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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 RESULTS ANNOUNCEMENT FOR THE
SIX MONTHS ENDED JUNE 30, 2021**

The board of directors (the "**Board**") of ZhongAn Online P & C Insurance Co., Ltd. (the "**Company**") hereby announces the unaudited interim results of the Company and its subsidiaries (the "**Group**") for the six months ended June 30, 2021, together with the comparative figures for the six months ended June 30, 2020. This announcement, containing the full text of the 2021 Interim Report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcement of interim results.

By Order of the Board

ZhongAn Online P & C Insurance Co., Ltd.

Yaping Ou

Chairman

Shanghai, the PRC, August 26, 2021

*As at the date of this announcement, the board of directors of the Company comprises three executive directors, namely Mr. Yaping Ou (chairman), Mr. Hugo Jin Yi Ou and Mr. Xing Jiang**, three non-executive directors, namely Mr. Xinyi Han, Mr. Liangxun Shi and Mr. Weibiao Zhan, and four independent non-executive directors, namely Mr. Shuang Zhang, Ms. Hui Chen, Mr. Ying Wu and Mr. Wei Ou.*

* *For identification purposes only and carrying on business in Hong Kong as “**ZA Online Fintech P & C**”*

** *Mr. Xing Jiang shall be an executive director of the Company upon his qualification as a director of the Company being approved by the China Banking and Insurance Regulatory Commission.*

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Corporate Information

Board of Directors

Executive Directors

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

Non-Executive Directors

Xinyi Han
Liangxun Shi
Weibiao Zhan

Independent Non-Executive Directors

Shuang Zhang
Hui Chen
Yifan Li (resigned on July 20, 2021)
Ying Wu
Wei Ou

Supervisors

Yuping Wen
Baoyan Gan
Haijiao Liu

Audit and Consumer Rights Protection Committee

Hui Chen (*Chairman*)
Xinyi Han
Wei Ou

Nomination and Remuneration Management Committee

Shuang Zhang (*Chairman*)
Yaping Ou
Ying Wu

Strategy and Investment Decision Committee

Yaping Ou (*Chairman*)
Hugo Jin Yi Ou
Xing Jiang**
Liangxun Shi
Weibiao Zhan

Risk Management and Related Party Transaction Control Committee

Wei Ou (*Chairman*)
Hui Chen
Ying Wu

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

Company Secretary

Yongbo Zhang

Authorized Representatives

Hugo Jin Yi Ou
Yongbo Zhang

** Mr. Xing Jiang shall be an executive director of the Company and member of the strategy and investment decision committee of the Company upon his qualification as a director of the Company being approved by the CBIRC.



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

China Merchants Bank Shanghai Branch, Nanjingxilu Sub-branch

Listing Information

Stock Code: 6060

Company Website

www.zhongan.com



Management Discussion and Analysis¹

Business Review

Business Development Overview

As the first Internet-based Insurtech company in China, ZhongAn upheld 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. By empowering the insurance value chain with technologies and adopting an ecosystem-oriented approach, we focus on the Internet life of customers through our proprietary channels and over 300 ecosystem partners’ platforms, in order to meet the diversified protection needs of customers and create value for them. Meanwhile, we proved and upgraded our technology strengths in the operation of our insurance business, and we aim to empower the Internet insurance industry by exporting Insurtech technologies and to facilitate the digital transformation of the industry.

In the first half of 2021, ZhongAn recorded a total GWP of approximately RMB9,841.4 million, representing a year-on-year increase of approximately 45.4%, and provided services to approximately 414 million insured customers. With a long-term user-centric product strategy, we continued to enrich our ecosystem-oriented product matrix and improve service capabilities, making our long-term value to users stand out. In the first half of 2021, the premiums contribution per capita of our insured customers was approximately RMB23.8, representing an increase of approximately 40.8% from approximately RMB16.9 in the corresponding period of last year.

Adhering to the mission of providing insurance services with a caring hand, we continued to provide users with ecosystem-oriented services this year to further promote inclusive insurance. Our measures mainly include:

(1) Accelerated exploration of new scenarios and continuous iteration of product offerings in the health ecosystem to cover users’ full life cycle and to strengthen our long-term competitive edge

2021 is the first year of the “14th Five-Year Plan”. In the 14th Five-Year Plan, commercial medical insurance and online medical care will continue to play an active role, and both will be closely integrated to comprehensively promote the construction of Healthy China.

This year, we brought the Internet-based “insurance + medical care + medicine” closed-loop strategy to the next level, by fully leveraging our role in the health ecosystem as the payer and proactively connecting with more ecosystem partners, including but not limited to pharmaceutical companies, medical device companies, and optional medical solution providers, to realize in-depth industry interaction, and provide better services and richer product offerings to a wider customer base. In the first half of 2021, our health ecosystem recorded a total GWP of approximately RMB3,925.7 million, representing a year-on-year increase of approximately 28.7% and accounting for approximately 40% of the total GWP.

Adhering to our commitment of “providing national medical insurance for over 100 million people”, on the product and service side, we focus on our core products “Personal Clinic Policy (尊享e生)”, enrich our product matrix, actively participate in the “HuiMinBao (惠民保)” projects, and make every effort to promote universal coverage. At the same time, we actively leverage our proprietary consumer insights to continuously launch affordable outpatient and emergency products, short-term multiple-paid critical illness insurance products, products for chronic patients such as hypertension and diabetes, as well as product series customized for the elderly, women, and children, to better carry out our concept of inclusive health coverage.

Our services and products start from required and urgent medical scenarios such as hospitalization and critical illness, and we continue to explore along the value chain to cover the daily needs of outpatient and emergency, chronic disease management, health management, rehabilitation management, consumer medicine and other scenarios. We are committed to refined operation of every process, from consultation to post-operative care of users, so that we can better serve users’ entire life cycle to help improve the overall health status.

We are closely deploying digital medical scenarios through Internet hospitals. This year, we have fully integrated Internet hospital services into more medical insurance products, and provided 24/7 online video medical advice, electronic prescriptions, and e-pharmacy services through our in-house and external teams of doctors. As of June 30, 2021, the policies of over 6 million users in our health ecosystem covered free access to 24/7 internet hospital services, representing a penetration rate of approximately 42%.

¹ All data of the insurance business referred to in Management Discussion and Analysis does not include life insurance business unless otherwise stated.



(2) Further implementation of omnichannel brand building strategy led to increased contribution from our proprietary channels, while deepened cross-selling effect further improved the average lifetime value per policyholder

Since the roll-out of our brand building and proprietary channels development, we have implemented multiple brand building strategies, focusing on the “ZhongAn” brand to provide potential customers with seamless omnichannel brand experience. Meanwhile, we continue to explore and grasp online traffic dividend from mainstream content platforms via short video and livestreaming. Our number of followers on mainstream short video sites such as Douyin and Kuaishou ranks first among peers in the industry, exceeding 10 million across distribution networks².

We reach customers rapidly and precisely in creative ways. We are well positioned to navigate through the next stages of customer conversion and retention. We closely follow the latest cultural trends such as Guochao and Hip-Hop among Millennials and Gen Z. By integrating brand building with our cultural insights, we successfully deepened our customer interface and we have seen higher level of activity among our users. The accumulated views of our user-generated content (UGC) across all platforms hit approximately 820 million, and the brand received a total of approximately 16 billion page views in the first half of 2021, demonstrating the value of our brand building efforts.

Leveraging up to 30 multi-carrier matrices that directly reach users, such as APPs under the ZhongAn brand, mini programs, WeChat Official Accounts, WeChat Work Accounts, mobile official websites, short video accounts, etc., we have established a service system integrating function and content with a variety of marketing methods. We focus on leveraging higher customer LTV with support from our omnichannel marketing capabilities and customer service. In the first half of 2021, the premiums of our proprietary channels reached approximately RMB1,549.3 million, a year-on-year increase of approximately 47.6% over the corresponding period of last year. The number of paying users increased year-on-year by approximately 20.0% from approximately 3.18 million in the corresponding period of last year to approximately 3.81 million.

We constantly provide more comprehensive services and guarantees to users and further improve users’ perception of the ZhongAn brand. At the same time, thanks to our fine operation result, in the first half of the year, the per capita premium from users of proprietary channels reached RMB406, an increase of approximately 23% from RMB330 in the corresponding period last year.

