mobile APP. We intelligentize parts of the front, middle and back office processes, handling the most labor-intensive and time-consuming processes at traditional banks at a lower marginal cost. And since there is no need to establish offline branches, we can focus more on improving customer experience.

ZA Life also upholds the same ideology, providing simple, convenient, and seamless experience and insurance products with affordable prices and flexibility through a 24/7 online platform. To date, ZA Life has launched three protection related insurance products in response to customer needs - life insurance, cancer insurance and heart insurance. These three products provide term life, cancer and cardiovascular disease coverage, meeting users' personalized needs with numerous innovative terms.

We will continue to reach out to more potential clients in domestic and international markets, and export our insurance technologies and proven business models to more countries and regions to become the best partner in the digital transformation of the global insurance industry. In addition, we will increase our investment in research and development in the Insuretech and Fintech sectors to support and facilitate the digital transformation of the traditional financial industry to ultimately benefit all customers.

## Management Discussion and Analysis

### Segment Financial Highlights

The following table sets forth the profit/(loss) from each business segment in the first half of 2020. Specifically, the insurance segment offers a wide range of online property and casualty insurance business; the technology segment provides information technology export related business to its clients; the banking segment provides virtual banking services to its customers in Hong Kong; and the other segments include entities other than the aforesaid segments, which provides online life insurance business, insurance brokerage, bio technology services and etc. Among them, both ZA Bank and ZA Life officially opened for business in the first half of 2020.

#### Segment income statement for the period ended June 30, 2020

RMB'000	Insurance	Technology	Banking	Others	Eliminations	Total
GWP	6,769,848	—	—	309	(3,370)	6,766,787
<b>Net premiums earned</b>	<b>7,445,201</b>	<b>—</b>	<b>—</b>	<b>281</b>	<b>(3,337)</b>	<b>7,442,145</b>
<b>Other income</b>	<b>110,850</b>	<b>140,449</b>	<b>19,016</b>	<b>32,500</b>	<b>16,575</b>	<b>319,390</b>
<b>Net profit/(loss)</b>	<b>622,142</b>	<b>(106,701)</b>	<b>(111,476)</b>	<b>(54,965)</b>	<b>33,323</b>	<b>382,323</b>
Attributable to:						
– Owners of the parent						490,493

#### Segment income statement for the period ended June 30, 2019

RMB'000	Insurance	Technology	Banking	Others	Eliminations	Total
GWP	5,900,508	—	—	—	(3,429)	5,897,079
<b>Net premiums earned</b>	<b>5,917,713</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(4,399)</b>	<b>5,913,314</b>
<b>Other income</b>	<b>46,565</b>	<b>104,635</b>	<b>—</b>	<b>50,974</b>	<b>(38,423)</b>	<b>163,751</b>
<b>Net profit/(loss)</b>	<b>319,693</b>	<b>(162,472)</b>	<b>(74,964)</b>	<b>(51,241)</b>	<b>3,067</b>	<b>34,083</b>
Attributable to:						
– Owners of the parent						94,538

Net profit attributable to owners of the parent in the first half of 2020 was RMB490.5 million, representing a year-on-year increase of RMB396.0 million or 418.8%, which was mainly due to the significant increase in net profit of insurance segment that resulted from the decrease in underwriting loss. The specific performance of each segment as follows:

- 1) Insurance segment: benefiting from the decrease of underwriting loss following the pursuit of "growth with quality" and solid investment income performance, the insurance segment remains profitable. Net premiums earned in the first half of 2020 represents a year-on-year increase of 25.8% and the combined ratio represents a year-on-year improvement of 4.8 percentage points, which decreased from 108.3% in the first half of 2019 to 103.5% in the first half of 2020. Underwriting loss narrowed by RMB229.0 million, a year-on-year decrease of 46.5%. At the same time, investment income remains robust;
- 2) Technology segment: due to delayed confirmation of acceptance caused by COVID-19, the technology segment recorded other income of RMB140.4 million in the first half of 2020, representing a year-on-year increase of 34.2%. At the same time, net loss of the technology segment was RMB106.7 million, representing a decrease of RMB55.8 million;
- 3) Banking segment: as ZA Bank is currently in the early stage of operation, its net loss was mainly resulted from general and administrative expenses;
- 4) Other segment: the net loss of this segment was mainly due to the general and administrative expenses of ZA Life in its early stage of operation.

### Five Major Ecosystems

In 2020, we continued to focus on the five major ecosystems to provide comprehensive insurance coverage to our customers:

We had frequent interactions with a large number of users through lifestyle consumption and travel ecosystems to strengthen users' trust in ZhongAn's products and enhance market education on online insurance, the users' understanding of our products and willingness to pay and to

further enrich user profiles, which enables us to seize business opportunities from cross-ecosystem users and achieve maximum user value. Meanwhile, with the development of our health, consumer finance and auto ecosystems, we have expanded our business into a whole insurance value chain with improved brand recognition among users and increased average premium per capita, to create a more balanced and diversified business portfolio. The following table sets forth GWP in absolute amounts and as percentages of total GWP by ecosystem in the first half of 2020 and 2019:

Ecosystems	For the six months ended June 30				Year-on-year growth rate %
	2020		2019		
	RMB'000	Percentage %	RMB'000	Percentage %	
Health	3,049,151	45%	1,414,539	24%	115.6%
Lifestyle consumption	1,921,946	28%	1,369,250	23%	40.4%
Consumer finance	750,974	11%	1,733,566	29%	-56.7%
Auto	456,887	7%	582,547	10%	-21.6%
Travel	274,559	4%	626,094	11%	-56.1%
Other	312,961	5%	171,083	3%	82.9%
Total	6,766,478	100%	5,897,079	100%	14.7%

## 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, by ecosystem in the first half of 2020 and 2019:

	For the six months ended June 30	
	2020 RMB'000	2019 RMB'000
<b>Ecosystems</b>		
<b>Health</b>		
GWP	3,049,151	1,414,539
Net written premiums	2,979,348	1,318,270
Premiums earned	2,961,034	1,224,925
Loss ratio%	45.1%	60.3%
Channel fees as a percentage of net written premiums%	28.4%	25.8%
<b>Lifestyle consumption</b>		
GWP	1,921,946	1,369,250
Net Written Premiums	1,921,946	1,369,250
Premiums earned	1,907,042	1,352,226
Loss ratio%	70.6%	72.0%
Channel fees as a percentage of net written premiums%	23.5%	20.1%
<b>Consumer finance</b>		
GWP	750,974	1,733,566
Net Written Premiums	709,556	1,733,566
Premiums earned	1,505,419	1,848,319
Loss ratio%	69.8%	78.0%
Channel fees as a percentage of net written premiums%	9.4%	14.6%
<b>Auto</b>		
GWP	456,887	582,547
Net Written Premiums	456,887	582,547
Premiums earned	558,337	611,531
Loss ratio%	50.2%	55.9%
Channel fees as a percentage of net written premiums%	25.4%	26.1%
<b>Travel</b>		
GWP	274,559	626,094
Net Written Premiums	272,750	623,063
Premiums earned	267,820	626,628
Loss ratio%	7.2%	8.6%
Channel fees as a percentage of net written premiums%	77.0%	86.5%
<b>Others</b>		
GWP	312,961	171,083
Net Written Premiums	307,356	168,904
Premiums earned	242,212	249,687
Loss ratio%	75.6%	91.8%
Channel fees as a percentage of net written premiums%	17.0%	33.0%

**Health ecosystem:**

We focus on customer demands for healthcare services and provide them with an one-stop-shop experience of "insurance coverage + medical services" through a closed-loop health ecosystem. Customers can enjoy accessible, understandable, and affordable health coverage and medical services. We strive to satisfy individual needs of different customers with the deep integration of "insurance coverage + medical services" and have established our distinctive competitive advantage.

Our various innovative product lines, 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 major products marketed by many ecosystem partners of our health ecosystem. In particular, taking our mid-end health insurance product, the Personal Clinic Policy Series, as an example, we have included a deductible clause in the policy, which enables consumers to enjoy extensive medical insurance coverage at a relatively low premium, easing their concern over medical expenses. We also provide medical services catering to customers' entire life cycle, covering their different medical services needs under different health conditions (healthy, sub-healthy/minor illness, and major illness, etc.) and keep innovating with our offerings. Constantly innovating leading customized medical services (express channel for critical illness, medical treatment in Japan, specific medicine for tumors, etc.) under Personal Clinic Policy Series, health management services for customers with chronic illness or in sub-healthy conditions, and one-stop-shop online services provided by ZhongAn Internet Hospital (online medical advice and doorstep medicine delivery, etc.).

In the first half of 2020, the health ecosystem provided health insurance and medical services to approximately 12.35 million users and recorded RMB3,049.2 million of GWP, representing an increase of 115.6% as compared to that of the corresponding period of last year. The increase was attributable to our continuous efforts in enhancing users' insurance awareness and providing users with personalized and customized insurance products and services by actively upgrading medical services to form a closed-loop ecosystem. GWP generated from the Personal Clinic Policy Series in the first half of 2020 was RMB2,737.8 million, representing a year-on-year growth of 138.2% and accounting for 89.8% of GWP generated from the health ecosystem. We served over 8.70 million insured customers in the first half of 2020, representing a year-on-year increase of approximately 209%. The users were at an average age of about 35.

Notably, by leveraging various platforms under new scenarios, we reached customers and carried out insurance education with innovative formats and continued to foster their insurance awareness to drive rapid growth in transaction volume on our propriety platforms. GWP derived through our proprietary platforms accounted for approximately 34% of GWP generated from the Personal Clinic Policy Series in the first half of 2020 (first half of 2019: approximately 11%), with the amount of such GWP growing to 7.4 times that of the first half of 2019.

Personal Clinic Policy Series is not only insurance coverage products, but also our entry point to establish closed-loop medical service ecosystems. Through the network of health insurance, ZhongAn Internet Hospital, Nova Technology and so on, we established a closed-loop ecosystem to provide a one-stop-stop solution that is insurance-centric, integrating disease prevention, health management, medical consulting and medical information to assist customers in managing their health more efficiently and conveniently and ultimately achieving health goals. Our offerings cover various medical services needed under different health conditions throughout users' life cycle and strive to enhance service experience and user loyalty. While creating ZhongAn's brand effect, we also enhance risk control capabilities by providing users with health management services and create a win-win situation between users and company.

With the gradual manifestation of users' medical services needs, high-quality customer service has become our most differentiating competitive strategy. As the payment end of medical services industry chain, ZhongAn health insurance can effectively integrate relevant value of healthcare services. Especially in the planning, product design and innovation of healthcare services, ZhongAn health insurance has a relatively strong leading position and integration capabilities.

In July 2020, upgraded Personal Clinic Policy Series incorporated online video medical advice into the covered services of million coverage medical insurance, bringing million coverage medical insurance into the outpatient era. Through ZhongAn Internet Hospital, users are able to obtain outpatient medical services by video diagnosis, which represents our implementation of the ideology of "integration of insurance coverage and medical services".



## Management Discussion and Analysis

As an important part of the health ecosystem layout, ZhongAn Internet Hospital plays many important roles. We have selected approximately 2,000 doctors (mostly external doctors) by building medical teams and cooperating with third-party medical groups to provide users with online medical consulting services, and have their medicine delivered to their doorstep after completing online diagnosis and obtaining an electronic prescription from doctors, allowing the users to receive medical treatment for minor illnesses without leaving their homes. During the pandemic lockdown, ZhongAn Internet Hospital and medical partners jointly launched 24/7 online medical consulting service and free psychological therapy public welfare services. In the first half of 2020, we also rolled out medical services that focus on chronic diseases (thyroid medical advice, diabetes medical advice, etc.). The upgrading of outpatient medical services of the Personal Clinic Policy Series in July was an even more important step of customer redirecting for ZhongAn Internet Hospital.

Our other individual health insurance products continued to increase the frequency of user interactions and provide more inclusive insurance products. As of June 30, 2020, through our Walk to Wellness Policy, we have obtained authorization to the exercise data of approximately 33.00 million users. Didi Automobile Owner Insurance Plan and Didi Insurance have also attracted extensive participation of automobile owners from the Didi Chuxing platform. We have so far provided critical illness insurance and medical insurance coverage to over 1.80 million users with accumulated insurance policies of approximately 1.8 billion. In addition, we launched a new cancer medical insurance in June 2020. Users are not required to provide health information when purchasing insurance; on the basis of this, we extend insurance coverage to the population with chronic diseases and bring more people under insurance coverage.

On the other hand, the optimization of product structure of the health ecosystem also further improved the loss ratio. We have been optimizing the business structure of the health ecosystem since 2019, such as pulling back from the group health insurance business that produced higher loss ratio, shrinking its relative percentage contribution to the health ecosystem from 2019. However, as some insurance policies with higher loss ratio gradually expired in 2019, the 2019 loss ratio was still negatively affected. Since the majority of such group insurance policies have expired in 2019, the loss ratio of the health ecosystem in the first half of 2020 improved to 45.1%, representing a year-on-year decrease of 15.2 percentage points.

The channel fee ratio of the health ecosystem in the first half of 2020 was 28.4%, representing a year-on-year increase of 2.6 percentage points, which was due to the increase in the proportion of GWP generated from the Personal Clinic Policy Series products with yearly premium payment that were marketed through our ecosystem partners.

### Lifestyle consumption ecosystem:

We continue to provide protection to cover risks associated with product return, product quality, logistics, post-sale services and merchant security deposits for mainstream e-commerce platforms in China, such as Taobao Marketplace and Tmall, occupying a market-leading position. Furthermore, we provide users with risk protection service associated with pets, household property and phone screen crack, penetrating into users' digital lives. In the first half of 2020, the lifestyle consumption ecosystem served approximately 380 million insured customers with policies per capita of 8.9. For the first half of 2020, we recorded RMB1,921.9 million in GWP, representing an increase of 40.4% as compared to the corresponding period of last year. Leveraging technology and innovation strengths in product upgrading, risk management, marketing and user engagement, we have deepened our cooperation with Ant Group in several business segments to jointly explore innovative insurance products and user experience enhancement, to drive the growth of premiums of the lifestyle consumption ecosystem.

The loss ratio of the lifestyle consumption ecosystem in the first half of 2020 was 70.6%, representing a year-on-year decrease of 1.4 percentage points, which was attributable to a lower frequency of product returns by customers due to the impact of COVID-19, while the channel fee ratio increased, representing a year-on-year increase by 3.4 percentage points to 23.5%.

In the first half of 2020, we continued to extend the scope of international services (the "Overseas Customers Return Policy"), which has reached users in North America, Australia and Europe, helping Alibaba's international customers solve difficulties in returning products purchased from China through AliExpress. We are also actively exploring potential opportunities of pet insurance with Ant Group, to meet users' broader demands for lifestyle services. In the future, we will continue to work closely with ecosystem partners to proactively explore upgrades and innovation under lifestyle consumption scenarios by deepening cooperation and improving the quality of the underwriting process, aiming to identify any unsolved pain points and provide comprehensive insurance solutions.

**Consumer finance ecosystem:**

Through cooperation with licensed financial institutions and by connecting with different kinds of Internet platforms via our cutting-edge technology, risk control, data and other technology strengths, we are committed to provide customers with consumer finance products with credit guarantee, and have developed leading technologies, big data risk control, as well as fund and asset matching capacities in the consumer finance ecosystem. We have proactively expanded our cooperation with various Internet scenario-based platforms, such as Bestpay, Wo Wallet and Cmpay under telecommunication scenarios and Secoo e-commerce scenarios. We have also provided consumer finance solutions to selected leading Internet finance platforms, such as X Financial, Lexin and PPDAl by joint risk control and joint scenario-based operations. The fund lenders that we cooperate with are licensed financial institutions.

In the first half of 2020, due to COVID-19 and fluid international dynamics, the macro economy faced unprecedented challenges, heightening risks of the consumer finance industry. In response, we proactively raised our risk control standards, implemented strict control mechanisms over the performance of the underlying assets, and continuously scaled down our scale of business. In particular, we raised the entry barrier for cooperation with online financial platforms and focused on first-tier online finance platforms. Meanwhile, we continued to explore online scenario-based platform business, such as cooperating with the three major telecommunication operators in communication scenarios and with Secoo in e-commerce scenarios. Thanks to these tightened risk control strategies and adjustments to business strategies, the loss ratio of the consumer finance ecosystem for the first half of 2020 decreased to 69.8%, representing a year-on-year decrease of 8.2 percentage points. The overdue risk of the consumer finance ecosystem has also been reduced significantly.

We focused on small-sized, spread-out and short-term Internet consumer finance assets. We set insurance premium rates based on individual risk profile of the underlying assets and provided coverage with our credit guarantee insurance products. Our risk control system penetrates through the underlying assets, and we implement real-time big data risk control on every individual borrowing by connecting the systems of our partners' platforms with financial institutions, thereby enabling us to make real-time lending decisions. In order to cope with macro-economic risks, namely the impact of overall slowdown in the economy on borrowers's default risks, we integrated external macro-economy monitoring signals with in-house credit insurance risk management strategies in a dynamic manner, and implemented a wide range of retail finance risk measurement models to apply differentiated credit insurance management approaches to different customer groups based on the characteristics of the economic cycle and customers' life cycle, to mitigate the negative impact of fluctuations in the economy on our credit risk.

In the first half of 2020, the coverage term of insurance policies in our consumer finance ecosystem was one year or less, and the amount of a single borrowing by users of the consumer finance ecosystem was less than RMB6,000.

Our targeted customers of the consumer finance ecosystem are the young near-prime group in China, typically aged between 25 and 35 with quality education and strong consumption demands, who often face challenges when applying for credit facilities due to lack of sufficient historical credit record as a result of shorter working history with stable income. In particular, due to the lack of complete and real-time credit record information, it is difficult for certain traditional financial institutions to carry out credit assessment on this population group. Our business mostly provides credit facilities for borrowers who have a credit record with the central bank credit reference system and have had difficulties in increasing credit to meet their financing needs.