(3) Seized the tailwind of the new scenario-based consumption, with innovative products boosting the rapid growth of digital lifestyle ecosystem and further penetrating the Internet life of users

We continue to grasp the development of new consumption and use technology to empower business and explore new scenarios for digital lifestyle to enrich our product matrix. We meet customers’ diversified protection needs by introducing various new innovative products, including various market-leading products such as pet insurance, screen crack insurance for mobile phone, new types of accident and household property insurance.

In the digital lifestyle ecosystem, we insist on using technological innovation to drive product innovation and tap into incremental markets. This year, based on the nose pattern recognition technology jointly developed with Alibaba, we launched pet medical treatment insurance, Pet Clinic Policy (寵愛e生), which is committed to using insurance payment as the fulcrum to seize the hundreds of billions of yuan sized market under the wave of “Companion Economy” driven by pet humanization and the “pet economy (它經濟)”. In addition to basic medical services, we also provide value-added services such as pet deworming, vaccines and online medical advice. In the first half of 2021, the total GWP reached approximately RMB3,344.8 million in digital lifestyle ecosystem, up by approximately 52.3% year-on-year, of which the proportion of innovative businesses further increased to approximately 20% from approximately 13% in the corresponding period last year.

2. Including major platforms such as Douyin, Kuaishou, Weibo, and Wechat official accounts.



Management Discussion and Analysis

Long-term pursuit of quality growth and realised underwriting profit

As ZhongAn upheld the long termism and stayed focused on quality growth, we have achieved positive underwriting profit in the first half of the year, partly fuelled by our technology-driven cost reduction and efficiency improvement. The combined ratio was approximately 99.4%, representing an improvement of approximately 4.1 percentage points from approximately 103.5% for the corresponding period last year. In particular, the loss ratio was approximately 49.4%, representing a year-on-year decrease of approximately 7.2 percentage points, while the expense ratio increased by approximately 3.1 percentage points year-on-year to approximately 50.0%. The underwriting profit for the first half of 2021 amounted to approximately RMB49.4 million, a turnaround from loss to profit as compared to the underwriting loss of approximately RMB263.2 million for the corresponding period last year.

Specifically, we have taken the following measures:

- (1) We have firmly taken a more prudent attitude in developing the consumer finance ecosystem, maintained a strict risk control strategy, and continuously upgraded our pricing model. The quality of our underlying assets has been significantly and continuously optimized, and the loss ratio of the consumer finance ecosystem has further improved significantly. The loss ratio for the first half of 2021 decreased by approximately 30.9 percentage points to approximately 38.9% from approximately 69.8% in the corresponding period last year.
- (2) Technology empowered the whole process to realize the improvement of claims settlement for health ecosystem. In the first half of 2021, the loss ratio for health ecosystem fell by 8 percentage points to approximately 37.1% from approximately 45.1% in the corresponding period last year.
- (3) 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 economies of scale as the business grows. Taking the health ecosystem as an example, with the intelligent underwriting, automatic adjustment, intelligent review and other capabilities, we provide users with a more convenient and efficient experience in the purchase and claim settlement process of

health insurance. The claim settlement speed for our health insurance has continued to increase, and the waiting time for customers to receive claim payment has been shortened by 55% year-on-year, with 94% of the claim applications could be made online. Through our "Smart Claim Settlement" system, a claim settlement is completed every 42 seconds. Through "One-day Claim Payment" for a claim of an amount less than RMB10,000, 99% of the cases can be settled within the 24-hour quick settlement time limit, which greatly improves operational efficiency, while improving user experience. The intelligent customer service improved net promoter score (NPS) by 31 percentage points this year. At the same time, technology-empowered marketing helped to improve more than 50% of advertising effectiveness. In the first half of 2021, our operating expense as percentages of net written premium was increased by 9.5 percentage points to 16.8% from 26.3% for the corresponding period of last year.

Technology export

We continue to focus on the Insuretech field, leveraging our advanced Insuretech experience and technology strengths to facilitate the digital transformation throughout the insurance industry value chain through building digital new infrastructure. In the aftermath of the COVID-19 pandemic, there has been a strong demand from players in the global insurance industry for digital transformation this year. Meanwhile, regulatory policies in China have accelerated the process of digital transformation of the industry, which further creates a new situation for the Insuretech market.

In the first half of 2021, we recorded revenue from technology export of approximately RMB266.3 million, representing a year-on-year increase of approximately 122.1%. In the first half of 2021, we contracted with a total of 44 customers along the insurance industry value chain, a net increase of 16 from the corresponding period last year. In the domestic market, our customer base has covered industry-leading companies including Tai Ping Group, CPIC Group, AIA Life, Manulife-Sinochem, HSBC Life and BOC-Samsung Life Insurance etc.. Approximately 75% of our customers along the insurance industry value chain purchased additional insurance system modules from us or upgraded their existing modules in 2021, which reflected our products' long-term value to the customers' business.



Early this year, we cooperated with Taiping General Insurance, a leading insurance company in China, to help it build a new generation of core system of accident and health insurance with our business production series products. In the first half of the year, our business growth series products continued to help more than 10 customers including Taiping Life, AIA Life, Manulife-Sinochem, HSBC Life and ABC Life construct one-stop digital insurance marketing platform and realize a digital, online and intelligent closed-loop of scenario-based intelligent marketing.

Last year, the visual backtracking solution for online insurance sales we launched helped various insurance industry participants to adapt to the regulatory environment. This year, we further launched the EAST system for regulatory data review and analysis to embrace the regtech and promote data processing and compliance development of insurance business.

Our strategic positioning is not only a cutting-edge technology service provider, but also to 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 the first half of 2021, our technology export business continued to make new breakthroughs and achievements in overseas markets. For the Asian market, our international customer base has expanded to more Southeast Asian countries, covering leading property insurance, life insurance companies and Internet insurance platforms in the local markets. In addition, we have further expanded our Insurtech footprint to Europe, where we have completed the launch of products for our first customer. Through our next-generation cloud-based

decentralized core insurance system (i.e. Graphene) and integrated insurance finance solution (i.e. Fusion), our customers have launched in the local area with various ecosystem partners a number of individual and scenario-based insurance coverage products.

In 2021, we have established regional technology partnership with AIA Group, the largest independent listed life insurance group in the Pan-Asian region, which helped AIA to speed up digitalization and further reach new customers, and meet the users' protection needs by providing innovative insurance products and connecting partners. The cooperation plan will be conducted in Malaysia at the beginning, where we will help AIA more rapidly develop and distribute digital insurance products by utilizing professional technical knowledge and patent system "Graphene". The Graphene system will be beneficial to AIA's effective connection with digital partners, allowing AIA to issue policies in real time to each customer group based on different living scenarios.

As the first licensed virtual bank in operations in Hong Kong, ZA Bank has maintained a leading position in Hong Kong's virtual banking industry in terms of number of customers or business scale. We are committed to redefining customer's financial experience and achieving cost reduction and efficiency improvement through technologies, thus creating brand-new banking experience for customers in Hong Kong. As of June 30, 2021, ZA Bank attracted approximately HK\$7.6 billion of deposits, representing a year-on-year increase of approximately 200%, and granted loan balances of approximately HK\$1,300 million, representing a year-on-year increase of approximately 20 times. As of mid-July, 2021, the number of customers of ZA Bank exceeded 400,000.



Management Discussion and Analysis

Segment Financial Highlights

The following table sets forth the profit/(loss) from each business segment in the first half of 2021. Specifically, the insurance segment offers a wide range of online property and casualty insurance business, the technology segment provides technology export related business to its customers, 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 provide insurance brokerage, bio technology services, ZA Insure and etc. Among them, both ZA Bank and ZA Insure officially opened for business in the first half of 2020.

Segment income statement for the six months ended June 30, 2021

RMB'000	Insurance	Technology	Banking	Others	Eliminations	Total
Gross written premiums	9,841,704	—	—	4,103	(336)	9,845,471
Net premiums earned	8,235,520	—	—	2,760	(292)	8,237,988
Other income	113,176	274,151	41,441	113,172	(64,568)	477,372
Net profit/(loss)	1,029,287	(137,356)	(206,754)	(84,325)	3,281	604,133
Attributable to:						
—Owners of the parent						755,347

Segment income statement for the six months ended June 30, 2020

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

Net profit attributable to owners of the parent in the first half of 2021 was approximately RMB755.3 million, representing a year-on-year increase of approximately 54.0%, which was mainly due to the significant increase in net profit of the insurance segment that resulted from the underwriting profit. The specific performance of each segment is as follows:

- 1) Insurance segment: benefiting from the underwriting profit, which was achieved due to our persistent pursuit for "sustainable growth with quality" and solid investment income performance, the insurance segment recorded net profit of approximately RMB1,029.3 million, representing a year-on-year increase of approximately 65.4%;
- 2) Technology segment: the technology segment recorded other income of approximately RMB274.2 million in the first half of 2021, representing a year-on-year increase of approximately 95.2%. At the same time, net loss of the technology segment was approximately RMB137.4 million and the net loss margin further narrowed;
- 3) Banking segment: as ZA Bank is currently in the early stage of operation, its net loss 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 and other subsidiaries.



Our Ecosystems

The following table sets forth GWP in absolute amounts and as percentages of total GWP by ecosystem in the first half of 2021 and 2020:



Ecosystems	For the six months ended June 30				
	2021		2020		% of change
	RMB'000	Percentage %	RMB'000	Percentage %	
Health	3,925,738	40%	3,049,151	45%	29%
Digital lifestyle	3,344,807	34%	2,196,505	32%	52%
Consumer finance	2,193,241	22%	750,974	11%	192%
Auto	377,582	4%	456,887	7%	(17%)
Others	—	—	312,961	5%	n/a
Total	9,841,368	100%	6,766,478	100%	45%

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) net 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 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 2021 and 2020:

Ecosystems Data



Ecosystems	For the six months ended June 30	
	2021	2020
	RMB'000	RMB'000
Health		
GWP	3,925,738	3,049,151
Net written premiums	3,790,427	2,979,348
Net premiums earned	3,174,595	2,961,034
Loss ratio%	37.1%	45.1%
Channel fees as a percentage of net written premiums%	27.9%	28.4%



Management Discussion and Analysis



	For the six months ended June 30	
	2021	2020
	RMB'000	RMB'000
Ecosystems		
Digital lifestyle		
GWP	3,344,807	2,196,505
Net written premiums	3,341,441	2,194,696
Net premiums earned	3,256,000	2,174,862
Loss ratio%	62.1%	62.7%
Channel fees as a percentage of net written premiums%	35.4%	30.1%
Consumer finance		
GWP	2,193,241	750,974
Net written premiums	1,715,046	709,556
Net premiums earned	1,278,411	1,505,419
Loss ratio%	38.9%	69.8%
Channel fees as a percentage of net written premiums%	16.2%	9.4%
Auto		
GWP	377,582	456,887
Net written premiums	377,582	456,887
Net premiums earned	526,223	558,337
Loss ratio%	71.5%	50.2%
Channel fees as a percentage of net written premiums%	13.8%	25.4%



Health ecosystem

Since providing the health ecosystem in 2016, ZhongAn has always put into practice the philosophy of health inclusion and has focused on customer demands for healthcare management and provided them with a one-stop 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.

2021 is the first year of the “14th Five-Year Plan”. In the 14th Five-Year Plan, commercial medical insurance and Internet medical care will continue to play an active role, and both will be closely integrated to comprehensively promote the construction of a healthy China.

As medical scenarios become more diversified and enriched, our services and products start from required and urgent medical scenarios such as hospitalization and critical illness, and continue to explore the extension of the value chain to cover the daily needs of outpatient and emergency, chronic disease treatment, health management, rehabilitation management, consumer medicine and other scenarios. We are committed to refined operation of every stage from consultation to post-operative care of users, so that we can better serve users’ entire life cycle to help improve the overall health status.

This year, the “HuiMinBao” (惠民保) launched by local governments has further stimulated users’ health protection needs, and we have also actively participated in it to promote affordable insurance and health services. We actively use our own insight into users and data analysis capability to continue to launch affordable outpatient and emergency products, short-term multiple-paid critical illness insurance products, products for chronic patients such as hypertension and diabetes, as well as product series for the elderly, women, and children, to better carry out our concept of inclusive health. In the first half of 2021, the number of paid users of health ecosystem increased by approximately 10% from approximately 8,299 thousand for the same period of 2020 to approximately 9,135 thousand.

We are committed to refined operation of every stage of users’ health management and medical treatment, ranging from required medical care to optional medical care, and from consultation to post-operative home nursing care, to achieve all-rounded full-process service coverage. This year, we have fully integrated Internet hospital services into new medical insurance products launched in 2021. Through ZhongAn Internet Hospital, we provide users with 7*24 one-to-one video consultation services. Our green channel services for critical illnesses have covered 31 provinces across the country, more than 100 cities and more than 900 hospitals, and inpatient medical advances have covered more than 2,000 hospitals

across the country, and inpatient medical advances have been provided for more than 10,000 times. As of June 30, 2021, the policies of over 6 million users in our health ecosystem covered free access to 24/7 internet hospital services, representing a penetration rate of approximately 42%.

We continue to upgrade our products, and strive to promote the improvement of health insurance service capabilities to meet the multi-level and diversified health protection needs of the public. We have been actively exploring insurance products to meet the in-depth health needs of specific groups of people. We launched high-incidence disease insurance for women. While covering high-incidence diseases for women such as breast cancer, uterine cancer, and cervical cancer, we also pioneered the medical responsibility of breast prosthesis in the industry, providing comprehensive care for prognostic health and needs. We have also joined hands with leading pharmaceutical company Zai Lab to launch the first domestic public welfare program to care for women with ovarian cancer, and expanded the insured population to women suffering from the disease. We have launched a protection plan that cares for the female group with ovarian cancer, focusing on outpatient and hospitalization medical expenses, special medicine protection, and protection for adverse reactions after medication. Not only healthy women can join the protection plan, but also women who are ill and who meet the conditions can also get corresponding coverage by joining the protection plan.

We pay attention to the health of people with chronic diseases and increase their medical coverage. At the beginning of this year, ZhongAn’s flagship product “Personal Clinic Policy” series was upgraded, and exclusive medical plans for people with chronic diseases were initiated, such as people with diabetes, hypertension, thyroid disease, breast disease, chronic liver disease, and chronic kidney disease, as long as they meet the conditions of insurance, relevant past diseases can be included in the coverage. We and Alibaba Health jointly launched the country’s first one-million-yuan medical insurance for hepatitis B patients, which focuses on meeting the health management needs of hepatitis B patients, incorporates services such as early screening, and creates a new health management model designed for patients with chronic diseases.

In addition, in recent years, benefiting from the country’s policy support to encourage people to run hospitals, as well as the trend of increased spending power, and increasing pursuit of “beauty and health”, consumer medical services have ushered in vigorous development and gradually become a very important part of Chinese medical services resource and the consumption industry. Leveraging its ecosystem partner network and user profile images developed over the years, ZhongAn has further expanded its services to consumer medical scenarios. In June 2021, we joined forces with the world-renowned brand Hoya Vision to jointly launch the “Xinlexue Bright Eye Insurance (新樂學明眸保)” vision health protection program to protect the vision health of young people.



Management Discussion and Analysis

Leveraging our medium and long-standing business development in health ecosystem, in the first half of 2021, the health ecosystem services provided health insurance and medical services to approximately 14.48 million users and recorded approximately RMB3,925.7 million in total GWP, representing a year-on-year increase of approximately 28.7%. The users of our Personal Clinic Policy (尊享e生) products were at an average age of around 35.

The closed-loop health ecosystem witnessed remarkable achievements in deepening construction. The per capita GWP contribution of health ecosystem further increased from RMB368 in the first half of 2020 to RMB430 in the first half of 2021, representing an increase of approximately 16.8%.

In terms of operating indicators, the loss ratio of the health ecosystem in the first half of 2021 was approximately 37.1%, with a year-on-year decrease of approximately 8 percentage points, which was mainly attributable to our many years of refined operation efforts which is conducive to anti-fraud.

The channel fee ratio of the health ecosystem in the first half of 2021 remained stable at approximately 27.9%, representing a year-on-year decrease of approximately 0.5 percentage point.

Adhering to the principle of “sustainable growth with quality”, we will pay more attention to the services for users, enrich the product matrix of innovative scenarios, continuously improve user retention, seize user mindshare, and enhance long-term barriers to competition.

Digital lifestyle ecosystem

Leveraging our user insights and data analysis advantage, and closely keeping in line with the development trend of society, we provide customized protection services aiming at the consumers in certain digital lifestyle scenarios, including e-commerce insurance products covering scenarios such as product return, product quality, logistics, post-sale services and merchant security deposits for e-commerce platforms including Tmall, Taobao Marketplace, Xiaohongshu (小红书), Douyin, Kuaishou, Mia (蜜芽) and Weidian (微店), and air travel insurance products for flight accidents, flight delays, travel accidents, and flight or hotel cancellations, covering all major OTA channels in China, including Ctrip, Tongcheng, Fliggy and Qunar. In addition, we continue to grasp the development of new consumption and use technology to empower business and explore new scenarios for digital lifestyle to enrich our product matrix. We strive to meet customers' individual protection needs by launching various new innovative products, including various market-leading products such as insurance for pet, screen crack insurance for mobile phone, accident insurance and household property insurance.