In the first half of 2020, both GWP and outstanding loan balance amount in the consumer finance ecosystem decreased year-on-year. In the first half of 2020, our consumer finance ecosystem recorded RMB751.0 million in GWP, representing a decrease of 56.7% as compared with the corresponding period of last year, and provided services to approximately 1 million users. As of June 30, 2020, the outstanding loan balance amount of the consumer finance ecosystem was RMB14.4 billion, representing a decrease of 44% as compared with the end of 2019 (as of December 31, 2019: RMB25.6 billion).

The channel fee ratio of the consumer finance ecosystem for the first half of 2020 was 9.4%, representing a year-on-year decrease of 5.2 percentage points, which was due to the decrease in marketing expenses incurred in acquiring customers as a result of downscaling.

**Auto ecosystem:**

With the launch of the "Baobiao Auto Insurance" product, we offer professional auto insurance products and solutions as well as value-added services to protect our customers against vehicle damage, personal injury and death, as well as vehicle theft and robbery. Based on the coinsurance model jointly developed with Ping An P&C adopted by the "Baobiao Auto Insurance", we connect with Internet platforms and automotive aftermarket service channels by leveraging our technology strengths to acquire customers, while Ping An P&C relies on its offline claim network to provide quality claim settlement services to users. Since January 2020, we began to implement the renewed coinsurance agreement with Ping An P&C, valid from January 1, 2020 to December 31, 2022. The cooperation framework largely remains unchanged. The premiums, claim payments and other costs for auto insurance shared between ZhongAn and Ping An P&C will still be split by a 50%:50% ratio.

## Management Discussion and Analysis

In the first half of 2020, our auto ecosystem recorded a year-on-year decrease of 21.6% in GWP to RMB456.9 million, which was primarily due to the reduction in volume caused by the pandemic and the implementation of our business structure optimization strategy. We served approximately 0.44 million insured users in the first half of 2020, who were mainly 30-to-40-year-old male in second- and third-tier cities. Given the regulatory and competitive landscape of the auto insurance industry, we will adhere to our steady development strategy for the auto insurance segment in 2020 and optimize the underwriting quality of our existing business through refined operations. The loss ratio of the auto ecosystem for the first half of 2020 was 50.2%, down by 5.7 percentage points on a year-on-year basis, which was primarily due to the decline in claim frequency as a result of car owner lowering trip frequency caused by the COVID-19 lockdown, while the channel fee ratio was down by 0.7 percentage point on a year-on-year basis to 25.4%, which was also in line with the overall more stringent industry-wide regulatory control over channel fees.

Our major ecosystem partners include Internet platforms and automotive aftermarket service channels. Regarding cooperation with Internet platforms, we expanded throughout the auto industry chain and accumulated a vast quantity of user insights and Internet operating capabilities 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 (燦穀). Through SaaS platforms and APIs, we also connected with more offline automotive aftermarkets and other channels, such as auto detailing shops and automobile repair shops, thereby allowing our products to efficiently reach more users without significant human resources investments to establish and maintain the connections. In addition, we joined hands with SAIC Motor Corporation Limited and other automobile manufacturers to explore the application of big data to auto insurance.

Our video claim settlement service for auto insurance, by integrating various technologies such as the Optical Character Recognition (OCR) and AI damage assessment, helps to improve customer experience and process efficiency. Especially during the COVID-19 period, video claim settlement services for auto insurance played an integral role to provide "contactless service", which was highly praised by customers.

### Travel ecosystem:

Through our online tourism and travel platforms, we provide travel risk insurance to tourists and business travelers for unexpected emergencies such as flight accidents, flight delays,

travel accidents, and flight or hotel cancellations. In the first half of 2020, due to the pandemic, the travel business shrank significantly, recording RMB274.6 million in GWP, representing a year-on-year decrease of 56.1%, and provided services to around 8.30 million users. At the same time, we have also taken initiatives to optimize the business structure of the travel ecosystem, and continued to scale down certain products and channels with relatively high loss ratios or channel fee ratios, further improving the overall underwriting quality of the travel ecosystem. In the first half of 2020, the channel fee ratio of the travel ecosystem was 77.0%, down by 9.5 percentage points on a year-on-year basis. At the same time, the loss ratio decreased by 1.4 percentage points to 7.2%.

### Others:

Other businesses mainly included individual accident insurance (non travel-related insurance) and employer liability insurance. With the significant reduction in the employer liability insurance policies which produced higher loss ratio since 2019 and as most of employer liability insurances expired in 2019, the loss ratio has significantly improved in the first half of 2020.

## Technology Investment and Export

### R&D Investments

We continue to focus on the development of cutting-edge technology sectors including artificial intelligence, blockchain, cloud computing, big data and life science, aiming to reshape every stage throughout the insurance value chain with technology.

In the first half of 2020, ZhongAn invested RMB427.7 million in research and development activities, accounting for 6.3% of the Company's GWP. As of June 30, 2020, ZhongAn had a total of 1,297 engineers and technicians, representing 46% of our total employees, among which, 118 responsible for data analytics, 46 responsible for artificial intelligence, 15 responsible for blockchain technology, 583 responsible for system development, 273 responsible for product research and development and delivery, and the rest mainly responsible for business-related system connection and maintenance, etc. As of June 30, 2020, we have accumulatively filed applications for 482 patents, including applications for 169 overseas patents, among which, 6 applications were filed in the first half of 2020, including applications for 2 overseas patents. In addition, we have 34 PCT (Patent Cooperation Treaty) patent applications in total covering 11 countries and regions.

As our cloud-based distributed core system “Wujieshan” is able to support a great number of individual policies, we issued a total of 3.60 billion policies in the first half of 2020 and provided services to 400 million users.

### *Technology Export*

We continued to focus on the Insuretech segment, developing and exporting our advanced experience and technology strengths in the Insuretech industry to domestic and international customers (including insurance companies and Internet platforms) who intend to expand into the digital insurance sector, to facilitate digital transformation throughout the insurance industry. Specifically, we developed core digital insurance systems and scenario-based solutions for insurance companies, and joined hands with Internet platforms to develop Internet ecosystem-oriented insurance solutions. Our revenue comprises of licensing fees, technology service fees and other charges under a SaaS model (for instance, as a percentage of income or usage). Our technology export business will therefore benefit from the growth of our customers’ insurance businesses, achieving sustainable growth in revenue, aligned with the long-term interests of our customers.

We have developed mature Insuretech products and solutions covering comprehensive demands in each stage of the digital transformation of the insurance industry throughout operations (entirely digital process), technology (digital IT infrastructure), data (establishing user profile to empower refined operation), and organizational management (online training).

Our existing Insuretech products mainly fall into three series, namely, the business production series, the business growth series, and the business support series, covering the front, middle and back offices of the insurance industry in an all-round manner. Specifically: 1) the cloud-based distributed core systems, namely Graphene (the digital core system for insurance companies) and Fusion (the digital insurance platform system for Internet platforms), and the core business production series for insurance middle office (including an on-premise version and a SaaS version), facilitating the expeditious launch of online insurance business for corporate clients; 2) the business growth series including the intelligent marketing platform and the user growth platform, helping insurance companies and insurance brokers and agents

to build a sustainable marketing closed loop to drive rapid user and revenue growth with one-stop-shop services; 3) the business support series including the system security storage computing, intelligent system operations and maintenance, and information security products, providing stable, safe and compliant support services for the customers in their pursuit of rapid business development. In addition, to solve practical problems faced by customers, we provided a wide variety of solutions for enterprises in the insurance ecosystem, such as the intelligent marketing solutions and intelligent risk control solutions, helping customers to achieve a quick rollout of related businesses, seize market opportunities, minimize operation costs, as well as improve operation efficiency and business quality.

Graphene digital core insurance system: the system provides end-to-end system solutions to solve the deficiencies of traditional core insurance systems in processing digital insurance business from the origin, through the next generation core insurance system based on micro services and distributed structure.

Fusion digital insurance platform system: the system provides digital insurance platform system solutions for Internet platforms to connect online platforms with insurance companies, in a joint effort to provide users with customized and usage-based innovative online insurance products.

Insurance middle office: thanks to our insurance middle office system, insurance companies do not have to replace their core system immediately. The solutions empower the front office with digital middle office via shared services, to achieve expedited connection with various channels, quick rollout of products, and unified platform support capabilities for online business processing in high-concurrency situations, as well as improve intelligent underwriting and claim management capabilities by personalized interactive questionnaire to enhance user experience. In particular, our solutions support the clients to engage in online insurance business by leveraging the microservices-based structure with flexible scalability. We provide both an on-premise version and a SaaS version, with an aim to cater to the diversified business needs of insurance companies and insurance brokers and agents in a flexible manner.

## Management Discussion and Analysis

Intelligent marketing solutions: the traditional insurance industry has several deficiencies in marketing such as limited formats of promotional activities, obscure user profiles or user insights, lack of in-depth analysis on the marketing results and potential data security risks. With our intelligent marketing platform and user growth platform and based on big data exploration and analytics, our solutions help to efficiently target users and embrace various marketing scenarios and approaches, to drive growth for insurance industry participants with data analytics through integration of “data + scenario + intelligent technology”. We also help companies to build effective customer acquisition channels, continuously optimize customer acquisition costs, and establish sustainable and closed-loop user growth models to achieve rapid user and income growth.

Intelligent risk control solutions: Through a data-driven risk decision-making engine, these solutions help financial institutions and insurance companies refine risk management and optimize risk control models. In addition, due to the high visibility, customizability and flexibility of the business and risk control standards, product managers are able to carry out rule configuration without the participation of technology development staff during product upgrades.

In the first half of 2020, we recorded income from technology export of RMB119.9 million, representing a year-on-year increase of 26.2%, with 64 contracted clients, among which, 29 were from the insurance industry, and approximately 80% of our existing insurance system product customers purchased additional insurance system modules from us or upgraded their existing modules in the first half of 2020.

The insurance industry is speeding up its digital transformation, which is attributable to the fact that: 1) affected by the pandemic, customers' expectations for digital insurance have increased significantly, and insurance companies are also actively exploring online business transformation to meet user demands; 2) the regulatory authorities have also set clear goals for the improvement in overall online ratio of the industry by 2022, the online ratio of auto insurance, agricultural insurance, accident insurance, short-term health insurance, home property insurance and several other business segments should reach 80% or more; at the same time, the development of compliance technology opens up a new stage for the technology export market. After years of accumulation, our Insuretech products and solutions have covered the digital transformation needs in business, technology, data, and organization dimensions of the insurance industry. **As regulators push for digital transformation of the insurance industry, accelerated by the pandemic, our market expansion initiatives and growth runway will benefit in the long run.**

We have seen that the pandemic is prompting traditional life insurance companies to transform the agent model into an online business model. In the first half of 2020, we signed cooperation agreements with many insurance companies, using our intelligent marketing products to help their agent team digitalize customer management resources. In particular, we promote agent's Internet social marketing, categorize agents' customer characteristics into user tags, and design a customer-specific marketing campaign to achieve granular operations and improve customer engagement.

ZhongAn's technology reserves are consistent with the regulatory trend developments, exemplified by our visual backtracking system. On June 30, 2020, the CBIRC issued the “Notice on Regulating the Traceable Management of Online Insurance Sales”, which requires insurance institutions to record and catalog the sales of insurance products on self-operated online platforms through sales page management and sales process recording to make it available for inspection. The notice will take effect from October 1 of this year with a mere 3-month preparation window. We immediately launched a visual backtracking solution to the market. The system utilizes cutting-edge technologies such as visualized data restoration, data arrangement, container engine, and fault-tolerant algorithms to achieve accurate visualized restoration of user behavior on the Internet. Its advantage also lies in the use of plug-in technology, enabling the completion of docking within existing business systems in as fast as 3 days, it can also automatically analyze related insurance policies based on the video to quickly search for important information, thus achieving a high degree of automatic integration within the business. The solution has been verified internally by ZhongAn, covering more than 300 online insurance sales scenarios.

The rapid launch of this system is attributable to the following factors: 1) We have a leading position in Internet technology and a wealth of technology and product reserves, and can first test it through internal actual business scenarios; 2) Fast productization capabilities: we launched the product as soon as possible, and achieved rapid technical docking and lightweight deployment through a plug-in format.

In the future, we will continue to explore potential market opportunities for compliance technology and help to address compliance deficiencies related to the traceability of sales behavior, data quality management, and anti-fraud during the online transformation of insurance companies. On the basis of this, we will further explore customers' long-term value and support their digital transformation in various aspects such as business development, technology, data and organizational functions through intelligent marketing system, insurance middle office and other mature product series.



Our strategic positioning is not only a cutting-edge technology service provider, we also export and replicate our leading business models to both domestic and international insurance industry, and join our customers in exploring business model and product innovation in the Internet ecosystem.

In Japan, we have served three leading local insurance companies and online platforms including SOMPO, one of the top three property and casualty insurance companies in Japan. Through our next-generation cloud-based decentralized core insurance system (i.e. Graphene), our customers have launched in the local area with various ecosystem partners a number of individual and scenario-based insurance coverage products.

In Singapore, NTUC Income, the largest domestic comprehensive insurer, through our core insurance system (i.e. Graphene), also established API connections with various local partners in catering, public transportation, food delivery and other sectors. NTUC Income launched an usage-based insurance package, which allows users to upsize the coverage based on their own needs. After signing up with this insurance package plan, NTUC Income will automatically deduct a small fee (less than S\$1) every time the user completes a payment on the aforementioned partner's platform, and increase the coverage on their accident, life and critical illness coverage according to the previous agreement with the user.

We have formed a joint venture company with Grab, a leading O2O platform in Southeast Asia, to jointly explore the online insurance distribution sector in Southeast Asia, and to offer an integrated insurance and finance solution. In particular, ZhongAn establishes the digital insurance platform and provides back-office technology support for the joint venture company. Meanwhile, the joint venture company joins hands with insurance partners around the world to provide various customized and usage-based insurance products (such as the usage-based critical illness plan, usage-based auto insurance, and accident insurance for families launched in Singapore and Malaysia, respectively) for Grab's tens of millions of users in Southeast Asia by exporting sophisticated Insuretech solutions and advanced business models in China. In the first half of 2020, our cooperation with Grab has been further expanded to Indonesia, where we have launched usage-based property insurance products for freight to cover the risk of damage during express delivery on Grab Express.

The Grab ecosystem has generated over 12 million policies with the support of our insurance and technology strengths.

Looking ahead, through our leverage on the geographical advantage of the Guangdong-Hong Kong-Macau Greater Bay Area, we will closely follow the national "Belt and Road" initiative and export our cutting-edge insurance technologies and proven business models to more countries and regions.

### *Virtual Bank and Digital Insurance in Hong Kong*

On March 24, 2020, our "Virtual Bank" (i.e. ZhongAn Bank) officially opened for business in Hong Kong. On May 18, the "Digital Insurance" (i.e. ZA Life) also officially opened for business in Hong Kong. We hope to apply fintech capabilities to Hong Kong's mature financial market to improve customer experiences, create products that closely cater to users' needs and assist Hong Kong regulators to implement the initiative of inclusive finance.

ZA Bank, as the first licensed Virtual Bank in operations in Hong Kong, has attracted over HKD2.4 billion of savings as of June 30, 2020. This achievement is attributable to the fact that we have always put customer experience as the utmost priority and gained customer recognition: customers of ZA Bank can truly experience 24/7 banking services encompassing account registration, deposit, transfer, make loans and other services by our one-stop-shop mobile APP. We intelligitize parts of the front, middle and back office processes, handling the most labor-intensive and time-consuming processes at traditional banks at a lower marginal cost. And since there is no need to establish offline branches, we can focus more on improving the customer experience.

We will apply our insights on customers' behavior pattern gained through big data analytics, identity authentication and other Fintech capabilities to the virtual bank business. Upholding the ideology of "user participation", we encourage our users to closely communicate with our product managers as partners through online and offline interactions and participate in the product designing process, with an aim to improve customer experience and create products that closely cater to users' needs.

## Management Discussion and Analysis

ZA Life also upholds the same ideology, providing simple, convenient and seamless experience and insurance products with affordable prices and flexibility through a 24/7 online platform. To date, ZA Life has launched three protection related insurance products in response to customer needs - life insurance, cancer insurance and cardiovascular disease insurance. These three products provide term life, cancer and cardiovascular disease coverage, meeting users' personalized needs with numerous innovative terms. We have designed thousands of scenarios through big data technology and decision tree model. While ensuring the risk is controllable, we allow users to complete the health underwriting questionnaire in the simplest way. Our shortest health underwriting questionnaire has only 3 questions.

### Asset Management

As of June 30, 2020, we had total investment assets of RMB23,532.8 million, of which 12.4%, 41.2% and 20.0% are comprised of stocks and equity mutual funds, fixed income investments, and other investments (wealth management products and trusts), respectively. In the first half of 2020, our total investment income was RMB785.8 million, of which the total investment income attributable to owners of the parent was RMB 783.4 million (total investment income in the first half of 2019 was RMB 757.9 million, of which the total investment income attributable to owners of the parent was RMB754.6 million), our total investment yield and net investment yield (un-annualized) was 3.6% and 1.9% respectively (first half of 2019: 4.0% and 1.8% respectively).