In 2020, the number of pets in China exceeded 100 million, and the pet market size reached RMB300 billion. It is expected to achieve an annual growth of more than 20% in the next three years. Against the 40% penetration rate of pet insurance in some developed countries, the penetration rate of pet insurance in the PRC does not reach 1%¹. The pet companionship economy will experience booming growth with the changes in the population structure and the emotional factor drives the rapid release of the demand for pets. In addition, with the explosion of short videos and digital media, “cloud pet show” (云吸宠) has brought more potential consumers to the pet industry. The pet economy has ushered in opportunities for vigorous growth along with the personification trend of pets and the increase in the willingness of young users to pay for pets.

Our nose pattern recognition technology for pets boasts an accuracy rate of over 99%. Based on such industry-leading technological capabilities, ZhongAn has launched pet insurance to meet the needs of pet owners for medical protection for their pets. Meanwhile, we connect high-quality medical resources to pet owners through our cooperation with domestic leading pet service companies. In this regard, ZhongAn has established connections with over 8,000 offline pet hospitals, covering major cities across China.

Starting from basic medical insurance for pets, we continuously explore and extend ZhongAn's service offering in the field of pet economy, striving to create a complete and active pet ecosystem together with the industry participants, which not only includes pet medical insurance, but also comes with health management services for free, including, among others, deworming, vaccines, online medical advice and nutritionist consultations and such value-added services as pet food, pet wash and care, pet training and boarding. Our pet products have been upgraded with multiple versions, offering differentiated services to cover the needs of different user groups, and are enjoying a leading position in terms of market share in China.

We have also actively participated in the “infrastructure” construction for pet ecosystem, and promoted pet smart management and pet retrieval services in cooperation with Hangzhou Municipal Government and Shaoxing Municipal Government. In the future, we will further our participation in the pet industry chain for an in-depth involvement in the pet economy. As of June 30, 2021, we provided over one million of pet owners with pet insurance, with a leading market share in the industry. During the Reporting Period, the GWP of pet insurance recorded a year-on-year increase of over 60 times.

¹Source: 2020 Chinese Pet Industry White Paper; 2020 Pet Medical Consumption Insight Report released by CNBDData



With the advent of the 5G era, there is once again a potential emergency of fresh demand for phones in the mobile phone market. Aiming at user needs, we launched an innovative screen crack insurance for mobile phone through taking photos. Leveraging our risk control capabilities and differentiated pricing, we experienced product upgrades and innovation, and solved the pain points of the industry. Our screen crack insurance for mobile phone covers mainstream mobile phone manufacturers in the market, with a year-on-year increase in GWP of over 37 times in the first half of 2021.

In the first half of 2021, the digital lifestyle ecosystem recorded a total GWP of approximately RMB3,344.8 million, representing a year-on-year increase of approximately 52.3%, among which, the total GWP proportion of innovative business including pet insurance, screen crack insurance for mobile phone and Personal Accident Policy (無憂保) increased from approximately 13% in the first half of 2020 to approximately 20%, representing a year-on-year increase of approximately 138%.

In addition, our air travel products for consumer travel also resumed strong growth driven by the recovery of the air travel industry benefiting from the well-controlled pandemic in China.

Thanks to the continuous upgrades of a diversified product matrix, the per capita premium contribution of the digital lifestyle ecosystem increased from approximately RMB5.7 in the first half of 2020 to approximately RMB8.4 in the first half of 2021.

In the first half of the year, the channel fee rate of the digital lifestyle ecosystem increased by approximately 5.3 percentage points, mainly attributable to the higher income from the air travel business which produced a relatively high channel fee rate this year, while the loss ratio improved approximately 0.6 percentage points as compared with the corresponding period last year.

In the future, aiming to cover a wider range of user's need in the internet scenarios, we will continue to explore upgrades and innovation under digital lifestyle scenarios by deepening cooperation with ecosystem partners, so as 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 and other technology strengths, we are committed to providing customers with credit enhancement services, and have developed leading technologies and risk control capacities in the consumer

finance ecosystem. We have proactively expanded our cooperation with various Internet scenario-based platforms, such as Bestpay under telecommunication scenarios and IQIYI under video streaming scenarios. We have also provided consumer finance solutions to selected leading Internet finance platforms, such as Lexin and Mashang Consumer Finance by joint risk control and joint scenario-based operations. All of the funding providers that we cooperate with are licensed financial institutions.

In the first half of 2021, China's GDP increased by approximately 12.7% year-on-year as the overall macroeconomic recovery was improving thanks to the well-controlled pandemic in China, while the credit cycle was in the recovery phase, and we also saw a certain recovery in our consumer finance business. Adhering to strict risk control standards, in the first half of the year, consumer finance ecosystem recorded GWP of approximately RMB2,193.2 million, representing an increase of approximately 55.5% as compared with that in the second half of last year. While pursuing steady business growth, we strictly controlled risks and actively cooperated with reinsurance companies. In the first half of the year, the proportion of premiums ceded to reinsurers under consumer finance ecosystem reached approximately 21.8%, representing a further increase from approximately 7.9% throughout last year. As of June 30, 2021, the outstanding loan balance of the consumer finance ecosystem was approximately RMB18.7 billion, representing an increase of only approximately 16.1% from approximately RMB16.1 billion as of December 31, 2020.

Our targeted customers of the consumer finance ecosystem are the young near-prime group in China, with quality education and strong consumption demands. In 2021, we continued our focus on small-sized, spread-out and short-term Internet consumer finance assets. Through cooperation with licensed financial institutions and with our industry-leading technology, risk control and other capabilities, we set insurance premium rates based on individual risk profile of the underlying assets and provided coverage with our credit guarantee insurance products. Supported by our constantly upgraded pricing model and prudent risk control strategy, the quality of our underlying assets has been improving significantly. As a result, the loss ratio decreased significantly year-on-year by approximately 30.9 percentage points to approximately 38.9% in the first half of 2021.

The channel fee ratio of the consumer finance ecosystem for the period was approximately 16.2%, up by approximately 6.8 percentage points from approximately 9.4% in the corresponding period last year, which was mainly due to the increase in marketing expenses incurred in acquiring customers.



Management Discussion and Analysis

Auto ecosystem

We offer professional auto insurance 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 via the “Baobiao Auto Insurance” product. “Baobiao Auto Insurance” is based on the coinsurance model jointly developed with Ping An P&C. 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 at a 50%:50% ratio.

In the first half of 2021, the auto insurance industry’s premium per policy declined under the auto insurance pricing reform’s principle of benefiting consumers. Our auto ecosystem recorded a year-on-year decline of approximately 17.4% in total GWP to approximately RMB377.6 million in the first half of 2021. Our customers were mainly male clients aged 30 to 35 in first-, second- and third-tier cities.

Our major ecosystem partners include Internet platforms and automotive aftermarket service channels. Regarding cooperation with Internet platforms, we have built up a great quantity of Internet operating capabilities by continuing to enhance cooperation with all kinds of ecosystem partners. We also connected with more offline automotive aftermarkets and other channels, such as auto detailing shops and automobile repair shops, through the SaaS platform and APIs, thereby allowing our products to efficiently reach more users without having to invest a large amount of human resources to connect and maintain the channels. In the first half of 2021, we further carried out in-depth cooperation with leading automobile manufacturers and a number of car-making new forces in exploration of the new-generation auto insurance.

We adhered to our steady development strategy for the auto insurance segment in the first half of 2021, and optimized the underwriting quality of our existing business through refined operations. Through cost reduction and efficiency improvement with our in-house technologies, the channel fee ratio of our auto insurance decreased by approximately 11.6 percentage points on a year-on-year basis to approximately 13.8% in the first half of 2021.

Under the auto pricing reform driven by regulatory efforts, auto insurance’s market order was further improved with a decrease of expense ratio in the industry. In this context, we effectively delivered benefits to auto insurance consumers and the loss ratio of our auto ecosystem increased from approximately 50.2% to approximately 71.5% in the first half of 2021.

In the future, we will continue to explore new scenarios, new needs and new businesses in the auto insurance industry, and leveraging our own advantages of model customization and technology-empowered development, proactively develop sectors such as new energy vehicles, Internet of Vehicles and UBI innovative auto insurance.

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 2021, ZhongAn invested RMB480 million in research and development activities, representing a year-on-year increase of approximately 13.3%. As of June 30, 2021, ZhongAn had a total of 1,556 engineers and technicians, which accounted for approximately 48% of our total employees.

As of June 30, 2021, we had accumulatively filed applications for 511 patents. In the first half of 2021, there were 41 new licenses, and the total number of licenses was 90 as of June 30, 2021, representing an increase of approximately 83.7% as compared with that at the end of 2020.

In addition, we have 34 PCT (Patent Cooperation Treaty) patent applications in total, covering 11 countries and regions. In the first half of 2021, there were 9 new international licenses, and the total number of international licenses was 15 as of June 30, 2021, representing an increase of 150% as compared with that at the end of 2020.

Continuous R&D investment has brought technology-empowering effects to our business value chain. For example, the claim settlement speed for our health insurance has continued to increase, and the waiting time for customers to receive claim payment has been shortened by 55% year-on-year, with 94% of the claim applications could be made online. Through our “Smart Claim Settlement” system, a claim settlement is completed every 42 seconds. Through “One-day Claim Payment” for a claim of an amount less than RMB10,000, 99% of the cases can be settled within the 24-hour quick settlement time limit.



As our cloud-based distributed core system, "Wujieshan" is able to support a great number of individual policies, we issued a total of approximately 3.2 billion policies in the first half of 2021 and provided services to approximately 414 million users. Adhering to green finance and contributing to low-carbon environmental protection operation, we built a new generation of green data centers to embrace low-carbon methods for full online office work. The Company also actively organized social welfare projects such as "harmonious development between human and water" (人水和諧), with total participants in social welfare activities reached over 150,000.

Technology Export

We continued to focus on the Insuretech segment, developing and exporting our advanced experience and technology strengths in the Insuretech industry to facilitate digital transformation throughout the insurance industry through building digital new infrastructure. We developed core digital insurance systems and scenario-based solutions for our customers in the insurance industry, and joined hands with Internet platforms to develop Internet ecosystem-oriented insurance solutions. Our revenue comprises of project fees, software licensing fees, technology service fees and other charges under a SaaS model, for instance, as a percentage of income or usage.

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. 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.

We have developed mature Insuretech products and solutions covering comprehensive demands in each stage of the digital transformation of the insurance industry throughout operations (a fully digitalized process), technology (digital new infrastructure), data (in-depth insight into users to empower refined operation), and organizational management (online and professional training of insurance practitioners).

Our existing Insuretech product lines mainly fall into three series, namely, the business growth series, the business production series, and the business infrastructure series, covering the entire business processes of the insurance industry.

1) *Business growth series*

Business growth series includes the X-Man intelligent marketing platform and the X-Magnet advertising operation platform, mainly helping customers to build a sustainable marketing closed-loop to drive rapid user and revenue growth with one-stop services. The traditional insurance industry has several deficiencies in marketing such as limited formats of promotional activities, lack of in-depth analysis on the marketing results and inefficient implementation. With our intelligent marketing platform and advertising operation platform and exploration and analytics, our solutions help to 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 revenue growth. An event can be launched in as fast as 5 minutes, and the average efficiency can be increased by 80%.

2) *Business production series*

Business production series includes products of cloud-based distributed core systems, business and data middle offices and various business application platforms. Owing to the middle office system, one of the insurance products developed by the Company, there is no need for insurance companies to replace their core system. The solutions empower the front office with digital middle office via shared services, enabling customers to respond to the big data, high-frequency and high-concurrency internet business scenarios so as to engage in online insurance business in a prompt manner. In addition, the solutions provide a microservices-based structure with flexible scalability which could enhance business scalability of customers by connecting all business segments, breaking down the isolation of information and focusing on whole-process digital management of users. Connecting to over 1,000 channels, our business production series products can be launched in 1 to 3 days at the soonest and issue up to 32,000 insurance policies per second.



Management Discussion and Analysis

3) Business Infrastructure Series

We provide an underlying infrastructure solution that runs safely and stably and supports high concurrency and elastic computing, including blockchain, information security and DevOps research and development efficiency system, which helps customers to deal with high-frequency transaction flows in the context of Internet and provides stable and safe support for customers in their pursuit for rapid business development. Allowing customers to publish daily for over 300 times online, we maintain daily data volume of more than 10 million and manage over 8,000 databases simultaneously. The availability of business system reaches over 99.99%.

In the first half of 2021, we recorded revenue from technology export of approximately RMB266.3 million, representing a year-on-year increase of approximately 122.1%. In the first half of 2021, we contracted with a total of 44 customers along the insurance industry value chain, a net increase of 16 from the corresponding period last year. Our customer base in domestic market has covered industry-leading companies including Taiping Group, CPIC Group, AIA Life, Manulife-Sinochem, HSBC Life and BOC-Samsung Life Insurance. Approximately 75% of our customers along the insurance industry value chain purchased additional insurance system modules from us or upgraded their existing modules, which showed the long-term value of our products to customers' businesses. Out of the revenue of technology export, the proportion of recurring revenue³ reached 48%.

In this year, we entered into cooperation with Taiping General Insurance, a leading domestic insurance company, for our business production series products, to assist it in constructing new generation of core system of accident and health insurance, building digital operation capability, optimizing operation process, overall supporting various types of business models and improving workforce efficiency. By adopting an open and distributed technical framework, we realized platformization, componentization and engineization of the structure and improved time efficiency of development and operation and maintenance of system, to meet challenges resulting from high-concurrency, high-frequency and fragmented transactions in the context of mobile Internet, help Taiping General Insurance build an authentic sensitive-state IT and realize technology empowerment.

Our business growth series helped more than 10 customers including AIA Life, Manulife-Sinochem, HSBC Life and ABC Life construct one-stop digital insurance marketing platform and realize a digital, online and intelligent entire closed-loop of scenario-based intelligent marketing. By constructing effective marketing activity tools and digital operation system, we assisted operators in realizing comprehensive management of users' entire life cycle, improve customer loyalty and platform activeness. Also, we conducted refined operation by personalized targeted recommendation, to realize improvement of both efficiency and result and maximized value of platform operation.

Our brokage and agency middle office also helped several major brokage and agency firms in China complete their digital transformation to grasp the online demands.

We are also actively pursuing a long-term win-win situation with our customers. With our involvement in the growth of our customers and understanding of their needs, we continuously launch products that meet customers' needs, so as to keep driving up our sustainable income.

Regulatory policies have accelerated the transformation process of industry digitalization, which provides a new promising landscape for the Insuretech market. Last year, in line with the regulatory policy regarding online insurance sales, we launched our self-developed visual backtracking product of internet sales behavior, which brought a new customer base for us. Since its launch, we have served a total of 48 customers. This year, we have achieved overlay sales to certain such customers, thus successfully exploiting the long-term customer value.

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 digital transformation of insurance companies. On the basis of this, we will further exploit the long-term customer 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.

3 Recurring income represents the type of income which is expected to recur in the next year, including, among others, the types of income from SaaS subscription, and system maintenance and upgrade.



Through cutting-edge Insuretech solutions with standardization, integration of property and life insurance, high availability, high reliability and satisfaction of main demand of Internet insurance market, abundant industrial knowledge and experience accumulated in Asia, we helped more partners conduct transformation of business digitalization and renovative growth.

In 2021, our technology export business continued to make new breakthroughs and achievements in overseas markets. In Asia, our international customer base in has expanded to more Southeast Asian countries, serving leading property insurance, life insurance companies and Internet insurance platforms in the local markets. In addition, we have further expanded our Insurtech footprint to Europe, where we have completed the launch of our first customer's products. Through our next-generation cloud-based decentralized core insurance system (i.e. Graphene) and integrated insurance finance solution (i.e. Fusion), our customers have connected with various local ecosystem partners launching a variety of usage-based and scenario-based insurance coverage products.

In this year, we became a regional technology partner with AIA Group, the largest independent listed life insurance group in the Pan-Asian region, which would help AIA to speed up digitalization and further reach new customers, and meet users' protection needs by providing innovative insurance products and connecting partners. The cooperation plan will be conducted in Malaysia at the beginning, where we will help AIA more rapidly develop and distribute digital insurance products by utilizing professional technical knowledge and patent system "Graphene". The Graphene system will be beneficial to AIA's effective connection with digital partners, allowing AIA to issue policies in real time to each customer group based on different living scenarios.