In the first half of 2020, based on the pre-judgement of the macro economy and risk/return of various of asset classes, we strengthened asset allocation management and risk management to seize investment opportunities in capital markets and timely lock in investment profits. We have taken the following measures:

1) Strengthening our portfolio management capabilities and adjusting the year's strategic asset allocation plan in a flexible manner. On the one hand, we increased allocation to fixed-income assets to fortify the portfolio return; on the other

hand, we actively adjusted the allocation to more volatile asset classes based on our analysis of market dynamics to boost excess returns; 2) making flexible adjustments to equity-related investments positions and styles, by actively implementing profit-taking strategies and style adjustments under the volatile market environment and making significant structural differentiation in the first half of the year, outperforming the market; and 3) enhancing the overall risk management by implementing comprehensive control measures over market risk, credit risk, operational risk and liquidity risk throughout the entire process, to mitigate risk exposure to asset investments. At the same time, we also actively strengthened credit risk screening and market risk hedging to maintain steady growth in investment income. As of June 30, 2020, about 99.7% of the credit bonds we invested in had an external rating of AA (domestic) and above, or BBB- (international) and above; about 76.2% of domestic credit bonds had an external rating of AAA (domestic).

Looking forward into the second half of 2020, changes in the domestic and international fundamentals, policy adjustments and Sino-US relationship will continue to affect the performance of major markets. Amid a highly uncertain and relatively low-interest-rate environment, we will cautiously respond to changes in the market and adjust our asset allocation in a flexible manner, with an aim to secure stable investment income.

### Outlook

In the second half of 2020, we will continue to adhere to the two-winged strategy of "Insurance + Technology". Adhering to the principle of high-quality growth and technology-empowered development to reduce costs and improve efficiency, we will incorporate technology development and innovation into the whole insurance value chain and continuously optimize underwriting efficiency and user experience while commercializing our insurance technology strengths in domestic and overseas markets, to become the best partner in the digital transformation and upgrading of the global insurance industry.

## Financial Review

During the six months ended June 30, 2020, we continued to take advantage of development opportunities in the PRC Insurtech market and achieved steady growth and improved

profitability. We focused more on business quality and invested more on fine management and data-driven operations. For the six months ended June 30, 2020, the Group's total income reached approximately RMB8,585.6 million, representing a year-on-year increase of 24.4%.

The following table sets forth the comparative figures for the six months ended June 30, 2020 and 2019:

	For the Six Months Ended June 30	
	2020 RMB'000	2019 RMB'000
Total income	8,585,616	6,899,545
Net profit for the period	382,323	34,083
Total comprehensive income for the period	564,560	106,012
Profit per share		
– Basic profit per share (RMB yuan)	0.33	0.06
– Diluted profit per share (RMB yuan)	0.33	0.06

The following table sets forth the key financial ratios for the six months ended June 30, 2020 and 2019:

	For the Six Months Ended June 30	
	2020	2019
Net investment yield <sup>(1)</sup>	1.9%	1.8%
Total investment yield <sup>(2)</sup>	3.6%	4.0%
Return on assets <sup>(3)</sup>	1.5%	0.4%
Return on equity <sup>(4)</sup>	3.2%	0.6%
Gearing ratio <sup>(5)</sup>	50.3%	39.4%

### Notes:

- (1) Net investment yield equals the sum of net interest income, dividend income and share of net profit/(loss) of associates and joint ventures 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.
- (2) 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/(loss) of associates and joint ventures 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.
- (3) Return on assets equals profit/(loss) for the period attributable to owners of the parent divided by the average of the opening and closing balances of total assets of the period.
- (4) Return on equity equals profit/(loss) for the period attributable to owners of the parent divided by the average of the opening and closing balances of total equity attributable to owners of the parent of the period.
- (5) Gearing ratio is represented by total liabilities (excluding capital supplementary bonds and subordinated term debts) divided by total assets.

## Management Discussion and Analysis

### Insurance Business

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

	For the Six Months Ended June 30			
	2020		2019	
	RMB'000	%	RMB'000	%
Net premiums earned	7,441,864	100.0	5,913,314	100.0
Net claims incurred	4,213,496	56.6	3,777,275	63.9
Insurance operating expenses	3,491,577	46.9	2,628,200	44.4
Underwriting loss	(263,209)	(3.5)	(492,161)	(8.3)

	For the Six Months Ended June 30	
	2020	2019
Retention ratio <sup>(1)</sup>	98.2%	98.3%
Loss ratio <sup>(2)</sup>	56.6%	63.9%
Expense ratio <sup>(3)</sup>	46.9%	44.4%
Combined ratio <sup>(4)</sup>	103.5%	108.3%

*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 as a percentage of net premiums earned.
- (4) Combined ratio equals the sum of loss ratio and expense ratio.

## 1. Gross Written Premiums

GWP primarily includes premiums written by us on insurance contracts issued or renewed for a given period, without deduction for premiums ceded by us to reinsurers.

Gross written premiums increased by approximately 14.7% from approximately RMB5,897.1 million for the six months ended June 30, 2019 to approximately RMB6,766.5 million for the six months ended June 30, 2020. We continued to optimize our product structure in order to fulfill high-quality growth. Benefiting from deep cooperation with our ecosystem partners and rapid

development of our proprietary platforms, we achieved huge growth in health insurance and shipping return insurance. Simultaneously, GWP for accident insurance, liability insurance and bond and credit insurance as a whole decreased noticeably as we cut down the scale of Employer Liability Insurance, Group Accident Policy, Flight Accident and Delay Policy and reduce the scale of GWP generated from consumer finance ecosystem to manage the overall risk. In addition, GWP for motor insurance decreased mainly due to the impact of COVID-19 outbreak in January 2020 on the overall Chinese auto market.

A breakdown of the GWP by insurance products types for the periods indicated is shown below:

	For the Six Months Ended June 30		
	2020 RMB'000	2019 RMB'000	(% of change)
Health insurance	2,996,046	1,301,680	130.2
Bond insurance	727,248	1,587,136	-54.2
Accident insurance	611,333	841,533	-27.4
Motor insurance	456,887	582,547	-21.6
Credit insurance	167,208	299,070	-44.1
Cargo insurance	90,901	82,994	9.5
Liability insurance	52,205	81,571	-36.0
Household property insurance	46,211	27,271	69.5
Others <sup>(1)</sup>	1,618,439	1,093,277	48.0
Of which:			
Shipping return insurance	1,576,332	1,043,267	51.1
<b>Total</b>	<b>6,766,478</b>	<b>5,897,079</b>	<b>14.7</b>

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.



## Management Discussion and Analysis

### 2. Premiums ceded to reinsurers

The premiums ceded to reinsurers increased from approximately RMB101.5 million for the six months ended June 30, 2019 to approximately RMB118.6 million for the six months ended June 30, 2020, of which the ceded premiums of accident insurance amounted to approximately RMB9.3 million, which was approximately RMB2.2 million less than that for the same period of 2019, and the ceded premiums of health insurance amounted to approximately RMB67.9 million, which was approximately RMB21.0 million less than that for the same period of 2019, and the ceded premiums of credit insurance which was the new product ceded to reinsurers amounted to approximately RMB41.4 million for the six months ended June 30, 2020. The increase in premiums ceded to reinsurers is mainly due to the changes of product portfolio and optimization of ceding policy.

The Company continued to carry out the stable ceding policy for the six months ended June 30, 2020. Reinsurance helps to diversify risk and support the Company's long term growth. The Company also continued to strengthen and deepen cooperation with reinsurers in other aspects. Our current reinsurer partners include, but are not limited to, General Reinsurance AG Shanghai Branch, China Property & Casualty Reinsurance Company Ltd. and Taiping Reinsurance (China) Co., Ltd.

### 3. Net change in unearned premium reserves

Unearned premium reserves are portions of written premiums relating to unexpired risk of insurance coverage. Unearned premium reserves decreased by approximately RMB794.0 million as of June 30, 2020 compared to that as of December 31, 2019 due to the significant decrease in GWP of bond and credit insurance for the six months ended June 30, 2020.

### 4. Net premiums earned

Net premiums earned represent net written premiums less net change in unearned premium reserves. As a result of the foregoing, net premiums earned increased by approximately 25.8% from approximately RMB5,913.3 million for the six months ended June 30, 2019 to approximately RMB7,441.9 million for the six months ended June 30, 2020.

### 5. Net claims incurred

Net claims incurred represent insurance claims paid less claims paid ceded to reinsurers, as adjusted by net change in claim reserve. Net claims incurred increased by approximately 11.5% from approximately RMB3,777.3 million for the six months ended June 30, 2019 to approximately RMB4,213.5 million for the six months ended June 30, 2020, among which net claims for bond and credit insurance decreased by approximately 27.5% from approximately RMB1,516.5 million for the six months ended June 30, 2019 to approximately RMB1,099.7 million for the six months ended June 30, 2020, and net claims for health and other insurance rose by approximately RMB648.2 million and approximately RMB384.8 million, respectively, from the six months ended June 30, 2019 to the six months ended June 30, 2020.

### 6. Handling charges and commissions

Handling charges and commissions represent fees paid to insurance agents for the distribution of our policies less reinsurance expenses recovered. Handling charges and commissions decreased by approximately 14.3% from approximately RMB437.2 million for the six months ended June 30, 2019 to approximately RMB374.9 million for the six months ended June 30, 2020, primarily due to our adjustment of product portfolio. We cut down the scale of those products with higher commission rate, such as Group Accident Policy, Flight Accident Policy and Employer Liability Insurance.

### 7. General and administrative expenses

General and administrative expenses primarily include consulting and technical fee primarily paid to our ecosystem partners, employee benefit expenses, advertising and marketing expenses, amortization of right-of use assets, impairment loss of premium receivable and intangible assets, asset management fee, and other miscellaneous general and administrative expenses. General and administrative expenses amounted to approximately RMB3,113.3 million for the six months ended June 30, 2020, representing a year-on-year increase of 42.1%, primarily due to our cooperation with some key media platforms to promote our products leading to increase of advertising and marketing expense by approximately RMB774.7 million.

## Investment Business

During the six months ended June 30, 2020, the Group's investing activities consisted of (i) equity investment; (ii) proprietary trading of bonds and other asset management products; and (iii) entrustment of third-party asset management companies for purchase of stock, bonds and other asset management products.

### 8. Composition of investment assets

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:

	June 30, 2020		December 31, 2019	
	Balance RMB'000	Percentage %	Balance RMB'000	Percentage %
<b>By category:</b>				
<b>Cash and amounts due from banks and other financial institutions</b>	<b>3,905,119</b>	<b>16.6</b>	2,914,820	14.6
<b>Fixed income investments</b>	<b>9,692,368</b>	<b>41.2</b>	8,450,182	42.4
Bonds	13,365,389	56.8	11,674,380	58.6
Term Deposits	300,000	1.3	300,000	1.5
Other fixed income investments	965,523	4.1	525,527	2.6
Securities sold under agreements to repurchase	(4,938,544)	(21.0)	(4,049,725)	(20.3)
<b>Equity and investment funds</b>	<b>5,219,973</b>	<b>22.2</b>	4,712,869	23.6
Investment funds	2,641,042	11.2	1,991,589	10.0
Stocks	2,000,756	8.5	2,082,521	10.4
Unlisted equity shares	578,175	2.5	638,759	3.2
<b>Other investments</b>	<b>4,715,298</b>	<b>20.0</b>	3,852,755	19.3
Wealth management products	3,440,584	14.6	2,576,079	12.9
Trust	1,274,714	5.4	1,276,676	6.4
<b>Total investment assets</b>	<b>23,532,758</b>	<b>100.0</b>	19,930,626	100.0

We had total investment assets of approximately RMB23,532.8 million as of June 30, 2020 and approximately RMB19,930.6 million as of December 31, 2019 representing an increase of approximately RMB3,602.2 million. Total investment assets represented approximately 66.9% of our total assets as of June 30, 2020, compared to approximately 64.5% as of December 31, 2019. As of June 30, 2020, equity and investment funds and other investments represented approximately 22.2% and approximately 20.0% of our total investment assets, respectively. Our total investment yield (unannualized) was approximately 4.0% and approximately 3.6% for the six months ended June 30, 2019 and 2020, respectively.

### 9. Cash and amounts due from banks and other financial institutions

Cash and amounts due from banks and other financial institutions primarily include cash, time deposit and placements with banks. Cash and amounts due from banks and other financial institutions increased from

approximately RMB2,914.8 million as of December 31, 2019 to approximately RMB3,905.1 million as of June 30, 2020. The primary reason for the increase was net cash inflows from operating activities and financing activities as discussed in the section headed "Cash flows".

### 10. Bonds

Bonds include government bonds, financial bonds, corporate bonds and interbank deposits. As of June 30, 2020, approximately 99.7% of the bonds the Company held received external ratings of AA (domestic) level or above, or BBB- (international) level or above. For domestic bonds, more than approximately 76.2% of them received external ratings of AAA (domestic) level. Bonds increased from approximately RMB11,674.4 million as of December 31, 2019 to approximately RMB13,365.4 million as of June 30, 2020. With the increase of the scale of total investment assets, we appropriately adjusted the proportion and allocation of various investment assets accordingly.

## Management Discussion and Analysis

### 11. Stocks and investment funds

The Group's investment in stocks decreased from approximately RMB2,082.5 million as of December 31, 2019 to approximately RMB2,000.8 million as of June 30, 2020, while our investment in investment funds increased from approximately RMB1,991.6 million as of December 31, 2019 to approximately RMB2,641.0 million as of June 30, 2020. Considering our need to invest in a variety of products and the value advantage of different kinds of investment assets, we reduced the scale of stocks and invested more in investment funds.

### 12. 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 Group's investment in these other investments increased from approximately RMB3,852.8 million as of December 31, 2019 to approximately RMB4,715.3 million as of June 30, 2020. Considering our need to diversify the investment portfolio, we invested more in other investments to secure stable investment return and manage overall credit risk.

### 13. Net Investment Income

	For the Six Months Ended June 30		
	2020 RMB'000	2019 RMB'000	(% of change)
<b>Interest income</b>			
– Bank deposits	27,504	40,441	(32.0)
– Bond investments	250,699	254,259	(1.4)
– Securities purchased under agreements to resell	2,169	5,624	(61.4)
– Trust investment scheme	36,861	21,162	74.2
<b>Dividend income</b>			
– Fund investment	67,867	18,658	263.7
– Equity investment	14,972	13,755	8.8
– Wealth management products	49,632	44,308	12.0
<b>Realized gain/(loss), net</b>	418,589	313,286	33.6
	<b>868,293</b>	<b>711,493</b>	<b>22.0</b>

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 wealth management products, investment funds and equity securities, and realized gains or losses on security transactions and available-for-sale securities. We had net investment income of approximately RMB711.5 million for the six months ended June 30, 2019 and net investment income of approximately RMB868.3 million for the six months ended June 30, 2020. On one hand, we invested more in investment funds and wealth management products to gain steady dividend income. On the other hand, we fully utilized the fluctuation in the stock market and realized gains from stock trading.

#### 14. Net Fair Value Gains through Profit or Loss

Net fair value gain through profit or loss represent net fair value change on financial assets measured at fair value through profit or loss. We had net fair value loss of approximately RMB44.2 million for the six months ended June 30, 2020, compared to gain of approximately RMB111.0 million for the six months ended June 30, 2019. The changes were primarily due to general condition change of capital markets for the six months ended June 30, 2020.

### Technology Business

Revenue generated from technology export business of ZhongAn Technology and ZhongAn International was approximately RMB119.9 million for the six months ended June 30, 2020, representing a year-on-year increase of approximately 26.2%. Correspondingly, technology export business incurred approximately RMB112.5 million loss for the six months ended June 30, 2020, representing a year-on-year decrease of approximately 30.8%.

On March 24, 2020, our "Virtual Bank" officially opened for business in Hong Kong, which generated revenue of approximately RMB19.0 million for the six months ended June 30, 2020.

### 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 24.4% from approximately RMB6,899.5 million for the six months ended June 30, 2019 to approximately RMB8,585.6 million for the six months ended June 30, 2020.

#### 16. Total profit before tax

Total profit before tax of the Group was approximately RMB334.3 million for the six months ended June 30, 2020 compared with total profit before tax of approximately RMB15.4 million for the six months ended June 30, 2019, representing a year-on-year increase of approximately 2,075.6%.

#### 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法), the Company and some of its subsidiaries are subject to the statutory rate of 25%. We had income tax credit of approximately RMB18.7 million and income tax credit of approximately RMB48.0 million for the six months ended June 30, 2019 and 2020, respectively, which were primarily generated from changes in deferred income tax liabilities.

#### 18. Net profit for the Reporting Period

The Group recorded a net profit of approximately RMB382.3 million for the six months ended June 30, 2020 compared to a net profit of approximately RMB34.1 million for the six months ended June 30, 2019. The net profit was mainly due to the decrease in underwriting loss.

### Cash Flows

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

	For the Six Months Ended June 30	
	2020 RMB'000	2019 RMB'000
Net cash inflow/(outflow) from operating activities	2,234,108	(597,371)
Net cash (outflow)/inflow from investing activities	(2,623,292)	35,253
Net cash inflow from financing activities	1,145,407	417,354
Effect of exchange rate changes on cash and cash equivalents	36,816	12,556
Net increase/(decrease) in cash and cash equivalents	793,039	(132,208)
Cash and cash equivalents at the beginning of the period	2,914,820	2,426,829
Cash and cash equivalents at the end of the period	3,707,859	2,294,621

## Management Discussion and Analysis

We had net cash inflow from operating activities of approximately RMB2,234.1 million in the six months ended June 30, 2020, which comprised of cash inflow from underwriting business and other operating activities of approximately RMB10,027.5 million, offset by the cash outflows from claims and other operating expenses of approximately RMB3,377.4 million and approximately RMB4,415.9 million, respectively.

We had net cash outflow from investing activities of approximately RMB2,623.3 million for the six months ended June 30, 2020, whereas our net cash inflow from investing activities for the six months ended June 30, 2019 was approximately RMB35.3 million. This was primarily due to the increase in purchase of investment assets.