In addition, we are cooperating with AIA on digital marketing based on the existing Graphene system. We have turned Graphene and the marketing module X-Man into the recommended standard of AIA Group for its next stage of digital transformation. With Singapore as the local service site, we launched the first cross-country, lightweight SaaS core product Nano in Southeast Asia.

In April 2021, we and our partners jointly set up the Asia Fintech Center in Singapore. The center will work hand in hand with the industry to provide solutions for the application instances in the insurance and financial services industries, and contribute to the cultivation of financial technology professionals. 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

As the first licensed virtual bank in operations in Hong Kong, ZA Bank has maintained a leading position in Hong Kong's virtual banking industry in terms of both number of customers and business scale. We are committed to redefining customer's financial experience and achieving cost reduction and efficiency improvement through technologies, thus creating brand-new banking experience for customers in Hong Kong. As of June 30, 2021, ZA Bank has attracted approximately HK\$7.6 billion of outstanding of deposits, representing a year-on-year increase of approximately 200%, and granted loan balances of approximately HK\$1,300 million, representing a year-on-year increase of approximately 20 times. As of mid-July 2021, the number of customers of ZA Bank exceeded 400,000.

In 2021, ZA Bank continued to assist social stakeholders to implement the concept of inclusive finance. For instance, we officially launched commercial banking for small and medium enterprises in Hong Kong, with a commitment to create flexible loan products and services for small and medium enterprises and provide loan solutions for them, and assisting them in unlocking their development potential.

Strictly adhering to its mission to provide protection for customers, ZA Insure, our "digital-only insurer" in Hong Kong provides local residents with insurance products and services that "everyone can afford" through a 24/7 online platform. Following the launch of four protection related insurance products with affordable prices - life insurance, cancer insurance, cardiovascular disease insurance and individual accident insurance, ZA Insure further launched ZA voluntary medical insurance with a transparent and affordable price in response to customer needs, providing customers with a more comprehensive basic medical protection.



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As the only technology company in Hong Kong with both a virtual banking licence and a digital-only insurer license, ZhongAn International leads ZA Bank and ZA Insure in fully playing a synergistic effect, which has contributed to the in-depth cooperation between a virtual bank and a digital-only insurer conducted for the first time in Hong Kong. In May 2021, ZA Bank officially partnered with ZA Insure to create an extremely fast insurance purchase experience on the ZA Bank app. In addition, relying on our own digital development framework, we launched ZA One, a one-stop financial service platform, to provide customers with diversified investment services such as IPO GO, thus meeting customers' diversified financial needs. Looking forward, the brands under ZA will continue to leverage synergies. By sharing technology strengths and cost advantages, we will create more values for users in terms of digital wealth management and wealth management experience in the future.

Asset Management

As of June 30, 2021, we had total investment assets of insurance business of approximately RMB30,127.2 million, cash and cash equivalents, fixed income investments, equity and investment funds and other investments represented approximately 13.0%, 36.1%, 26.5% and 24.4% of our total investment assets respectively. Out of the equity and investment funds, stock and equity funds represented approximately 7.3%, bond and currency funds approximately 6.8%, and unlisted equity investments approximately 12.4%. In the first half of 2021, our total investment income was approximately RMB980.8 million (in the first half of 2020: approximately RMB751.2 million), of which cash and fixed income investment, equity and investment funds and other investments (wealth management products and trusts) recorded investment income of RMB298.3 million, RMB 499.8 million and RMB 182.7 million, respectively. Total investment yield and net investment yield, on a non-annualized basis, was approximately 3.8% and approximately 1.3%, respectively (non-annualized total investment yield and net investment yield for the first half of 2020: approximately 3.8% and approximately 2.0% respectively).

In the first half of 2021, the COVID-19 pandemic was still spreading in many places around the world. However, thanks to sound prevention measures, the pandemic in China was well controlled with continuous recovery in economic activities. Affected by factors such as inflationary pressures, concerns

over potential policy adjustment and structural valuation divergence, the capital market was becoming more volatile, and the industries and sectors have notably differentiated. Meanwhile, market interest rates fell slightly amid fluctuations in the first half of the year as China strove to maintain reasonably sufficient liquidity on the basis of a prudent monetary policy, coupled with other factors such as the delay in public financial expenditures. Under such background, the investment yield of our insurance fund performed steadily.

In 2021, our asset management business has always adhered to a sound and prudent investment philosophy. Based on the pre-judgement of the macro economy and risk/return of various asset classes, we strengthened asset allocation management and risk management to seize investment opportunities in capital markets and continued to serve the needs of insurance fund investment management. The specific measures included:

- 1) continuously strengthening our capabilities of asset allocation and investment in all product varieties and adjusting the tactical asset allocation under the annual asset allocation plan in a flexible manner. We focused on assets with stable income as the allocation basis, and quickly adjusted the proportion of various assets based on our analysis of market dynamics. In addition, we continued to enhance our investment capability in all product varieties to increase the contribution of excess return from multiple aspects;
- 2) making flexible adjustments to equity investment positions and styles, by actively implementing profit-taking strategies and style adjustments under the volatile market environment and making significant structural differentiation, obtaining excess return as compared to the broad market;
- 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. We focused on strengthening credit risk screening and market risk hedging to maintain steady growth in investment income. As of June 30, 2021, out of the domestic credit bonds we invested in 100% received external ratings of AA (domestic) level or above and approximately 84.0% received external ratings of AAA (domestic) level.



Financial Review

For the six months ended June 30, 2021, we continued to take advantage of development opportunities in the PRC Insuretech market and achieved steady growth and improved profitability. We focused more on business quality and invested more in refined management and data-driven operations. For the six months ended June 30, 2021, the Group's total income reached approximately RMB9,752.6 million, representing a year-on-year increase of approximately 13.6%.

The following table sets forth the comparative figures for the six months ended June 30, 2021 and 2020:

	For the six months ended June 30	
	2021 RMB'000	2020 RMB'000
Total income	9,752,642	8,585,616
Net profit for the period	604,133	382,323
Total comprehensive income for the period	555,061	564,560
Profit per share		
– Basic (RMB yuan)	0.51	0.33
– Diluted (RMB yuan)	0.51	0.33

The following table sets forth our key financial ratios as of or for the six months ended June 30, 2021 and 2020:

	As of or for the six months ended June 30	
	2021	2020
Group		
Return on assets ⁽¹⁾	1.6%	1.5%
Return on equity ⁽²⁾	4.7%	3.2%
Gearing ratio ⁽³⁾	62.7%	50.3%
Net investment yield ⁽⁴⁾	1.2%	1.9%
Total investment yield ⁽⁵⁾	3.4%	3.6%
Insurance business		
Net investment yield ⁽⁴⁾	1.3%	2.0%
Total investment yield ⁽⁵⁾	3.8%	3.8%

Notes:

- (1) 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.
- (2) 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.
- (3) Gearing ratio is represented by total liabilities (excluding capital supplementary bonds and subordinated term debts) divided by total assets.
- (4) 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. Among which, the net interest income and the opening and closing balances of total investment assets of the period have excluded the impact of USD Notes issuance.
- (5) 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. Among which, the net interest income and the opening and closing balance of total investment assets of the period have excluded the impact of USD Notes issuance.



Management Discussion and Analysis

Underwriting Business

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



	For the six months ended June 30			
	2021 RMB'000	Percentage %	2020 RMB'000	Percentage %
Net premiums earned	8,235,228	100.0	7,441,864	100.0
Net claims incurred	4,070,822	49.4	4,213,496	56.6
Insurance operating expenses	4,114,995	50.0	3,491,577	46.9
Underwriting profit/(loss)	49,411	0.6	(263,209)	(3.5)



	For the six months ended June 30	
	2021	2020
Retention ratio ⁽¹⁾	93.7%	98.2%
Loss ratio ⁽²⁾	49.4%	56.6%
Expense ratio ⁽³⁾	50.0%	46.9%
Combined ratio ⁽⁴⁾	99.4%	103.5%

Notes:

- (1) Retention ratio equals net written premiums, which is gross written premiums less premiums ceded to reinsurer, as a percentage of gross written premiums.
- (2) Loss ratio equals net claims incurred as a percentage of net premiums earned.
- (3) Expense ratio equals insurance operating expenses 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 include 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 45.4% from approximately RMB6,766.5 million for the six months ended June 30, 2020 to approximately RMB9,841.4 million for the six months ended June 30, 2021. We continued to optimize our product mix in order to fulfil high-quality growth. Benefiting from deep cooperation with our business partners and rapid development of our proprietary channels, we achieved steady growth in health insurance and accident insurance. GWP for bond and credit insurance increased as a result of the recovery of domestic consumer finance business thanks to the well-controlled pandemic in China.

A breakdown of the GWP by insurance product type for the periods indicated is shown below:



	For the six months ended June 30		
	2021 RMB'000	2020 RMB'000	% of change
Health insurance	3,764,251	2,996,046	25.6%
Bond insurance	1,891,063	727,248	160.0%
Accident insurance	965,213	611,333	57.9%
Credit insurance	487,582	167,208	191.6%
Motor insurance	376,055	456,887	(17.7%)
Household property insurance	264,204	46,211	471.7%
Liability insurance	88,189	52,205	68.9%
Cargo insurance	86,352	90,901	(5.0%)
Others ⁽¹⁾	1,918,459	1,618,439	18.5%
Of which:			
Shipping return insurance	1,468,409	1,576,332	(6.8%)
Total	9,841,368	6,766,478	45.4%

Note:

- (1) The CBIRC recognizes the following types of 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 RMB118.6 million for the six months ended June 30, 2020 to approximately RMB616.9 million for the six months ended June 30, 2021, of which the ceded premiums of health insurance increased by approximately RMB65.3 million, and the ceded premiums of bond insurance which was a new product ceded to reinsurers amounted to approximately RMB385.4 million.

The Company continued to carry out the robust ceding policy for the six months ended June 30, 2021. 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 Peak Reinsurance Company Limited and The People's Insurance Company of China (Hongkong), Ltd.

3. Net premiums earned

Net premiums earned represent net written premiums less net change in unearned premium reserves. As a result of the increase in GWP, net premiums earned increased by approximately 10.7% from approximately RMB7,441.9 million for the six months ended June 30, 2020 to approximately RMB8235.2 million for the six months ended June 30, 2021.

4. Net claims incurred

Net claims incurred represent insurance claims paid less claims paid ceded to reinsurers, as adjusted by net change in claim reserve. Net claims incurred decreased by approximately 3.4% from approximately RMB4,213.5 million for the six months ended June 30, 2020 to approximately RMB4,070.8 million for the six months ended June 30, 2021, among which, net claims for bond and credit insurance decreased by approximately RMB480.1 million, and net claims for motor and other insurance increased by approximately RMB96.0 million and approximately RMB317.3 million, respectively.

5. 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 increased from approximately RMB374.9 million for the six months ended June 30, 2020 to approximately RMB1,133.0 million for the six months ended June 30, 2021.

6. General and administrative expenses

General and administrative expenses primarily include consulting fees and technical fees paid to our ecosystem partners, employee benefit expenses, advertising and marketing expenses, amortization of right-of-use assets, impairment loss of premium receivables and intangible assets, asset management fee, and other miscellaneous general and administrative expenses. General and administrative expenses amounted to approximately RMB2,884.7 million for the six months ended June 30, 2021, representing a year-on-year decrease of approximately 7.3%.



Investment Business

For the six months ended June 30, 2021, the Group's investing activities mainly consisted of (i) equity investment; (ii) proprietary trading of bond, investment fund and other asset management products; and (iii) entrustment of third-party asset management companies for purchase of stock, bond and other asset management products.

7. Composition of investment assets

We 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, 2021		December 31, 2020	
	Balance RMB'000	Percentage %	Balance RMB'000	Percentage %
By category:				
Cash and amounts due from banks and other financial institutions	8,568,664	23.9	8,418,374	26.0
Fixed income investments	14,626,940	40.7	13,068,540	40.4
Bonds	16,616,081	46.3	16,429,597	50.8
Term deposits	330,000	0.9	330,090	1.0
Other fixed income investments	675,231	1.8	402,675	1.2
Securities sold under agreements to repurchase	(2,994,372)	(8.3)	(4,093,822)	(12.7)
Equity and investment funds	5,171,015	14.4	5,894,750	18.2
Investment funds	3,355,059	9.3	3,560,385	11.0
Stocks	1,211,303	3.4	1,726,153	5.3
Unlisted equity shares	604,653	1.7	608,212	1.9
Other investments	7,546,721	21.0	4,976,517	15.4
Wealth management products	6,413,692	17.9	3,830,024	11.8
Trust	1,133,029	3.1	1,146,493	3.5
Total investment assets	35,913,340	100.0	32,358,181	100.0

We had total investment assets of approximately RMB35,913.3 million as of June 30, 2021 and approximately RMB32,358.2 million as of December 31, 2020, representing an increase of approximately 11.0%. Total investment assets represented approximately 72.5% and approximately 70.8% of our total assets as of June 30, 2021 and December 31, 2020, respectively. As of June 30, 2021, equity and investment funds and other investments represented approximately 14.4% and approximately 21.0% of our total investment assets, respectively.

8. 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 RMB8,418.4 million as of December 31, 2020 to approximately RMB8,568.7 million as of June 30, 2021. The primary reason for the increase was net cash inflows from operating activities as discussed in the section headed "Cash flows".



Management Discussion and Analysis

9. Bonds

Bonds include government bonds, financial bonds, and corporate bonds. As of June 30, 2021, approximately 97.9% of the bonds the Group held received external ratings of AA (domestic) level or above, or BBB- (international) level or above. For domestic bonds, over 84.0% received external ratings of AAA (domestic) level. Bonds increased from approximately RMB16,429.6 million as of December 31, 2020 to approximately RMB16,616.1 million as of June 30, 2021.

10. Stocks and investment funds

The Group's investment in stocks decreased from approximately RMB1,726.2 million as of December 31, 2020 to approximately RMB1,211.3 million as of June 30, 2021, and the investment funds decreased from approximately RMB3,560.4 million as of December 31, 2020 to approximately RMB3,355.1 million as of June 30, 2021.

11. Other investments

Other investments include: (i) wealth management products, which include asset management plans issued by reputable financial institutions such as Ping An Asset Management Co., Ltd.; and (ii) trust products, which receive external ratings of AA (domestic) level or above, and typically have longer terms and higher return over investment as compared to traditional fixed income products. Other investments increased from approximately RMB4,976.5 million as of December 31, 2020 to approximately RMB7,546.7 million as of June 30, 2021, as we intended to diversify the investment portfolio in order to secure stable investment return and manage overall credit risk.

12. Net Investment Income



	For the six months ended June 30		
	2021 RMB'000	2020 RMB'000	% of change
Interest income			
– Bank deposits	39,101	27,504	42.2
– Debt investments	274,778	250,699	9.6
– Securities purchased under agreements to resell	2,761	2,169	27.3
– Trust investment scheme	30,657	36,861	(16.8)
Dividend income			
– Fund investments	12,360	67,867	(81.8)
– Equity investments	11,957	14,972	(20.1)
– Wealth management products	63,126	49,632	27.2
Realized gains, net	509,329	418,589	21.7
	944,069	868,293	8.7



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 securities trading and available-for-sale securities. We had net investment income of approximately RMB868.3 million and approximately RMB944.1 million for the six months ended June 30, 2020 and 2021, respectively. We strengthened asset allocation management and risk management to seize investment opportunities in the capital market and achieved stable investment income in the first half of 2021.

13. Net Fair Value Changes through Profit or Loss

Net fair value changes 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 gain amounting to approximately RMB93.2 million for the six months ended June 30, 2021, compared to loss of approximately RMB44.2 million for the six months ended June 30, 2020. The changes were primarily due to the general condition of the capital markets for the six months ended June 30, 2021.

Technology Business

We continued to focus on Insuretech, and export our advanced experience and technology strengths to domestic and international customers from insurance industry. Revenue generated from the technology export business of ZhongAn Technology and ZhongAn International amounted to approximately RMB266.3 million for the six months ended June 30, 2021, representing a year-on-year increase of approximately 122.1%. Technology export business incurred approximately RMB137.4 million loss for the six months ended June 30, 2021, representing a year-on-year increase of approximately 22.1%.

Virtual Bank

As the first licensed virtual bank in operations in Hong Kong, ZA Bank has leading advantages in Hong Kong's virtual banking industry. As ZA Bank is currently in the early stage of operation, it recorded a net loss of approximately RMB206.8 million for the six months ended June 30, 2021.

Overall Results

14. 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 13.6% from approximately RMB8,585.6 million for the six months ended June 30, 2020 to approximately RMB9,752.6 million for the six months ended June 30, 2021.