We had net cash inflow from financing activities of approximately RMB1,145.4 million for the six months ended June 30, 2020, which primarily consisted of (i) net cash inflows from transaction of securities under agreements to repurchase of approximately RMB837.5 million; (ii) capital injection from non-controlling interest of approximately RMB896.4 million, which was offset by cash outflow of approximately RMB511.9 million paid for redemption of preference shares.

The table below summarizes the core capital, actual capital and minimum required capital of the Company according to the original CIRC's solvency rules.

	As of June 30, 2020 RMB'000	As of December 31, 2019 RMB'000
Actual capital	15,207,808	14,587,980
Core capital	15,207,808	14,587,980
Minimum required capital	2,778,424	2,903,217
Comprehensive solvency margin ratio (%)	547	502
Core solvency margin ratio (%)	547	502

Notes: Comprehensive solvency margin ration = Actual capital/Minimum required capital;

Core solvency margin ration = Core capital/Minimum required capital

### Indebtedness

As of June 30, 2020, 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, or unguaranteed, secured or unsecured, nor had any guarantees or other contingent liabilities.

### Solvency For Insurance Companies

The solvency ratio for insurance companies is an important supervisory indicator to assess the capital adequacy of insurance companies. Stable solvency ratio enables a company to meet the capital requirements by regulatory and rating agencies and other external institutions, and supports the business development of the company and long-term shareholders' value.

With its adequacy solvency at present, the Company will continue to strengthen the supervision control and analysis on its solvency ratio while proactively developing its insurance business and expanding the arrays of its investments in the future.



**19. Material investments**

We did not hold any material investments during the six months ended June 30, 2020.

**20. Material acquisitions and disposals**

Saved as disclosed in this report, we did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures during the six months ended June 30, 2020.

**21. Future plans for material investments and capital assets**

As of June 30, 2020 we did not have other plans for material investments and capital assets.

**22. Pledge of assets**

As of June 30, 2020, none of the Group's assets were pledged.

**23. Gearing ratio**

As of June 30, 2020, our gearing ratio, calculated as total liabilities (excluding capital supplementary bonds and subordinated term debts) divided by total assets, was approximately 50.3%, representing an increase of 10.9 percentage point as compared with approximately 39.4% as of June 30, 2019.

**24. Foreign exchange exposure**

During the six months ended June 30, 2020, 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 June 30, 2020, our cash and cash equivalents denominated in foreign currencies included approximately HK\$582.5 million, approximately USD87.8 million and approximately JPY1,073.5 million, mainly arising from the business operation of ZhongAn International. We did not use any financial instruments for hedging purposes for the six months ended June 30, 2020.

**25. Contingent liabilities**

As of June 30, 2020, we did not have any material contingent liabilities.

**26. Off-balance sheet commitments and arrangements**

As of June 30, 2020, we had not entered into any off-balance sheet arrangements.

**27. Events after the Reporting Period**

On 16 July 2020, the Company issued 5-year notes in the aggregate principal amount of USD600,000 thousand at the rate of 3.125% on the Hong Kong Stock Exchange.

The COVID-19 pandemic outbreak and continued to spread in China and around the world since early 2020. The COVID-19 pandemic has had certain impacts on the business operation and overall economy in some areas or industries around the world, including in China. The interim condensed consolidated financial information has reflected the known impact of the COVID-19 pandemic on the financial position as at June 30, 2020 and on the operating results and cash flows for the six months ended June 30, 2020 of the Group. Since the beginning of the second quarter in 2020, although China's economic and social operation has gradually got back on track despite prevention and control measures applied, it remains largely uncertain how things will develop with the global outbreak of the COVID-19 pandemic. The Group will pay close attention to the development of the COVID-19 pandemic and evaluate its impact on the financial position and operating results of the Group.

**Use of net proceeds from the 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 offering were approximately HK\$13,682.5 million, which will be gradually used for the purposes as set out in the Prospectus.

## Disclosure of Interest

### 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 at June 30, 2020, 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 to therein, or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Model Code are as follows:

Name of Director	Class of Shares	Nature of interest	Number of Shares	Approximate percentage in Shares of the same class <sup>(1)</sup>	Approximate percentage of the Company's total issued share capital <sup>(1)</sup>
Yaping Ou <sup>(2)</sup>	Domestic Shares	Interest of controlled corporation	81,000,000 (Long position)	8.10%	5.51%

*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 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, 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).

Save as disclosed above, as at June 30, 2020, 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 June 30, 2020, within the knowledge of the Directors, the following persons (other than the Directors, the Supervisors and the 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 <sup>(1)</sup>	Approximate percentage in Shares of the same class <sup>(2)</sup>	Approximate percentage of the Company's total issued share capital <sup>(2)</sup>
Ant Group <sup>(3)</sup>	Domestic Shares	Beneficial interest	199,000,000	19.90%	13.54%
Hangzhou Yunbo Investment Consulting Co., Ltd. <sup>(3)</sup>	Domestic Shares	Interest of controlled corporation	199,000,000	19.90%	13.54%
Yun Ma <sup>(3)</sup>	Domestic Shares	Interest of controlled corporation	199,000,000	19.90%	13.54%
Tencent Computer System <sup>(4)</sup>	Domestic Shares	Beneficial interest	150,000,000	15.00%	10.21%
Huateng Ma <sup>(4)</sup>	Domestic Shares	Interest of controlled corporation	150,000,000	15.00%	10.21%
Tencent Holdings Limited <sup>(4)</sup>	Domestic Shares	Interest of controlled corporation	150,000,000	15.00%	10.21%
Ping An Insurance <sup>(5)</sup>	Domestic Shares	Beneficial interest	150,000,000	15.00%	10.21%
Shenzhen Jia De Xin Investment Limited <sup>(6)</sup>	Domestic Shares	Beneficial interest	140,000,000	14.00%	9.53%
Shenzhen Huaxinlian Investment Limited <sup>(6)</sup>	Domestic Shares	Interest of controlled corporation	140,000,000	14.00%	9.53%
Yafei Ou <sup>(6)</sup>	Domestic Shares	Interest of controlled corporation	140,000,000	14.00%	9.53%
Unifront Holding Limited <sup>(7)</sup>	Domestic Shares	Beneficial interest	90,000,000	9.00%	6.12%
Shanghai Songlu Investment Management Co., Ltd. <sup>(7)</sup>	Domestic Shares	Interest of controlled corporation	90,000,000	9.00%	6.12%
Shanghai Jiangu Investment Management Co., Ltd. <sup>(7)</sup>	Domestic Shares	Interest of controlled corporation	90,000,000	9.00%	6.12%
Shanghai Xinlu Investment Management Co., Ltd. <sup>(7)</sup>	Domestic Shares	Interest of controlled corporation	90,000,000	9.00%	6.12%
Shanghai Youlu Investment Management Co., Ltd. <sup>(7)</sup>	Domestic Shares	Interest of controlled corporation	90,000,000	9.00%	6.12%
Zhen Zhang <sup>(7)</sup>	Domestic Shares	Interest of controlled corporation	90,000,000	9.00%	6.12%
Cnhooray Internet Technology Co. Ltd. <sup>(8)</sup>	Domestic Shares	Beneficial interest	81,000,000	8.10%	5.51%
Timeway Holdings Limited <sup>(8)</sup>	Domestic Shares	Interest of controlled corporation	81,000,000	8.10%	5.51%

## Disclosure of Interest

Name of Shareholder	Class of Shares	Nature of interest	Number of Shares <sup>(1)</sup>	Approximate percentage in Shares of the same class <sup>(2)</sup>	Approximate percentage of the Company's total issued share capital <sup>(2)</sup>
Sinolink Worldwide <sup>(8)</sup>	Domestic Shares	Interest of controlled corporation	81,000,000	8.10%	5.51%
Asia Pacific Promotion Limited <sup>(8)</sup>	Domestic Shares	Interest of controlled corporation	81,000,000	8.10%	5.51%
Qingdao Huilijun Trading Company Limited <sup>(9)</sup>	Domestic Shares	Beneficial interest	50,000,000	5.00%	3.40%
Gongqingcheng Shengchuang Investment Partnership (Limited Partnership) <sup>(9)</sup>	Domestic Shares	Interest of controlled corporation	50,000,000	5.00%	3.40%
Shengchuang Weiye (Xiamen) Equity Investment Fund Management Limited <sup>(9)</sup>	Domestic Shares	Interest of controlled corporation	50,000,000	5.00%	3.40%
Shenzhen Qianhai Lihui Fund Management Limited <sup>(9)</sup>	Domestic Shares	Interest of controlled corporation	50,000,000	5.00%	3.40%
Yu Chen <sup>(9)</sup>	Domestic Shares	Interest of controlled corporation	50,000,000	5.00%	3.40%
Zuojie Peng <sup>(9)</sup>	Domestic Shares	Interest of controlled corporation	50,000,000	5.00%	3.40%
Shanghai Yuanqiang Investment Company Limited <sup>(10)</sup>	Domestic Shares	Beneficial interest	50,000,000	5.00%	3.40%
Song Zou <sup>(10)</sup>	Domestic Shares	Interest of controlled corporation	50,000,000	5.00%	3.40%
SVF Zen Subco (Singapore) Pte. Ltd. <sup>(11)</sup>	H Shares	Beneficial interest	71,909,800	15.30%	4.89%
SVF Holdco (Singapore) Pte. Ltd. <sup>(11)</sup>	H Shares	Interest of controlled corporation	71,909,800	15.30%	4.89%
SVF Holdings (Cayman) Ltd. <sup>(11)</sup>	H Shares	Interest of controlled corporation	71,909,800	15.30%	4.89%
SVF Holdings (UK) LLP <sup>(11)</sup>	H Shares	Interest of controlled corporation	71,909,800	15.30%	4.89%
SoftBank Vision Fund L.P. <sup>(11)</sup>	H Shares	Interest of controlled corporation	71,909,800	15.30%	4.89%
Vision Technology Investment Company <sup>(11)</sup>	H Shares	Interest of controlled corporation	71,909,800	15.30%	4.89%
Public Investment Fund <sup>(11)</sup>	H Shares	Interest of controlled corporation	71,909,800	15.30%	4.89%

Name of Shareholder	Class of Shares	Nature of interest	Number of Shares <sup>(1)</sup>	Approximate percentage in Shares of the same class <sup>(2)</sup>	Approximate percentage of the Company's total issued share capital <sup>(2)</sup>
SVF GP (Jersey) Limited <sup>(11)</sup>	H Shares	Interest of controlled corporation	71,909,800	15.30%	4.89%
SoftBank Group Corp. <sup>(11)</sup>	H Shares	Interest of controlled corporation	71,909,800	15.30%	4.89%

## Notes:

- All the Shares are held in long position (as defined under Part XV of the SFO) unless otherwise specified.
- The shareholding percentages are calculated on the basis of 1,000,000,000 Domestic Shares and 469,812,900 H Shares.
- Hangzhou Junhan Equity Investments Partnership (Limited Partnership) (杭州君瀚股權投資合夥企業(有限合夥)) ("Hangzhou Junhan") and Hangzhou Junao Equity Investments Partnership (Limited Partnership) (杭州君澳股權投資合夥企業(有限合夥)) ("Hangzhou Junao") held approximately 29.86% and 20.66% (together approximately 50.52%) of Ant Group's total issued Shares, respectively. Hangzhou Yunbo Investment Consulting Co., Ltd. (杭州雲鉞投資諮詢有限公司) ("Hangzhou Yunbo") is the executive partner and general partner of, and controls, Hangzhou Junhan and Hangzhou Junao. Mr. Jack Ma held a 34% equity interest in Hangzhou Yunbo and each of Mr. Eric Jing, Mr. Simon Hu and Ms. Fang Jiang held a 22% equity interest in Hangzhou Yunbo. Pursuant to the Concert Party Agreement entered into between them and the articles of association of Hangzhou Yunbo, Mr. Jack Ma has ultimate control over Ant Group.
- Tencent Computer System is a consolidated affiliated entity (through contractual arrangements) of Tencent Holdings Limited, a company listed on 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. Mr. Huateng Ma (馬化騰) holds 54.29% shares in Tencent Computer System.
- Ping An Insurance is a joint-stock company incorporated in the PRC and listed on the Hong Kong Stock Exchange (Stock Code: 2318) and the SSE (Stock Code: 601318).
- 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 is deemed to be interested in the Shares held by Shenzhen Jia De Xin Investment Limited. Shenzhen Huaxinlian Investment Limited is controlled by Mr. Yafei Ou (歐亞非). As such, Mr. Yafei Ou (歐亞非) is deemed to be interested in the Shares held by Shenzhen Jia De Xin Investment Limited.
- 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 Jiangu Investment Management Co., Ltd. (上海江鹿投資管理有限公司) as to 16.88% and Shanghai Xinlu Investment Management Co., Ltd. (上海鑫鹿投資管理有限公司) as to 13.12%. The entire interest of Shanghai Songlu Investment Management Co., Ltd., Shanghai Jiangu Investment Management Co., Ltd. and Shanghai Xinlu Investment Management Co., Ltd. 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., Shanghai Songlu Investment Management Co., Ltd., Shanghai Jiangu Investment Management Co., Ltd. and Shanghai Xinlu Investment Management Co., Ltd. are deemed to be interested in the Shares held by Unifront Holding Limited. As such, Zhen Zhang (張真) is deemed to be interested in the Shares held by Unifront Holding Limited.
- 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. Sinolink Worldwide is held 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, 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).
- Qingdao Huilijun Trading Company Limited (青島惠麗君貿易有限公司) is a 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 Mr. Yu Chen (陳宇) and Mr. 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), Mr. Yu Chen (陳宇) and Mr. 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).
- Shanghai Yuanqiang Investment Company Limited (上海遠強投資有限公司) is owned by Mr. Song Zou (鄒松) as to 80.00%. As such, Mr. 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).
- 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 partner 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 June 30, 2020.

## Other Information

### Employees and Remuneration Policies

As at June 30, 2020, the Group had 2,842 full-time employees (June 30, 2019: 2,893). The number of employees employed by the Group varies from time to time depending on need. Employee remuneration is determined in accordance with prevailing industry practice and employees' educational backgrounds, experiences and performance. The remuneration policy and package of the Group's employees are periodically reviewed. Apart from pension funds, in-house training programs, discretionary bonuses, medical insurance and mandatory provident fund, share awards may be granted to employees according to the assessment of individual performance.

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

The total remuneration cost incurred by the Group for the six months ended June 30, 2020 was approximately RMB674.4 million (for the six months ended June 30, 2019: approximately RMB762.8 million).

### Corporate Governance

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 set out in Appendix 14 to the Listing Rules as the basis of the Company's corporate governance practices. During the Reporting Period, the Company has complied with all the applicable code provisions set out in the CG Code.

### Compliance With the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regarding the Directors' dealings in the securities of the Company. The Company has made enquiries into all Directors, and all the Directors confirmed that they had complied with the standards set out in the Model Code during the Reporting Period.

### Review by Audit Committee

The Company has established an audit committee in accordance with the Listing Rules. The primary duties of the audit committee are to supervise our risk management, internal control system, financial information disclosure and financial reporting matters. The audit committee comprises Mr. Liangxun Shi, Mr. Yifan Li and Ms. Hui Chen. Mr. Liangxun Shi is a non-executive Director, and Mr. Yifan Li and Ms. Hui Chen are independent non-executive Directors. Ms. Hui Chen is the chairman of the audit committee.

The audit committee has reviewed the unaudited interim results of the Group for the six months ended June 30, 2020. The audit committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members and the external auditor of the Company, PricewaterhouseCoopers. The interim financial statements of the Company are unaudited.

### Other Board Committees

In addition to the audit committee, the Company has also established a risk management committee, a remuneration and nomination committee, an investment strategy committee, a related transactions control committee and a consumer rights protection committee.



## Changes in Directors, Supervisors and Chief Executive during the Reporting Period

At the annual general meeting of the Company held on May 11, 2020, Mr. Weibiao Zhan was elected as a non-executive Director of the third session of the Board. The appointment of Mr. Weibiao Zhan will become effective upon the approval of his qualification as director by the CBIRC.

Changes in information of Directors, Supervisors and Chief Executives which are required to be disclosed under Rule 13.51B(1) of the Listing Rules are set out below:

1. Ms. Hui Chen has been serving as the chief compliance risk controller of Huazhu Group Limited, a company listed on NASDAQ (stock code: HTHT), since February 2020.
2. Mr. Weibiao Zhan ceased to serve as a non-executive director of Maoyan Entertainment, a company listed on Hong Kong Stock Exchange (stock code: 1896) with effect from June 2020.
3. Mr. Shuang Zhang has been serving as an independent non-executive director of Planetree International Development Limited, a company listed on the Hong Kong Stock Exchange (stock code: 613), since April 2020.
4. Changes in the fees of independent non-executive Directors since January 2020 are as follows: HK\$250,000 per annum for each independent non-executive Director serving as the chairman of professional committees of the Board, and HK\$200,000 per annum for each independent non-executive Director serving as the member of professional committees of the Board.

## Purchase, Sale or Redemption of Company's Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the Reporting Period.

## Litigation

As of June 30, 2020, the Company was not involved in any material litigation or arbitration. Nor were the Directors of the Company aware of any material litigation or claims that were pending or threatened against the Company.

## Interim Dividend

In order to retain resources for the Group's business development, the Board does not declare an interim dividend for the six months ended June 30, 2020 (for the six months ended June 30, 2019: Nil).

For and on behalf of the Board

**Yaping Ou**  
*Chairman*

August 26, 2020

# Report on Review of Interim Financial Information

**To the Board of Directors of ZhongAn Online P & C Insurance Co., Ltd.**

(incorporated in the People's Republic of China with limited liability)

## Introduction

We have reviewed the interim financial information set out on pages 35 to 74, which comprises the interim condensed consolidated balance sheet of ZhongAn Online P & C Insurance Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2020 and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 26 August 2020

# Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2020

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

	Notes	Six months ended 30 June	
		2020 (unaudited)	2019 (unaudited)
Gross written premiums	6	6,766,787	5,897,079
Less: Premiums ceded to reinsurers	6	(118,663)	(101,479)
Net written premiums	6	6,648,124	5,795,600
Less: Net change in unearned premium reserves	6	794,021	117,714
<b>Net premiums earned</b>	6	<b>7,442,145</b>	5,913,314
Net investment income	7	868,293	711,493
Net fair value changes through profit or loss	8	(44,212)	110,987
Other income		319,390	163,751
<b>Total income</b>		<b>8,585,616</b>	6,899,545
Net claims incurred	9	(4,213,886)	(3,777,275)
Handling charges and commissions	10	(374,886)	(437,188)
Foreign exchange gains/(losses)		(1,011)	2,205
Finance costs		(62,832)	(50,288)
General and administrative expenses	11	(3,339,508)	(2,329,342)
Other expenses		(267,340)	(278,018)
<b>Total expenses</b>		<b>(8,259,463)</b>	(6,869,906)
Share of net profit/(loss) of associates and joint ventures accounted for using the equity method		8,133	(14,274)
<b>Profit before income tax</b>		<b>334,286</b>	15,365
Income tax	12	48,037	18,718
<b>Net profit for the period</b>		<b>382,323</b>	34,083
<b>Profit attributable to:</b>			
– Owners of the parent		490,493	94,538
– Non-controlling interests		(108,170)	(60,455)
		<b>382,323</b>	34,083

# Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2020

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

	Notes	Six months ended 30 June	
		2020 (unaudited)	2019 (unaudited)
<b>Profit per share</b>			
– Basic profit per share (RMB yuan)	13	0.33	0.06
– Diluted profit per share (RMB yuan)	13	0.33	0.06
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
– Changes in fair value of available-for-sale financial assets	14	143,888	61,578
– Exchange differences on translation of foreign operations	14	38,349	10,351
<b>Other comprehensive income for the period, net of tax</b>	14	182,237	71,929
<b>Total comprehensive income for the period</b>		564,560	106,012
<b>Total comprehensive income for the period attributable to:</b>			
– Owners of the parent		654,532	161,395
– Non-controlling interests		(89,972)	(55,383)
		564,560	106,012

The accompanying notes form an integral part of the interim condensed consolidated financial information.

The interim condensed consolidated financial information and the accompanying notes starting from page 35 to page 74 are signed by:

**Yaping Ou**

(On behalf of Board of Directors)

**Jin Chen**

(On behalf of Board of Directors)

# Interim Condensed Consolidated Balance Sheet

As at 30 June 2020

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

	Notes	30 June 2020 (unaudited)	31 December 2019 (audited)
<b>ASSETS</b>			
Cash and amounts due from banks and other financial institutions	15	3,905,119	2,914,820
Financial assets at fair value through profit or loss	16	5,771,672	6,220,536
Securities purchased under agreements to resell	17	632,945	160,000
Interest receivables	18	282,921	306,078
Premium receivables	19	3,431,424	3,532,160
Reinsurance receivables	20	281,776	238,028
Reinsurers' share of insurance contract liabilities	34	253,664	275,127
Available-for-sale financial assets	21	15,889,054	12,200,672
Loans and advances to customers		105,646	50,900
Investments classified as loans and receivables	22	1,274,714	1,276,676
Term deposits		300,000	300,000
Restricted statutory deposits	23	294,338	294,338
Held-to-maturity financial assets		78,048	—
Investments in associates and joint ventures	24	325,412	613,309
Right-of-use assets	25	321,558	363,635
Property and equipment	26	81,246	90,968
Intangible assets	27	504,428	488,779
Goodwill		7,186	3,997
Deferred income tax assets	28	—	—
Other assets	29	1,449,607	1,577,552
<b>Total assets</b>		<b>35,190,758</b>	<b>30,907,575</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	30	1,469,813	1,469,813
Reserves	31	16,754,933	16,576,422
Accumulated losses		(2,644,087)	(3,134,580)
Equity attributable to owners of the parent		15,580,659	14,911,655
Non-controlling interests		1,910,324	1,593,876
<b>Total equity</b>		<b>17,490,983</b>	<b>16,505,531</b>
<b>Liabilities</b>			
Customer deposits	32	2,193,755	23,841
Securities sold under agreements to repurchase	33	4,938,544	4,049,725
Premium received in advance		103,465	101,134
Reinsurance payables		215,895	218,060
Income tax payable		5,626	2,170
Insurance contract liabilities	34	7,521,650	7,542,640
Lease liabilities	25	361,532	398,366
Deferred income tax liabilities	28	405	42
Contract liabilities		33,238	22,089
Other liabilities	35	2,325,665	2,043,977
<b>Total liabilities</b>		<b>17,699,775</b>	<b>14,402,044</b>
<b>Total equity and liabilities</b>		<b>35,190,758</b>	<b>30,907,575</b>

# Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

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

	For the six months ended 30 June 2020 (unaudited)									
	Attributable to owners of the parent									
	Reserves									
	Share capital	Capital reserves	Surplus reserves	Other reserves due to share-based payments	Available-for-sale financial assets revaluation reserves	Foreign currency translation reserves	Accumulated losses	Total	Non-controlling interests	Total equity
<b>1 January 2020</b>	1,469,813	16,587,401	32	38,400	(65,152)	15,741	(3,134,580)	14,911,655	1,593,876	16,505,531
Total comprehensive income	—	—	—	—	144,451	19,588	490,493	654,532	(89,972)	564,560
Contributions from non-controlling interests 5(b)	—	—	—	—	—	—	—	—	896,398	896,398
Consideration paid to non-controlling interests 5(b)	—	(16,266)	—	—	—	—	—	(16,266)	(495,628)	(511,894)
Non-controlling interests on acquisition of subsidiary 5(b)	—	—	—	—	—	—	—	—	5,650	5,650
Others 24(c)	—	30,738	—	—	—	—	—	30,738	—	30,738
<b>30 June 2020</b>	<b>1,469,813</b>	<b>16,601,873</b>	<b>32</b>	<b>38,400</b>	<b>79,299</b>	<b>35,329</b>	<b>(2,644,087)</b>	<b>15,580,659</b>	<b>1,910,324</b>	<b>17,490,983</b>

	For the six months ended 30 June 2019 (unaudited)									
	Attributable to owners of the parent									
	Reserves									
	Share capital	Capital reserves	Surplus reserves	Other reserves due to share-based payments	Available-for-sale financial assets revaluation reserves	Foreign currency translation reserves	Accumulated losses	Total	Non-controlling interests	Total equity
<b>1 January 2019</b>	1,469,813	16,596,375	—	38,400	7,763	135	(2,680,447)	15,432,039	1,042,634	16,474,673
Total comprehensive income	—	—	—	—	61,578	5,279	94,538	161,395	(55,383)	106,012
Contributions from non-controlling interests	—	—	—	—	—	—	—	—	377,889	377,889
Consideration paid to non-controlling interests	—	(4,381)	—	—	—	—	—	(4,381)	(313,238)	(317,619)
Non-controlling interests on deconsolidation of subsidiary	—	—	—	—	—	—	—	—	(91,629)	(91,629)
<b>30 June 2019</b>	<b>1,469,813</b>	<b>16,591,994</b>	<b>—</b>	<b>38,400</b>	<b>69,341</b>	<b>5,414</b>	<b>(2,585,909)</b>	<b>15,589,053</b>	<b>960,273</b>	<b>16,549,326</b>



# Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

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

	Notes	Six months ended 30 June	
		2020 (unaudited)	2019 (unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from/(used in) operating activities	36	2,234,108	(597,371)
<b>Net cash inflow/(outflow) from operating activities</b>		<b>2,234,108</b>	<b>(597,371)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of property and equipment, intangible assets and other assets		(110,729)	(121,102)
Proceeds from sale of property and equipment, intangible assets and other assets		—	211
Purchases of investments, net		(3,412,651)	(609,647)
Acquisition of subsidiaries and other business entities, net		(27,151)	(17,273)
Deconsolidation of subsidiaries, net		—	(28,692)
Dividends and others received from investments		927,239	811,756
<b>Net cash inflow/(outflow) from investing activities</b>		<b>(2,623,292)</b>	<b>35,253</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of borrowings		(2,258)	(15,339)
Proceeds from issue of preference shares		—	342,048
Increase in securities sold under agreements to repurchase, net		837,515	431,227
Proceeds from capital injection by non-controlling interests		896,398	35,841
Considerations paid for repurchase of non-controlling interests' shares		—	(317,619)
Considerations paid for redemption of preference shares		(511,894)	—
Principal elements of lease payments		(74,354)	(58,804)
<b>Net cash inflow from financing activities</b>		<b>1,145,407</b>	<b>417,354</b>
Effects of exchange rate changes on cash and cash equivalents		36,816	12,556
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>793,039</b>	<b>(132,208)</b>
Cash and cash equivalents at the beginning of period		2,914,820	2,426,829
<b>Cash and cash equivalents at the end of period</b>	15(b)	<b>3,707,859</b>	<b>2,294,621</b>

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

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

## 1. GENERAL INFORMATION

Approved by the former 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 subsidiaries (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. BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), as part of the Hong Kong Financial Reporting Standards ("HKFRSs"), and applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

This interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2019.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Changes in accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those of the Group's annual financial statements for the year ended 31 December 2019, except for the adoption of amended or improved standards as of 1 January 2020 as set out below. The adoption of these revised HKFRSs currently has had no significant impact on the condensed consolidated financial information.

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Revised Conceptual Framework for Financial Reporting	

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.2 Impact of standards issued but not yet applied

##### ***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 statement of comprehensive income. 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. The International Accounting Standards Board ("IASB") issued the amendments to IFRS 4 and IFRS 17 to defer the effective date of IFRS 17 to 1 January 2023 and the temporary exemption from IFRS 9 will be extended as well. The deferral for HKFRS 17 to 1 January 2023 is yet to be endorsed by the Financial Reporting Standards Committee of the HKICPA.

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.

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, Held-to-maturity financial assets are as follows:

	30 June 2020 Fair value	Six months ended 30 June 2020 Change in the fair value
Financial assets held for trading (A)	5,771,672	(44,212)
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)	11,137,149	(872)
– Financial assets not meet SPPI	6,104,191	192,605
Total	<u>23,013,012</u>	<u>147,521</u>

## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.2 Impact of standards issued but not yet applied (continued)

##### ***HKFRS 9 and HKFRS 4 Amendments*** (continued)

	30 June 2020
	<u>Carrying amounts</u>
<b>Credit risk rating grades of financial assets meet SPPI(C)</b>	
Domestic	
AAA	7,701,342
A-1	230,054
AA+	1,283,077
AA	190,018
C	19,331
Overseas	
A3(inclusive) or above	503,988
Baa1	180,889
Baa2	155,718
Baa3	872,975
Total	<u>11,137,392</u>

	30 June 2020	
	<u>Carrying amounts</u>	<u>Fair value</u>
Financial assets not have low credit risk	<u>19,331</u>	<u>19,331</u>

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.

##### ***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.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.2 Impact of standards issued but not yet applied (continued)

##### ***HKFRS 17*** (continued)

The standard is currently mandatorily effective for annual periods beginning on or after 1 January 2021 and earlier application is permitted. On 25 June 2020, the IASB issued the amendments to IFRS 4 and IFRS 17, the effective date of IFRS 17 will be deferred to annual reporting periods beginning on or after 1 January 2023, and the temporary exemption from IFRS 9 will be extended to enable the implementation of both IFRS 9 and IFRS 17 at the same time. The deferral for HKFRS 17 to 1 January 2023 is yet to be endorsed by the Financial Reporting Standards Committee of the HKICPA. The impact is expected to be significant. The Group is in the process of assessing the impact of adoption of HKFRS 17.

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.

### 4. SEGMENT INFORMATION

The Group's 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 and international IT consulting to its customers;
- The banking segment provides banking services to its customers;
- The others segment includes entities other than the insurance segment, the technology segment and the banking segment, which provides investment management, online life insurance business, insurance brokerage, bio technology services and etc.

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.

The banking segment has been identified as a new operating segment. As a consequence, the comparative segment information has been restated.

## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

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

### 4. SEGMENT INFORMATION (continued)

Segment statement of comprehensive income for the six months ended 30 June 2020

	Insurance	Technology	Banking	Others	Eliminations	Total
Gross written premiums	6,769,848	—	—	309	(3,370)	6,766,787
Less: Premiums ceded to reinsurers	(118,635)	—	—	(28)	—	(118,663)
Net change in unearned premium reserves	793,988	—	—	—	33	794,021
<b>Net premiums earned</b>	<b>7,445,201</b>	<b>—</b>	<b>—</b>	<b>281</b>	<b>(3,337)</b>	<b>7,442,145</b>
Net Investment income	820,917	35,090	—	12,688	(402)	868,293
Net fair value changes through profit or loss	(43,778)	(1,585)	—	1,151	—	(44,212)
Share of net profit/(loss) of associates and joint ventures accounted for using the equity method	20,439	(5,181)	—	(8,005)	880	8,133
Other income	110,850	140,449	19,016	32,500	16,575	319,390
<b>Segment income</b>	<b>8,353,629</b>	<b>168,773</b>	<b>19,016</b>	<b>38,615</b>	<b>13,716</b>	<b>8,593,749</b>
Net claims incurred	(4,213,511)	—	—	(390)	15	(4,213,886)
Handling charges and commissions	(379,934)	—	—	—	5,048	(374,886)
Foreign exchange gains/(losses)	10	284	(1,223)	(1,359)	1,277	(1,011)
Finance costs	(55,875)	(4,166)	—	(2,791)	—	(62,832)
General and administrative expenses	(3,120,975)	(58,667)	(119,620)	(53,110)	12,864	(3,339,508)
Other expenses	(9,145)	(212,983)	(9,649)	(35,966)	403	(267,340)
<b>Segment expenses</b>	<b>(7,779,430)</b>	<b>(275,532)</b>	<b>(130,492)</b>	<b>(93,616)</b>	<b>19,607</b>	<b>(8,259,463)</b>
<b>Profit/(Loss) before income tax</b>	<b>574,199</b>	<b>(106,759)</b>	<b>(111,476)</b>	<b>(55,001)</b>	<b>33,323</b>	<b>334,286</b>
Income tax	47,943	58	—	36	—	48,037
<b>Net profit/(loss)</b>	<b>622,142</b>	<b>(106,701)</b>	<b>(111,476)</b>	<b>(54,965)</b>	<b>33,323</b>	<b>382,323</b>

Segment balance sheet at 30 June 2020

	Insurance	Technology	Banking	Others	Eliminations	Total
Segment assets	31,631,636	2,576,804	3,803,850	3,896,487	(6,718,019)	35,190,758
Segment liabilities	14,976,302	489,125	2,718,789	468,913	(953,354)	17,699,775
Segment equity	16,655,334	2,087,679	1,085,061	3,427,574	(5,764,665)	17,490,983



#### 4. SEGMENT INFORMATION (continued)

Segment statement of comprehensive income for the six months ended 30 June 2019

	Insurance	Technology	Banking	Others	Eliminations	Total
Gross written premiums	5,900,508	—	—	—	(3,429)	5,897,079
Less: Premiums ceded to reinsurers	(101,479)	—	—	—	—	(101,479)
Net change in unearned premium reserves	118,684	—	—	—	(970)	117,714
<b>Net premiums earned</b>	<b>5,917,713</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(4,399)</b>	<b>5,913,314</b>
Net Investment income	695,080	19	6,394	5,469	4,531	711,493
Net fair value changes through profit or loss	110,987	—	—	—	—	110,987
Other income	46,565	104,635	—	50,974	(38,423)	163,751
<b>Segment income</b>	<b>6,770,345</b>	<b>104,654</b>	<b>6,394</b>	<b>56,443</b>	<b>(38,291)</b>	<b>6,899,545</b>
Net claims incurred	(3,778,687)	—	—	—	1,412	(3,777,275)
Handling charges and commissions	(450,083)	—	—	—	12,895	(437,188)
Foreign exchange gains/(losses)	(66)	(239)	—	2,403	107	2,205
Finance costs	(43,969)	(5,451)	—	(868)	—	(50,288)
General and administrative expenses	(2,196,712)	(56,501)	(81,358)	(21,687)	26,916	(2,329,342)
Share of net loss of associates and joint ventures accounted for using the equity method	(600)	(11,812)	—	(1,532)	(330)	(14,274)
Other expenses	(1,061)	(192,010)	—	(85,305)	358	(278,018)
<b>Segment expenses</b>	<b>(6,471,178)</b>	<b>(266,013)</b>	<b>(81,358)</b>	<b>(106,989)</b>	<b>41,358</b>	<b>(6,884,180)</b>
<b>Profit/(Loss) before income tax</b>	<b>299,167</b>	<b>(161,359)</b>	<b>(74,964)</b>	<b>(50,546)</b>	<b>3,067</b>	<b>15,365</b>
Income tax	20,526	(1,113)	—	(695)	—	18,718
<b>Net profit/(loss)</b>	<b>319,693</b>	<b>(162,472)</b>	<b>(74,964)</b>	<b>(51,241)</b>	<b>3,067</b>	<b>34,083</b>

Segment balance sheet at 31 December 2019

	Insurance	Technology	Banking	Others	Eliminations	Total
Segment assets	29,866,877	2,412,783	1,245,211	2,531,516	(5,148,812)	30,907,575
Segment liabilities	13,977,513	731,350	60,818	378,706	(746,343)	14,402,044
Segment equity	15,889,364	1,681,433	1,184,393	2,152,810	(4,402,469)	16,505,531

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

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

## 5. SUBSIDIARIES

(a) The Company's subsidiaries at 30 June 2020 are as follows:

Name	Place of operations	Place of incorporation/ registration	Nature of business	Registered capital (Thousand)	Percentage of equity	Acquisition Mode
ZhongAn Information Technology Services Limited Company ("ZhongAn Technology")	Shanghai, The PRC	Shenzhen, The PRC	Technology Development/ Technology Consulting	RMB 3,000,000	100.00%	Set-up
ZhongAn Online Insurance Broker Limited Company ("ZhongAn Insurance Broker")	Guangzhou, The PRC	Guangzhou, The PRC	Insurance Broker	RMB 100,000	100.00%	Set-up
Hangzhou Qihui Internet Technology Limited Company ("Hangzhou Qihui")	Hangzhou, The PRC	Hangzhou, The PRC	Technology Development/ Technology Consulting	RMB 3,000	100.00%	Equity Purchase
ZhongAn (ShenZhen) Life Sciences Co., Ltd ("ZhongAn Life Sciences")	Shenzhen, The PRC	Shenzhen, The PRC	Bio Technology	RMB 100,000	70.00%	Set-up
Ningbo Haoyin Biotechnology Co., Ltd. ("Ningbo Haoyin")	Ningbo, The PRC	Ningbo, The PRC	Bio Technology	RMB 66,700	54.87%	Set-up
Shanghai Renxin Medical Laboratory Co., Ltd. ("Shanghai Renxin") (a)	Shanghai, The PRC	Shanghai, The PRC	Medical Examination	RMB 20,000	100.00%	Controlled under contractual arrangements
Shanghai Lianmo Information Technology Co., Ltd. ("Shanghai Lianmo")	Shanghai, The PRC	Shanghai, The PRC	Technology Development/ Technology Consulting	RMB 7,010	100.00%	Equity Purchase
ZhongAn (HaiNan) Medical Technology Co., Ltd ("ZhongAn Medical Technology")	Hainan, The PRC	Hainan, The PRC	Online Medical Service	RMB 5,000	70.00%	Set-up
ZhongAn (Hainan) Telemedicine Centre Ltd. ("ZA Telemedicine Centre")	Hainan, The PRC	Hainan, The PRC	Telemedicine	RMB 1,000	100.00%	Set-up
ZhongAn (Hainan) Internet Hospital Ltd. ("ZA Internet Hospital")	Hainan, The PRC	Hainan, The PRC	Internet Hospital	RMB 1,000	100.00%	Set-up
Hebei Xiongan ZhongAn Financial Service Information Technology Limited Company ("Hebei Xiongan Information")	Hebei, The PRC	Hebei, The PRC	Technology Development/ Technology Consulting	RMB 3,000	100.00%	Set-up
ZA Technology Services Ltd. ("ZA Technology")	British Virgin Islands	British Virgin Islands	Technology Development/ Technology Consulting	USD 0.001	100.00%	Set-up

## 5. SUBSIDIARIES (continued)

(a) The Company's subsidiaries at 30 June 2020 are as follows: (continued)

Name	Place of operations	Place of incorporation/ registration	Nature of business	Registered capital (Thousand)	Percentage of equity	Acquisition Mode
Shanghai JuA Technology Ltd. ("Shanghai JuA") (b)	Shanghai, The PRC	Shanghai, The PRC	Technology Development/ Technology Consulting	RMB 5,000	100.00%	Set-up
Zhongyanshe (Jiaxing) Software Training Ltd. ("Zhongyanshe") (c)	Zhejiang, The PRC	Zhejiang, The PRC	Technology Training	RMB 5,000	100.00%	Set-up
ZhongAn Technologies International Group Limited ("ZhongAn International")	Hong Kong, The PRC	Hong Kong, The PRC	Technology Development/ Technology Consulting	RMB 2,070,784	51.00%	Set-up
ZA Tech Global Limited ("ZA Tech Global")	Hong Kong, The PRC	Hong Kong, The PRC	Technology Development/ Technology Consulting	HKD 156,797	49.00%	Set-up
ZA Tech Global (Cayman) Limited ("ZA Tech Global Cayman")	Cayman Islands	Cayman Islands	Technology Development/ Technology Consulting	USD 50	100.00%	Set-up
ZA Tech Japan Inc ("ZA Japan")	Tokyo, Japan	Tokyo, Japan	Technology Development/ Technology Consulting	JPY 20,000	100.00%	Set-up
ZA Tech Global (Singapore) PTE. LTD. ("ZA Tech Singapore")	Singapore	Singapore	Technology Development/ Technology Consulting	HKD 1,000	100.00%	Set-up
ZA Tech Global (Ireland) Limited ("ZA Tech Ireland") (d)	Dublin, Ireland	Dublin, Ireland	Technology Development/ Technology Consulting	EUR 1	100.00%	Set-up
ZA Life Limited ("ZA Life") (e)	Hong Kong, The PRC	Hong Kong, The PRC	Life Insurance	HKD 1,000,000	65.00%	Set-up
ZhongAn Financial Services Limited ("ZA Financial")	Hong Kong, The PRC	Hong Kong, The PRC	Investment holding	HKD 1,500,000	100.00%	Set-up
ZA Bank Limited (formerly known as ZhongAn Virtual Finance Limited)("ZA Bank")	Hong Kong, The PRC	Hong Kong, The PRC	Virtual Bank	HKD 1,500,000	100.00%	Set-up
ZA Care Limited ("ZA Care")	Hong Kong, The PRC	Hong Kong, The PRC	Technology	—	100.00%	Set-up

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

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

## 5. SUBSIDIARIES (continued)

(a) The Company's subsidiaries at 30 June 2020 are as follows: (continued)

Name	Place of operations	Place of incorporation/ registration	Nature of business	Registered capital (Thousand)	Percentage of equity	Acquisition Mode
ZhongAn Digital Asset Group Ltd. ("ZA Digital Asset")	British Virgin Islands	British Virgin Islands	Digital Asset	USD 50	100.00%	Set-up
ZhongAn International Investment Management Company ("ZA International Investment")	Hong Kong, The PRC	Hong Kong, The PRC	Asset Management	HKD 0.1	100.00%	Set-up
ZhongAn International Financial Services Limited ("ZA International Financial")	Hong Kong, The PRC	Hong Kong, The PRC	Financial	HKD 0.1	100.00%	Set-up
Bloom Rewards Limited ("Bloom Rewards") (f)	Hong Kong, The PRC	Hong Kong, The PRC	Technology Development/ Technology Consulting	HKD 0.1	100.00%	Set-up

- (a) On 6 May 2020, Ningbo Haoyin provided loans of RMB20,000 thousand to the registered owners of Shanghai Renxin for the completion of registered capital injection. Ningbo Haoyin does not have directly or indirectly legal ownership in equity of Shanghai Renxin. Nevertheless, under certain contractual arrangements entered into with Shanghai Renxin and its registered owners, Ningbo Haoyin has rights to exercise power over Shanghai Renxin, receives variable returns from its involvement, and has the ability to affect those returns through its power over Shanghai Renxin. On consolidation date, the fair value of net assets of Shanghai Renxin was RMB16,811 thousand, and the Group recognized goodwill at the amount of RMB3,189 thousand.
- (b) On 4 March 2020, ZhongAn Technology set up Shanghai JuA, with registered capital of RMB5,000 thousand. ZhongAn Technology holds 100% of voting rights of Shanghai JuA.
- (c) On 15 May 2020, ZhongAn Technology set up Zhongyanshe, with registered capital of RMB5,000 thousand. ZhongAn Technology holds 100% of voting rights of Zhongyanshe.
- (d) On 3 March 2020, ZA Tech Global set up ZA Tech Ireland, with registered capital of EUR1,000. ZA Tech Global holds 100% of voting rights of ZA Tech Ireland. ZhongAn Technology has control over ZA Tech Ireland through ZA Tech Global.
- (e) On 17 April 2020, ZhongAn International together with Fubon Life Insurance (Hong Kong) Company Limited ("Fubon Life Insurance") injected HKD1,000,000 thousand in total into ZA Life, amongst which ZhongAn International injected HKD650,000 thousand and Fubon Life Insurance injected HKD350,000 thousand. After this transaction, the paid-in capital of ZA Life increased to HKD1,000,000 thousand in accordance with the registered capital. ZhongAn International holds 65% of the voting rights of ZA Life.
- (f) On 18 June 2020, ZhongAn International set up Bloom Rewards, with registered capital of HKD100. ZhongAn International holds 100% of voting rights of Bloom Rewards. ZhongAn Technology has control over Bloom Rewards through ZhongAn International.

(b) Non-controlling interests

Changes in non-controlling interests:

	ZhongAn International	ZhongAn Medical Technology	ZhongAn Life Sciences	Shanghai Dexu	Total
<b>31 December 2019</b>					
Total comprehensive income	1,572,985	1,174	19,717	—	1,593,876
Contributions from non-controlling Interests (i)	(84,110)	(270)	(5,592)	—	(89,972)
Consideration paid to non-controlling Interests (ii)	896,398	—	—	—	896,398
Non-controlling interests on acquisition of subsidiary (iii)	(495,628)	—	—	—	(495,628)
	—	—	—	5,650	5,650
<b>30 June 2020</b>	<b>1,889,645</b>	<b>904</b>	<b>14,125</b>	<b>5,650</b>	<b>1,910,324</b>

## 5. SUBSIDIARIES (continued)

### (b) Non-controlling interests (continued)

- (i) On 16 January 2020, ZhongAn Technology and Sinolink Worldwide Holdings Limited ("Sinolink Worldwide") injected RMB600,000 thousand and RMB576,471 thousand into ZhongAn International respectively. After this transaction, Sinolink Worldwide remains 49% of the voting rights of ZhongAn International as non-controlling interest.

On 17 April 2020, ZhongAn International and Fubon Life Insurance injected HKD650,000 thousand and HKD350,000 thousand respectively into ZA Life, equivalent to RMB594,152 thousand and RMB319,927 thousand. After this transaction, Fubon Life remains 35% of the voting rights of ZA Life as non-controlling interest.

- (ii) On 16 January 2020, ZhongAn International redeemed 480,000 thousand redeemable preference shares from Sinolink Worldwide at a total redemption price of RMB 511,894 thousand and the non-controlling interests of ZhongAn International decreased by RMB495,628 thousand.

### (iii) Business Combination

On 12 June 2020, the Company acquired 29% of equity of Shanghai Dexu Investment Center (Limited Partnership) ("Shanghai Dexu") for consideration of RMB25,000 thousand pursuant to the equity transfer agreement with TongXiu Commercial Factoring Co.,Ltd. As a result, the Company holds 99% of equity of Shanghai Dexu and has control over the entity.

Details of total acquisition cost are as follows:

Cash paid	25,000
Fair value of shareholding before acquisition date	338,951
Total acquisition cost	<u>363,951</u>

The assets and liabilities recognized as a result of the acquisition are as follows:

	<b>Fair Value</b>
Cash and cash equivalents	4,274
Financial assets at fair value through profit or loss	369,753
Other assets	27,245
Other liabilities	(179)
Net identifiable assets acquired	401,093
Less: Non-controlling interests	(5,650)
Gains arising from the acquisition	(31,492)
	<u>363,951</u>

## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

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

### 5. SUBSIDIARIES (continued)

(c) At 30 June 2020, consolidated structured entities are as followings:

Name	Holding by the Company (%)	Total Subscription (RMB'000)	Principal activities
ZhongAn TaiKang Asset Management Plan	100%	4,021,432	Asset Management Product
ZhongAn LeXiang No.1 Asset Management Plan	100%	3,744,409	Asset Management Product
ICBC Credit Suisse Asset Management ZhongAn Insurance No.1 Asset Management Plan	100%	800,000	Asset Management Product
Shanghai Dexu	99%	350,000	Equity Investment
ZhongAn TaiPing Asset Management Plan	100%	1,787	Asset Management Product

### 6. NET PREMIUMS EARNED

	Six months ended 30 June	
	2020	2019
Gross written premiums	6,766,787	5,897,079
– Short-term life insurance written premiums	3,607,379	2,143,213
– Property and casualty insurance written premiums	3,159,099	3,753,866
– Long-term life insurance written premiums	309	–
Less: Premiums ceded to reinsurers	(118,663)	(101,479)
Net written premiums	6,648,124	5,795,600
Less: Net change in unearned premium reserves	794,021	117,714
<b>Net premiums earned</b>	<b>7,442,145</b>	<b>5,913,314</b>

### 7. NET INVESTMENT INCOME

	Six months ended 30 June	
	2020	2019
Interest income		
– Debt investments	250,699	254,259
– Trust investment scheme	36,861	21,162
– Bank deposit	27,504	40,441
– Securities purchased under agreements to resell	2,169	5,624
Dividend income		
– Fund investments	67,867	18,658
– Wealth management products	49,632	44,308
– Equity investments	14,972	13,755
Realized gains, net	418,589	313,286
	<b>868,293</b>	<b>711,493</b>



## 8. NET FAIR VALUE CHANGES THROUGH PROFIT OR LOSS

	Six months ended 30 June	
	2020	2019
Financial assets at fair value through profit or loss		
– Equity investments	(3,852)	80,277
– Fund investments	(6,582)	18,987
– Wealth management products	(13,631)	11,868
– Debt investments	(20,147)	(145)
	<b>(44,212)</b>	<b>110,987</b>

## 9. NET CLAIMS INCURRED

	Six months ended 30 June	
	2020	2019
Insurance claims paid	3,539,003	3,670,282
– Property and casualty insurance claims paid	2,778,914	2,926,356
– Short-term life insurance claims paid	760,089	743,926
Less: Claims paid ceded to reinsurers	(119,606)	(85,104)
Net claims paid	3,419,397	3,585,178
Add: Net change in insurance contract liabilities	794,489	192,097
	<b>4,213,886</b>	<b>3,777,275</b>

## 10. HANDLING CHARGES AND COMMISSIONS

	Six months ended 30 June	
	2020	2019
Handling charges and commissions before reinsurance arrangement	349,245	440,894
Less: Reinsurance commission expenses/(income)	25,641	(3,706)
	<b>374,886</b>	<b>437,188</b>

## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

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

### 11. GENERAL AND ADMINISTRATIVE EXPENSES

	Six months ended 30 June	
	2020	2019
Consulting and technical fee	1,503,487	1,283,438
Advertising and marketing expense	894,764	90,943
Employee benefit expense	430,855	494,488
Impairment loss	117,191	60,814
Amortization of intangible assets	51,163	41,502
Depreciation of right-of-use assets	49,817	50,855
Taxes and surcharges	34,588	25,824
Depreciation of property and equipment	19,730	17,681
Auditors' remuneration	6,500	6,000
Other	231,413	257,797
	<b>3,339,508</b>	<b>2,329,342</b>

### 12. INCOME TAX

#### (a) Income tax

	Six months ended 30 June	
	2020	2019
Current income tax	(79)	1,808
Deferred income tax (note 28)	(47,958)	(20,526)
	<b>(48,037)</b>	<b>(18,718)</b>

#### (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 income tax at the Group's effective tax rate is as follows:

	Six months ended 30 June	
	2020	2019
Profit before income tax	334,286	15,365
Tax computed at the applicable tax rate	98,207	31,017
Income not subject to tax	(17,088)	(4,243)
Expenses not deductible for tax	1,776	784
Tax losses for which no deferred tax asset was recognized	52,639	46,443
Extra tax deductions for research and development costs	(7,918)	—
Utilization of previously unrecognized tax losses	(176,145)	(70,018)
Adjustments to income tax in respect of previous periods	492	(22,701)
Income tax at the Group's effective rate	<b>(48,037)</b>	<b>(18,718)</b>

### 13. PROFIT PER SHARE

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

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

	Six months ended 30 June	
	2020	2019
Net profit for the period attributable to owners of the parent	490,493	94,538
Weighted average number of shares in issue (in thousand)	1,469,813	1,469,813
<b>Basic profit per share (RMB yuan)</b>	<b>0.33</b>	0.06
<b>Diluted profit per share (RMB yuan)</b>	<b>0.33</b>	0.06

The Company had no dilutive potential shares at 30 June 2020 and 2019 respectively.

### 14. OTHER COMPREHENSIVE INCOME

	Six months ended 30 June	
	2020	2019
Available-for-sale financial assets		
Gains arising from changes in the fair value of available-for-sale financial assets	229,220	73,195
Reclassification adjustments for amounts transferred to profit or loss	(37,011)	8,909
	192,209	82,104
Income tax relating to available-for-sale financial assets	(48,321)	(20,526)
	143,888	61,578
Exchange differences on translation of foreign operations	38,349	10,351
	182,237	71,929

## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

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

### 15. CASH AND AMOUNTS DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

(a) Cash and amounts due from banks and other financial institutions are as follows:

	30 June 2020	31 December 2019
Cash in hand	73	102
Placements with banks and other financial institutions	1,894,575	667,627
Deposits with original maturity of no more than three months	1,346,827	1,512,322
Due from banks	428,643	465,770
Other monetary assets (i)	235,001	268,999
	<u>3,905,119</u>	<u>2,914,820</u>

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

(b) Cash and cash equivalents are as follows:

	30 June 2020	31 December 2019
Cash in hand	73	102
Placements with banks and other financial institutions	1,697,315	667,627
Deposits with original maturity of no more than three months	1,346,827	1,512,322
Due from banks	428,643	465,770
Other monetary assets	235,001	268,999
	<u>3,707,859</u>	<u>2,914,820</u>

### 16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2020	31 December 2019
Listed		
– Debt investments	1,358,381	1,539,220
– Equity investments	30,116	56,456
Unlisted		
– Debt investments	2,132,734	2,642,604
– Wealth management products	1,167,637	1,263,751
– Fund investments	855,492	718,505
– Equity investments	227,312	—
	<u>5,771,672</u>	<u>6,220,536</u>

## 17. SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL

	30 June 2020	31 December 2019
Securities - bonds		
- Stock exchange	473,000	—
- Inter-bank market	159,945	160,000
	<u>632,945</u>	<u>160,000</u>

## 18. INTEREST RECEIVABLES

	30 June 2020	31 December 2019
Debt investments	256,904	283,283
Bank deposits	26,342	26,855
Loans	5,777	2,112
Securities purchased under agreements to resell	78	8
	<u>(6,180)</u>	<u>(6,180)</u>
Less: Impairment provisions	282,921	306,078

## 19. PREMIUM RECEIVABLES

	30 June 2020	31 December 2019
Premium receivables	3,722,658	3,712,817
Less: Provision for impairment of premium receivables	(291,234)	(180,657)
	<u>3,431,424</u>	<u>3,532,160</u>

## 20. REINSURANCE RECEIVABLES

	30 June 2020	31 December 2019
Reinsurance receivables	281,776	238,028
Less: Provision for impairment of reinsurance receivables	—	—
	<u>281,776</u>	<u>238,028</u>

## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

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

### 21. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30 June 2020	31 December 2019
Listed		
– Debt investments	4,437,793	2,849,160
– Equity investments	1,970,640	2,026,064
– Fund investments	108,007	43,019
Unlisted		
– Debt investments	5,468,462	4,791,274
– Wealth management products	2,272,948	1,312,328
– Fund investments	1,677,543	1,230,064
– Equity investments	25,450	25,450
Less: Impairment provisions	(71,789)	(76,687)
	<u>15,889,054</u>	<u>12,200,672</u>

### 22. INVESTMENTS CLASSIFIED AS LOANS AND RECEIVABLES

	30 June 2020	31 December 2019
Trust investment scheme	<u>1,274,714</u>	<u>1,276,676</u>

At 30 June 2020, 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.

### 23. RESTRICTED STATUTORY DEPOSITS

	30 June 2020	31 December 2019
At the beginning of period	294,338	293,963
Increase	—	48,500
Decrease	—	(48,125)
At the end of period	<u>294,338</u>	<u>294,338</u>

In accordance with relevant provision of Insurance Law of the PRC, the Company should place 20% of its share capital as restricted statutory deposits.

	30 June 2020 and 31 December 2019		
	Amount	Storage	Period
China Citic Bank	145,838	Term deposit	3 years
China Everbright Bank	148,500	Term deposit	3 years
<b>Total</b>	<u>294,338</u>		



## 24. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	1 January 2020	Additions	Share of profit/(loss)	Transfer out due to acquisition of subsidiary	Other changes in capital reserves	Exchange difference	30 June 2020
Shanghai Dexu (a)	318,374	—	20,577	(338,951)	—	—	—
ZA-CP Network Technology (Shanghai) Co., Ltd. (the "ZA-CP")	4,696	—	(2,344)	—	—	—	2,352
Youwozai (Beijing) Network Technology Limited Company (“Youwozai (Beijing)”)	3,200	—	(537)	—	—	—	2,663
Shenzhen Small and Medium P&C-Union Investment Co., Ltd. (the "Shenzhen Small and Medium")	5,277	—	(139)	—	—	—	5,138
Shanghai Nuanwa Technology Co., Ltd. (the "Shanghai Nuanwa")	35,884	—	(2,008)	—	—	—	33,876
Shanghai Xiaojia Financial Technology Service Co., Ltd. (the "Shanghai Xiaojia")	2,296	—	(22)	—	—	—	2,274
Chongqing ZhongAn Microloan Limited Company (“ZhongAn Microloan”)	208,874	—	1,499	—	—	—	210,373
A3 Holdings Inc. (the "A3 Holdings") (b)	28,133	9,930	(4,035)	—	—	507	34,535
Nova Technology Ltd. (“Nova Technology”) (c)	5,632	—	(5,969)	—	30,738	—	30,401
Shanghai Dingzuan Ltd. (“Dingzuan”)	943	—	(143)	—	—	—	800
Shanghai Zhongzhirong Digital Technology Ltd. (“Zhongzhirong”) (d)	—	3,000	—	—	—	—	3,000
	613,309	12,930	6,879	(338,951)	30,738	507	325,412

- (a) On 12 June 2020, the Company acquired 29% of equity of Shanghai Dexu for consideration of RMB25,000 thousand pursuant to the equity transfer agreement with TongXiu Commercial Factoring Co.,Ltd. As a result, the Company holds 99% of equity of Shanghai Dexu and has control over the entity.
- (b) On 19 June 2020, ZA Tech Global Cayman injected USD500 thousand and non-cash service valued at USD900 thousand to A3 Holdings, equivalent to RMB9,930 thousand in total. As a result, ZA Tech Global Cayman remains 40% of voting rights of A3 Holdings, and ZhongAn Technology holds 40% of voting rights of A3 Holdings through ZA Tech Global Cayman. ZA Tech Global Cayman acts as a shareholder with 2 out of 5 seats on the board of A3 Holdings.
- (c) On 21 February 2020 and 26 February 2020, SCC Venture VII Holdco, Ltd., LFC Investment Hong Kong Limited, Lighthouse International Growth Fund L.P. and Lighthouse Fellow L.P. injected RMB112,230 thousand into Nova Technology pursuant to the capital injection agreement. After this transaction, ZA Technology's share of Nova Technology's equity increased by RMB30,738 thousand.
- (d) On 9 April 2020, ZhongAn Technology together with Zhejiang Hesheng Digital Technology Co., Ltd and Shanghai Fucheng Enterprise Management Consulting Center LLP signed a capital injection agreement. ZhongAn Technology injected RMB3,000 thousand into Zhongzhirong and obtained 30% of voting rights of Zhongzhirong. ZhongAn Technology acts as a shareholder with 2 out of 5 seats on the board of Zhongzhirong.

## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

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

### 25. LEASES

#### (a) Amounts recognized in the interim condensed consolidated balance sheet

The interim condensed consolidated balance sheet shows the following amounts relating to leases:

	30 June 2020	31 December 2019
<b>Right-of-use assets</b>		
Buildings	318,914	360,257
Equipment	2,644	3,378
	<u>321,558</u>	<u>363,635</u>
<b>Lease liabilities</b>	<u>361,532</u>	<u>398,366</u>

Additions to the right-of-use assets during the six months ended 30 June 2020 were RMB28,251 thousand.

#### (b) Amounts recognized in the interim condensed consolidated statement of comprehensive income

The interim condensed consolidated statement of comprehensive income shows the following amounts relating to leases:

	Six months ended 30 June	
	2020	2019
<b>Depreciation charge of right-of-use assets</b>		
Buildings	(69,418)	(76,106)
Equipment	(910)	(199)
	<u>(70,328)</u>	<u>(76,305)</u>
Interest expense	9,270	11,563
Expense relating to short-term leases	857	4,612

The total cash outflow relating to leases for the six months ended 30 June 2020 was RMB74,354 thousand.

## 26. PROPERTY AND EQUIPMENT

	Motor vehicles	Electrical equipment	Office furniture and equipment	Leasehold improvements	Total
<b>Cost</b>					
1 January 2020	4,475	59,767	9,816	132,877	206,935
Additions	—	4,790	445	6,028	11,263
30 June 2020	<b>4,475</b>	<b>64,557</b>	<b>10,261</b>	<b>138,905</b>	<b>218,198</b>
<b>Accumulated depreciation and impairment</b>					
1 January 2020	(3,394)	(27,476)	(5,101)	(79,996)	(115,967)
Depreciation charge	(69)	(5,772)	(995)	(14,149)	(20,985)
30 June 2020	<b>(3,463)</b>	<b>(33,248)</b>	<b>(6,096)</b>	<b>(94,145)</b>	<b>(136,952)</b>
<b>Net book value</b>					
1 January 2020	1,081	32,291	4,715	52,881	90,968
30 June 2020	<b>1,012</b>	<b>31,309</b>	<b>4,165</b>	<b>44,760</b>	<b>81,246</b>

## 27. INTANGIBLE ASSETS

	Software	Patent	Other	Total
<b>Cost</b>				
1 January 2020	804,704	30,100	1,826	836,630
Additions	100,874	—	—	100,874
30 June 2020	<b>905,578</b>	<b>30,100</b>	<b>1,826</b>	<b>937,504</b>
<b>Accumulated amortization and impairment</b>				
1 January 2020	(343,465)	(4,013)	(373)	(347,851)
Amortization	(72,287)	(1,505)	(91)	(73,883)
Impairment	(11,342)	—	—	(11,342)
30 June 2020	<b>(427,094)</b>	<b>(5,518)</b>	<b>(464)</b>	<b>(433,076)</b>
<b>Net book value</b>				
1 January 2020	461,239	26,087	1,453	488,779
30 June 2020	<b>478,484</b>	<b>24,582</b>	<b>1,362</b>	<b>504,428</b>

## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

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

### 28. DEFERRED INCOME TAX ASSETS AND LIABILITIES

	30 June 2020	31 December 2019
Net deferred income tax assets/(liabilities), at the beginning of period	(42)	19
Recognized in profit or loss	47,958	(24,366)
Recognized in other comprehensive income	(48,321)	24,305
Net deferred income tax liabilities, at the end of period	<u>(405)</u>	<u>(42)</u>

The breakdown of deferred income tax assets and liabilities during the period, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	30 June 2020	31 December 2019
Deferred income tax liabilities		
Accumulated taxable losses	169,154	307,136
Insurance contract liabilities	325,105	99,484
Impairment loss provision	91,216	60,728
Amortization of intangible assets	31,250	26,971
Employee stock ownership plan	9,600	9,600
Unrealized gains of structured entities	(560,487)	(480,245)
Net fair value adjustment on financial assets carried at fair value through profit or loss	(30,118)	(41,021)
Net fair value adjustment on available-for-sale financial assets	(26,603)	21,718
Share of net profit of associates and joint ventures accounted for using the equity method	(9,522)	(4,413)
Net deferred income tax liabilities	<u>(405)</u>	<u>(42)</u>
Represented by		
Deferred income tax assets	626,325	525,637
Deferred income tax liabilities	<u>(626,730)</u>	<u>(525,679)</u>

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. At 30 June 2020, the Group did not recognize deferred income tax assets of RMB962,821 thousand in respect of losses amounting to RMB4,546,275 thousand that can be carried forward against future taxable income.

## 29. OTHER ASSETS

	30 June 2020	31 December 2019
Subrogation receivable	540,118	574,340
Advanced payment	308,424	442,125
Coinsurance expense to be reimbursed	199,943	279,631
Receivable from investment clearance and settlement	148,090	73,833
Deposits	48,805	49,429
Estimate of input tax	48,385	37,335
Assets recognized from costs to fulfil a contract	18,683	16,334
Others	140,747	108,091
Less: Provisions for other assets	(3,588)	(3,566)
	<u>1,449,607</u>	<u>1,577,552</u>

## 30. SHARE CAPITAL

	30 June 2020	31 December 2019
Number of shares issued and fully paid at RMB1 yuan each	<u>1,469,813</u>	<u>1,469,813</u>

## 31. RESERVES

The amounts of the Group's reserves and the movements therein during the period are presented in the consolidated statement of changes in equity.

### (a) Capital reserves

Capital reserves mainly represents share premium from issuance of shares.

### (b) Surplus reserves

Surplus reserves consist of the statutory surplus reserve and the discretionary surplus reserve.

#### (i) *Statutory surplus reserves (the "SSR")*

According to the PRC Company Law and the articles of association of the Company, the Company is required to set aside 10% of their net profit (after offsetting the accumulated losses incurred in previous years) determined under PRC GAAP, to the SSR until the balance reaches 50% of the respective registered capital.

Subject to the approval of shareholders, the SSR may be used to offset the accumulated losses, if any, and may also be converted into capital, provided that the balance of the SSR after such capitalisation is not less than 25% of the registered capital of the Company's retained profits. Since the Company does not have net profit at its company level instead of Group level, no reserve has been retained.

## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

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

### 31. RESERVES (continued)

#### (b) Surplus reserves (continued)

##### (ii) Discretionary surplus reserves (the "DSR")

After making necessary appropriations to the SSR, the Company may also appropriate a portion of their net profit to the DSR upon the approval of the shareholders in general meetings.

Subject to the approval of the shareholders, the DSR may be used to offset accumulated losses, if any, and may be converted into capital.

#### (c) 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. Other reserves due to share-based payments records the fair value of share options granted to the directors and employees of the Company.

### 32. CUSTOMER DEPOSITS

	30 June 2020	31 December 2019
Current and savings accounts		
– Corporate customers	22	—
– Individual customers	781,264	7,740
Term deposits		
– Corporate customers	45	—
– Individual customers	1,412,424	16,101
	<u>2,193,755</u>	<u>23,841</u>

### 33. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

	30 June 2020	31 December 2019
Securities - bonds		
– Inter-bank market	2,971,944	2,326,973
– Stock exchange	1,966,600	1,722,752
	<u>4,938,544</u>	<u>4,049,725</u>

At 30 June 2020, bond investments of approximately RMB 5,815,460 thousand were pledged as securities sold under agreements to repurchase. Securities sold under agreements to repurchase are generally repurchased within 12 months from the date the securities are sold.

### 34. INSURANCE CONTRACT LIABILITIES

	30 June 2020		
	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	Net
Insurance contracts liabilities			
– Unearned premium reserves	4,549,299	(86,522)	4,462,777
– Claim reserves	2,971,956	(167,142)	2,804,814
– Long-term life insurance reserves	395	—	395
	<u>7,521,650</u>	<u>(253,664)</u>	<u>7,267,986</u>
Incurred but not reported claim reserves	<u>1,943,615</u>	<u>(77,027)</u>	<u>1,866,588</u>

	31 December 2019		
	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	Net
Insurance contracts liabilities			
– Unearned premium reserves	5,368,632	(111,834)	5,256,798
– Claim reserves	2,174,008	(163,293)	2,010,715
	<u>7,542,640</u>	<u>(275,127)</u>	<u>7,267,513</u>
Incurred but not reported claim reserves	<u>1,051,298</u>	<u>(62,099)</u>	<u>989,199</u>

## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

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

### 34. INSURANCE CONTRACT LIABILITIES (continued)

#### Movements of unearned premium reserves

	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	Net
1 January 2020	5,368,632	(111,834)	5,256,798
Premium written	6,766,787	(118,663)	6,648,124
Premium earned	(7,586,120)	143,975	(7,442,145)
30 June 2020	<u>4,549,299</u>	<u>(86,522)</u>	<u>4,462,777</u>

#### Movements of claim reserves

	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	Net
1 January 2020	2,174,008	(163,293)	2,010,715
Claims incurred	4,336,951	(123,455)	4,213,496
Claims paid	(3,539,003)	119,606	(3,419,397)
30 June 2020	<u>2,971,956</u>	<u>(167,142)</u>	<u>2,804,814</u>

### 35. OTHER LIABILITIES

	30 June 2020	31 December 2019
Payables to service suppliers	852,961	739,805
Deposit payable	660,856	262,694
Payable for investment purchased but not settled	199,959	53,625
Salary and staff welfare payable	189,800	314,200
Commission and brokerage payable	120,247	158,853
Claims payable	90,543	115,895
Tax payable other than income tax	63,926	80,117
Insurance guarantee fund	24,840	49,489
Payables for asset management fee	18,979	110,210
Others	103,554	159,089
	<u>2,325,665</u>	<u>2,043,977</u>



### 36. NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation from profit before income tax to cash generated from/(used in) operating activities:

	Six months ended 30 June	
	2020	2019
<b>Profit before income tax</b>	<b>334,286</b>	15,365
Impairment loss	117,191	60,814
Net investment income	(868,293)	(711,493)
Net fair value changes through profit or loss	44,212	(110,987)
Depreciation of property and equipment	20,985	41,390
Amortization of intangible assets	73,883	57,476
Depreciation of right-of-use assets	70,328	76,305
Exchange losses/(gains)	1,011	(2,205)
Finance costs	62,832	50,288
Increase in premium receivables	(9,841)	(7,772)
Decrease/(increase) in reinsurance receivables	(43,748)	99,520
Increase in amounts due from banks and other financial institutions	(197,260)	—
Amortization of deferred income	(316)	(316)
Share of net loss/(profit) of associates and joint ventures	(8,133)	14,274
Increase in insurance contract liabilities	473	74,383
Increase in customer deposits	2,169,914	—
Decrease/(increase) in other operating assets	100,603	(212,150)
Increase/(decrease) in other operating liabilities	365,981	(42,263)
<b>Cash generated from/(used in) operating activities</b>	<b>2,234,108</b>	(597,371)

## Notes to the Interim Condensed Consolidated Financial Information

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

### 37. RELATED PARTY TRANSACTIONS

The Company's directors were of the view that Ant Group Co., Ltd. ("Ant Group") (formerly known as Ant Small and Micro Financial Services Group Co., Ltd), Ping An Insurance (Group) Co. of China Ltd. ("Ping An Insurance"), Tencent Holdings Limited ("Tencent"), Sinolink Worldwide Holdings Limited ("Sinolink") and Nova Technology Ltd. ("Nova Technology") and their subsidiaries 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 Group.

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

#### (a) Sale of insurance contracts

	Six months ended 30 June	
	2020	2019
Tencent and its subsidiaries	8,755	6,597
Alibaba and its subsidiaries	782	928
Ping An Insurance and its subsidiaries	689	—
Ant Group and its subsidiaries	496	671
Nova Technology and its subsidiaries	265	—
Sinolink and its subsidiaries	51	337
	<b>11,038</b>	<b>8,533</b>

#### (b) Claim from insurance contracts

	Six months ended 30 June	
	2020	2019
Tencent and its subsidiaries	3,732	3,414
Alibaba and its subsidiaries	1,383	1,848
Ping An Insurance and its subsidiaries	219	—
Ant Group and its subsidiaries	185	408
Sinolink and its subsidiaries	174	358
Nova Technology and its subsidiaries	80	—
	<b>5,773</b>	<b>6,028</b>

### 37. RELATED PARTY TRANSACTIONS (continued)

#### (c) Technical service fees

	Six months ended 30 June	
	2020	2019
Ant Group and its subsidiaries	1,009,644	426,228
Tencent and its subsidiaries	1,070	1,245
	<b>1,010,714</b>	<b>427,473</b>

#### (d) Asset management fees

	Six months ended 30 June	
	2020	2019
Ping An Insurance and its subsidiaries	5,597	7,048

#### (e) Fees for purchasing goods and other services

	Six months ended 30 June	
	2020	2019
Alibaba and its subsidiaries	32,033	35,142
Nova Technology and its subsidiaries	12,818	—
Ant Group and its subsidiaries	11,401	1,772
Tencent and its subsidiaries	9,743	5,536
Ping An Insurance and its subsidiaries	4,861	—
	<b>70,856</b>	<b>42,450</b>

Fees for purchasing goods and other services mainly include cloud rental fees, guarantee fees, advertising fees, other IT service fees and etc.

#### (f) Interest income

	Six months ended 30 June	
	2020	2019
Ping An Insurance and its subsidiaries	72	161

## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

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

### 37. RELATED PARTY TRANSACTIONS (continued)

#### (g) Technical service income

	Six months ended 30 June	
	2020	2019
Nova Technology and its subsidiaries	1,064	—
Alibaba and its subsidiaries	—	9,187
	<b>1,064</b>	<b>9,187</b>

Technical service income refers to the revenue from IT service.

#### (h) Capital transaction with Sinolink Worldwide

On 16 January 2020, ZhongAn Technology and Sinolink Worldwide injected RMB600,000 thousand and RMB576,471 thousand into ZhongAn International respectively. After this transaction, Sinolink Worldwide remains 49% of the voting rights of ZhongAn International as non-controlling interest.

On 16 January 2020, ZhongAn International redeemed 480,000 thousand redeemable preference shares from Sinolink Worldwide at a total redemption price of RMB511,894 thousand and the non-controlling interests of ZhongAn International decreased by RMB495,628 thousand.

#### (i) Receivables with related parties

	30 June 2020	31 December 2019
Ping An Insurance and its subsidiaries (i)	195,112	275,827
Nova Technology and its subsidiaries	32,320	25,683
Ant Group and its subsidiaries	517	50,195
Tencent and its subsidiaries	186	1,345
	<b>228,135</b>	<b>353,050</b>

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

### 37. RELATED PARTY TRANSACTIONS (continued)

#### (j) Payables with related parties

	30 June 2020	31 December 2019
Ant Group and its subsidiaries	222,527	—
Nova Technology and its subsidiaries	3,750	—
Alibaba and its subsidiaries	3,445	7,902
Ping An Insurance and its subsidiaries	3,066	67,574
Tencent and its subsidiaries	289	246
Sinolink Worldwide and its subsidiaries	2	16
	<u>233,079</u>	<u>75,738</u>

#### (k) Prepayments to related parties

	30 June 2020	31 December 2019
Alibaba and its subsidiaries	22,635	25,869
Nova Technology and its subsidiaries	17,258	19,050
	<u>39,893</u>	<u>44,919</u>

#### (l) Compensation of key management personnel

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

	Six months ended 30 June	
	2020	2019
Wages, salaries and bonuses	6,508	5,983
Pension costs – defined contribution plans	41	291
Other social security costs, housing benefits and other employee benefits	216	286
	<u>6,765</u>	<u>6,560</u>

## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

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

### 38. 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 contingencies and legal proceedings relating to the claims on the Group's insurance products, at 30 June 2020, the Group has no major pending litigation that may have a material adverse effect on the financial position or operating results of the Group.

### 39. MATURITY PROFILE OF FINANCIAL INSTRUMENTS

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

	30 June 2020					Total
	On demand	Within 1 year	1 to 5 years	Over 5 years	Undated	
Assets:						
Cash and amounts due from banks and other financial institutions	3,707,858	197,261	—	—	—	3,905,119
Financial assets at fair value through profit or loss	—	992,714	2,642,914	373,531	2,280,557	6,289,716
Securities purchased under agreements to resell	—	632,945	—	—	—	632,945
Premium receivables	—	3,431,424	—	—	—	3,431,424
Reinsurance receivables	—	281,776	—	—	—	281,776
Available-for-sale financial assets	—	2,566,897	6,844,739	1,808,745	6,054,588	17,274,969
Held-to-maturity financial assets	—	4,123	67,994	25,048	—	97,165
Investments classified as loans and receivables	—	305,511	902,310	324,030	—	1,531,851
Loans and advances to customers	—	80,476	28,947	—	—	109,423
Term deposits	—	16,500	334,375	—	—	350,875
Restricted statutory deposits	—	51,477	279,252	—	—	330,729
Other assets	—	866,779	48,805	—	—	915,584
<b>Total</b>	<b>3,707,858</b>	<b>9,427,883</b>	<b>11,149,336</b>	<b>2,531,354</b>	<b>8,335,145</b>	<b>35,151,576</b>
Liabilities:						
Customer deposits	781,286	1,420,241	—	—	—	2,201,527
Securities sold under agreements to repurchase	—	4,938,544	—	—	—	4,938,544
Reinsurance payables	—	215,895	—	—	—	215,895
Other liabilities	—	1,404,428	—	—	660,856	2,065,284
<b>Total</b>	<b>781,286</b>	<b>7,979,108</b>	<b>—</b>	<b>—</b>	<b>660,856</b>	<b>9,421,250</b>

### 39. MATURITY PROFILE OF FINANCIAL INSTRUMENTS (continued)

	31 December 2019					Total
	On demand	Within 1 year	1 to 5 years	Over 5 years	Undated	
Assets:						
Cash and amounts due from banks and other financial institutions	2,914,820	—	—	—	—	2,914,820
Financial assets at fair value through profit or loss	—	692,437	3,250,131	820,458	2,038,712	6,801,738
Securities purchased under agreements to resell	—	160,000	—	—	—	160,000
Premium receivables	—	3,532,160	—	—	—	3,532,160
Reinsurance receivables	—	238,028	—	—	—	238,028
Available-for-sale financial assets	—	1,848,373	5,885,094	878,355	4,636,925	13,248,747
Investments classified as loans and receivables	—	151,374	1,078,538	326,363	—	1,556,275
Loans and advances to customers	—	1,913	50,326	—	—	52,239
Term deposits	—	—	382,500	—	—	382,500
Restricted statutory deposits	—	—	330,729	—	—	330,729
Other assets	—	955,162	49,429	—	—	1,004,591
<b>Total</b>	<b>2,914,820</b>	<b>7,579,447</b>	<b>11,026,747</b>	<b>2,025,176</b>	<b>6,675,637</b>	<b>30,221,827</b>
Liabilities:						
Securities sold under agreements to repurchase	—	4,049,725	—	—	—	4,049,725
Reinsurance payables	—	218,060	—	—	—	218,060
Other liabilities	—	1,379,991	—	—	262,694	1,642,685
<b>Total</b>	<b>—</b>	<b>5,647,776</b>	<b>—</b>	<b>—</b>	<b>262,694</b>	<b>5,910,470</b>

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

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

## 40. 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 amounts due from banks and other financial institutions, financial assets at fair value through profit or loss, available-for-sale financial assets, statutory deposits, held-to-maturity financial assets and etc.

### Determination of fair value and fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the condensed consolidated financial information are categorized 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 significance 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, analyze and interpret information related to market transactions and other key valuation model inputs from multiple sources, and through the use of widely accepted internal valuation models, provide a theoretical quote on various securities. Debt securities traded among Chinese interbank market are classified as Level 2 when they are valued at recent quoted price from Chinese interbank market or from valuation service providers. Substantially most financial instruments classified within Level 2 of the fair value hierarchy are debt investments denominated in RMB. Fair value of debt investments denominated in RMB is determined based upon the valuation results by the China Central Depository & Clearing Co., Ltd. All significant inputs are observable in the market.

For Level 3 financial instruments, prices are determined using valuation methodologies such as discounted cash flow models, recent transaction prices of the same or similar instruments, 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 analyze 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.



## 40. 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:

	30 June 2020			
	Level 1	Level 2	Level 3	Total
<b>Assets measured at fair value</b>				
Financial assets at fair value through profit or loss				
– Fund investments	855,492	—	—	855,492
– Equity investments	30,116	—	—	30,116
– Debt investments	1,358,381	2,132,734	—	3,491,115
– Wealth management products	192,729	974,908	—	1,167,637
– Unlisted equity investments	—	—	227,312	227,312
Available-for-sale financial assets				
– Debt investments	4,437,793	5,396,673	—	9,834,466
– Equity investments	1,970,640	—	—	1,970,640
– Fund investments	1,785,550	—	—	1,785,550
– Wealth management products	928,679	1,344,269	—	2,272,948
– Unlisted equity investments	—	—	25,450	25,450
	<u>11,559,380</u>	<u>9,848,584</u>	<u>252,762</u>	<u>21,660,726</u>
<b>Assets for which fair values are disclosed</b>				
Investments classified as loans and receivables	—	—	1,274,714	1,274,714
Held-to-maturity financial asset	77,572	—	—	77,572
	<u>77,572</u>	<u>—</u>	<u>1,274,714</u>	<u>1,352,286</u>

	31 December 2019			
	Level 1	Level 2	Level 3	Total
<b>Assets measured at fair value</b>				
Financial assets at fair value through profit or loss				
– Fund investments	718,505	—	—	718,505
– Equity investments	56,456	—	—	56,456
– Debt investments	1,539,220	2,642,604	—	4,181,824
– Wealth management products	—	1,263,751	—	1,263,751
Available-for-sale financial assets				
– Debt investments	2,849,160	4,714,587	—	7,563,747
– Equity investments	2,026,064	—	—	2,026,064
– Fund investments	1,273,083	—	—	1,273,083
– Wealth management products	—	1,312,328	—	1,312,328
– Unlisted equity investments	—	—	25,450	25,450
	<u>8,462,488</u>	<u>9,933,270</u>	<u>25,450</u>	<u>18,421,208</u>
<b>Assets for which fair values are disclosed</b>				
Investments classified as loans and receivables	—	—	1,276,676	1,276,676

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

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

## 40. FAIR VALUE MEASUREMENT (continued)

### 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.

## 41. SUBSEQUENT EVENTS

On 16 July 2020, the Company issued 5-year notes in the aggregate principal amount of USD600,000 thousand at the rate of 3.125 per cent on the Hong Kong Stock Exchange.

The COVID-19 pandemic outbreak and continued to spread in China and around the world since early 2020. The COVID-19 pandemic has had certain impacts on the business operation and overall economy in some areas or industries around the world, including in China. The interim condensed consolidated financial information has reflected the known impact of the COVID-19 pandemic on the financial position as at 30 June 2020 and on the operating results and cash flows for the six months ended 30 June 2020 of the Group. Since the beginning of the second quarter in 2020, although China's economic and social operation has gradually got back on track despite prevention and control measures applied, it remains largely uncertain how things will develop with the global outbreak of the COVID-19 pandemic. The Group will pay close attention to the development of the COVID-19 pandemic and evaluate its impact on the financial position and operating results of the Group.

## 42. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The interim condensed consolidated financial information has been approved and authorized for issue by the directors of the Company on 26 August 2020.

# Definitions

“Alipay Insurance”	the insurance business segment under Ant Group
“Ant Group”	Ant Group Co., Ltd. (螞蟻科技集團股份有限公司), a joint stock limited company incorporated in the PRC (established on October 19, 2000, its name was Zhejiang Alibaba E-commerce Co., Ltd.(浙江阿裡巴巴電子商務有限公司) back then) and one of our substantial shareholders
“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
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board” or “Board of Directors”	the Board of Directors of our Company
“CBIRC”	the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
“CG Code”	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules
“Chief Executive(s)”	has the meaning ascribed to it under the Listing Rules
“CIRC”	the China Insurance Regulatory Commission (中國保險監督管理委員會)
“Company”, “Our Company”, “ZhongAn”, “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
“Director(s)”	the director(s) of our Company
“Domestic Shares”	ordinary shares issued by the Company, with a nominal value of RMB1, which are subscribed for or credited as paid in RMB
“Global Offering”	has the meaning ascribed to it in the Prospectus
“Grab”	Grab International Inc., a leading O2O platform in Southeast Asia, with which ZhongAn International has formed a joint venture company, Grab Insure
“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 Secondhand 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
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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
“JPY”	Japanese yen, the lawful currency of Japan

## Definitions

<b>“Keywise Fund”</b>	Keywise Greater China Opportunities Master Fund
<b>“Lexin”</b>	LexinFintech Holdings Ltd., a Cayman Islands company, and listed on the NASDAQ Global Market (stock code: LX)
<b>“Listing”</b>	the listing of the H shares on the Main Board of the Hong Kong Stock Exchange
<b>“Listing Rules”</b>	the Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
<b>“Maodou”</b>	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
<b>“Model Code”</b>	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
<b>“NTUC Income”</b>	NTUC Income Insurance Co-operative Limited, the largest comprehensive insurer in Singapore
<b>“Ping An Insurance”</b>	Ping An Insurance (Group) Co. of China, Ltd. (中國平安保險(集團)股份有限公司), a joint stock limited company incorporated in the PRC on March 21, 1988 listed on the Main Board of the Hong Kong Stock Exchange (SEHK: 02318) and the Shanghai Stock Exchange (SSE: 601318), and one of our substantial shareholders
<b>“Ping An P&amp;C”</b>	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
<b>“PPDAI”</b>	FinVolution Group, a Cayman Islands company, which is listed on the New York Stock Exchange (Stock Code: FINV)
<b>“PRC” or “China”</b>	the People’s Republic of China, but for the purposes of this interim report only, except where the context requires, references in this interim report to the PRC or China exclude Hong Kong, Macau and Taiwan
<b>“Prospectus”</b>	the prospectus of the Company dated September 18, 2017
<b>“RMB” or “Renminbi”</b>	the lawful currency of PRC
<b>“Reporting Period”</b>	the six months ended June 30, 2019
<b>“S\$”</b>	Singapore dollars, the lawful currency of Singapore
<b>“Secoo”</b>	Secoo (寺庫), an e-commerce online platform operated by Secoo Holding Limited incorporated in the Cayman Islands
<b>“SFO”</b>	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
<b>“Share(s)”</b>	the shares in the share capital of our Company with a nominal value of RMB1 each
<b>“Shareholder(s)”</b>	the holders of the Shares
<b>“Sinolink Worldwide”</b>	Sinolink Worldwide Holdings Limited (百仕達控股有限公司), a company incorporated in Bermuda with limited liability whose shares are listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 1168)
<b>“SOMPO”</b>	Sompo Japan Insurance Inc., one of the top three property and casualty insurance companies in Japan
<b>“substantial shareholders”</b>	has the meaning ascribed to it under the Listing Rules

<b>“Supervisor(s)”</b>	members of the supervisory committee of the Company
<b>“Supervisory Committee”</b>	the supervisory committee of the Company established pursuant to the Company Law of the PRC (中華人民共和國公司法)
<b>“Taobao Marketplace”</b>	an e-commerce platform of Alibaba
<b>“Tencent”</b>	Tencent Holdings Limited, a company incorporated in the Cayman Islands and listed on the Main Board of the Hong Kong Stock Exchange
<b>“Tencent Computer System”</b>	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
<b>“Tmall”</b>	Tmall.com (天貓), an online platform created by Alibaba
<b>“USD”</b>	United State dollars, the lawful currency of the United States of America
<b>“X Financial”</b>	a Cayman Islands company, and listed on the New York Stock Exchange (stock code: XYF)
<b>“ZA Bank”</b>	ZA Bank Limited (眾安銀行有限公司), a subsidiary of our Company, incorporated in Hong Kong on August 8, 2018
<b>“ZA Life”</b>	ZA Life Limited (眾安人壽有限公司), a subsidiary of our Company, incorporated in Hong Kong on February 27, 2019
<b>“ZhongAn International”</b>	ZhongAn Technologies International Group Limited (眾安科技(國際)集團有限公司), a subsidiary of our Company, incorporated in Hong Kong on September 22, 2017
<b>“ZhongAn Technology”</b>	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
<b>“%”</b>	per cent

## Glossary

<b>“big data analytics”</b>	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
<b>“cede”</b>	the transfer of all or part of a risk written by an insurer to a reinsurer
<b>“claim”</b>	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
<b>“commission”</b>	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
<b>“customer”</b>	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
<b>“gross written premiums” or “GWP”</b>	total premiums (whether or not earned) for insurance contracts written or assumed during a specific period, without deduction for premiums ceded
<b>“handling charges and commissions”</b>	fees paid to insurance agents for the distribution of our products
<b>“insured”</b>	the insured person as specified in the insurance product
<b>“Insuretech”</b>	use of technology innovations designed to achieve savings and efficiency from the traditional insurance industry model
<b>“net investment income”</b>	the sum of interest income, dividend income and realized gains or losses on securities through profit or loss and available-for-sale securities
<b>“net premiums earned”</b>	net written premiums less net change in unearned premium reserves during a period
<b>“premium”</b>	payment and consideration received on insurance policies issued or reissued by an insurance company
<b>“reinsurance”</b>	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
<b>“reserves”</b>	liability established to provide for future payments of claims and benefits to policyholders net of liability ceded to reinsurance companies
<b>“unearned premium reserves”</b>	portions of written premiums relating to unexpired risk of insurance coverage