15. Profit before income tax

Profit before income tax of the Group was approximately RMB602.9 million for the six months ended June 30, 2021 compared with total profit before income tax of approximately RMB334.3 million for the six months ended June 30, 2020.

16. Income tax

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 RMB48.0 million and approximately RMB1.2 million for the six months ended June 30, 2020 and 2021, respectively, which were primarily generated from changes in deferred income tax.

17. Net profit for the Period

The Group recorded a net profit of approximately RMB604.1 million for the six months ended June 30, 2021 compared to a net profit of approximately RMB382.3 million for the six months ended June 30, 2020. The improvement in the performance of the Group was mainly due to the net profit in underwriting business and the increase in investment income. As the Company persisted in pursuing sustainable growth with quality, the combined ratio further improved accompanied by the steady increase in gross written premiums.



Management Discussion and Analysis

Cash Flows

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



	For the six months ended June 30	
	2021 RMB'000	2020 RMB'000
Net cash inflow from operating activities	478,276	2,234,108
Net cash inflow/(outflow) from investing activities	23,490	(2,623,292)
Net cash (outflow)/inflow from financing activities	(784,148)	1,145,407
Effect of exchange rate changes on cash and cash equivalents	(46,096)	36,816
Net (decrease)/increase in cash and cash equivalents	(328,478)	793,039
Cash and cash equivalents at the beginning of period	8,218,037	2,914,820
Cash and cash equivalents at the end of period	7,889,559	3,707,859

We had net cash inflow from operating activities of approximately RMB478.3 million for the six months ended June 30, 2021, which comprised of cash inflow from underwriting business and other operating activities of approximately RMB10,635.7 million, offset by the cash outflows from claims and other operating expenses of approximately RMB3,933.1 million and approximately RMB6,224.3 million, respectively.

We had net cash inflow from investing activities of approximately RMB23.5 million for the six months ended June 30, 2021, whereas our net cash outflow for the six months ended June 30, 2020 was approximately RMB2,623.3 million. This was primarily due to the increase in investment income and decrease in the purchase of investment assets.

We had net cash outflow from financing activities of approximately RMB784.1 million for the six months ended June 30, 2021, which consists of (i) net cash outflow from transaction of securities under agreements to repurchase amounting to approximately RMB1,140.7 million; (ii) proceeds from issuance of preference shares by ZhongAn International amounting to approximately RMB500.2 million.



Indebtedness

ZhongAn Technology applied for a credit line of RMB120.0 million within 12 months for working capital loan from China Merchants Bank, and as of June 30, 2021, we had bank loans amounting to RMB60.0 million with a fixed interest rate of 4.9%.

Save as disclosed in this interim report, as of June 30, 2021, 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.

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, 2021 RMB'000	As of December 31, 2020 RMB'000
Actual capital	16,131,931	15,525,335
Core capital	16,131,931	15,525,335
Minimum required capital	2,996,964	2,770,002
Comprehensive solvency margin ratio (%) ⁽¹⁾	538%	560%
Core solvency margin ratio (%) ⁽²⁾	538%	560%

Notes: (1) Comprehensive solvency margin ratio = Actual capital/Minimum required capital.

(2) Core solvency margin ratio = Core capital/Minimum required capital.

18. Significant investments

We did not hold any material investments during the six months ended June 30, 2021 (including any investment in an investee company with a value of 5% or more of the Company's total assets as of 30 June, 2021).

19. Material acquisitions and disposals

Save as disclosed in this interim report, we did not have any material acquisitions or disposals of subsidiaries, associated companies or joint ventures during the six months ended June 30, 2021.

20. Future plans for material investments and capital assets

As of June 30, 2021, we did not have other plans for material investments and capital assets.

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.



Management Discussion and Analysis

21. Pledge of assets

Save as disclosed in this interim report, as at June 30, 2021, none of the Group's assets were pledged.

22. Gearing ratio

As of June 30, 2021, our gearing ratio, calculated as total liabilities (excluding capital supplementary bonds and subordinated term debts) divided by total assets, was approximately 62.7%, representing an increase of approximately 12.4 percentage points as compared with approximately 50.3% as of June 30, 2020. The increase was primarily due to the issuance of USD Notes in the second half of 2020.

23. Foreign exchange exposure

During the six months ended June 30, 2021, we mainly operated our underwriting business in the PRC and the majority of the transactions were settled in Renminbi, the Company's functional currency. As of June 30, 2021, our cash and cash equivalents denominated in foreign currencies included approximately HK\$3,265.5 million, approximately USD156.4 million, approximately JPY1,054.1 million, and approximately IDR2,475.0, mainly arising from the business operation of ZhongAn International and the issuance of USD Notes in the second half of 2020. We did not use any financial instruments for hedging purposes during the six months ended June 30, 2021.

24. Contingent liabilities

As of June 30, 2021, we did not have any material contingent liabilities.

25. Off-balance sheet commitments and arrangements

As of June 30, 2021, we have not entered into any off-balance sheet arrangements.

26. Events after the Reporting Period

Save as disclosed in this interim report, there was no other significant events that might affect the Group from June 30, 2021 to the date of this report.



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, 2021, the interests and short positions of the Directors, Supervisors and Chief Executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred therein, or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code are as follows:

Interest in the Company



Name of Director	Class of Shares	Nature of interest	Number of Shares	Approximate percentage in Shares of the same class ⁽¹⁾	Approximate percentage of the Company's total issued share capital ⁽¹⁾
Yaping Ou ⁽²⁾	H Shares	Interest of controlled corporation	81,000,000 (Long position)	5.70%	5.51%

Notes:

- (1) The shareholding percentages are calculated on the basis of 50,000,000 Domestic Shares and 1,419,812,900 H Shares as at June 30, 2021.
- (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, 2021, 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.



Disclosure of Interest

Substantial shareholders' and other persons' interests and short positions in the Shares and underlying Shares of the Company

As at June 30, 2021, within the knowledge of the Directors, the following persons (other than the Directors, the Supervisors and Chief Executive of the Company) had an interest or a short position in the Shares or underlying Shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:



Name of Shareholder	Class of Shares	Nature of interest	Number of Shares ⁽¹⁾	Approximate percentage in Shares of the same class ⁽²⁾	Approximate percentage of the Company's total issued share capital ⁽²⁾
Ant Group ⁽³⁾	H Shares	Beneficial interest	199,000,000	14.02%	13.54%
Hangzhou Yunbo Investment Consulting Co, Ltd. ⁽³⁾	H Shares	Interest of controlled corporation	199,000,000	14.02%	13.54%
Yun Ma ⁽³⁾	H Shares	Interest of controlled corporation/ Concert party to an agreement to buy shares	199,000,000	14.02%	13.54%
Simon Xiaoming Hu ⁽³⁾	H Shares	Concert party to an agreement to buy shares	199,000,000	14.02%	13.54%
Fang Jiang ⁽³⁾	H Shares	Concert party to an agreement to buy shares	199,000,000	14.02%	13.54%
Eric Xiandong Jing ⁽³⁾	H Shares	Concert party to an agreement to buy shares	199,000,000	14.02%	13.54%
Tencent Computer System ⁽⁴⁾	H Shares	Beneficial interest	150,000,000	10.56%	10.21%
Huateng Ma ⁽⁴⁾	H Shares	Interest of controlled corporation	150,000,000	10.56%	10.21%
Tencent ⁽⁴⁾	H Shares	Interest of controlled corporation	150,000,000	10.56%	10.21%
Ping An Insurance ⁽⁵⁾	H Shares	Beneficial interest	150,000,000	10.56%	10.21%
Shenzhen Jia De Xin Investment Limited ⁽⁶⁾	H Shares	Beneficial interest	140,000,000	9.86%	9.53%
Shenzhen Huaxinlian Investment Limited ⁽⁶⁾	H Shares	Interest of controlled corporation	140,000,000	9.86%	9.53%
Yafei Ou ⁽⁶⁾	H Shares	Interest of controlled corporation	140,000,000	9.86%	9.53%
Unifront Holding Limited ⁽⁷⁾	H Shares	Beneficial interest	90,000,000	6.34%	6.12%



Name of Shareholder	Class of Shares	Nature of interest	Number of Shares ⁽¹⁾	Approximate percentage in Shares of the same class ⁽²⁾	Approximate percentage of the Company's total issued share capital ⁽²⁾
Shanghai Songlu Investment Management Co., Ltd. ⁽⁷⁾	H Shares	Interest of controlled corporation	90,000,000	6.34%	6.12%
Shanghai Jianglu Investment Management Co., Ltd. ⁽⁷⁾	H Shares	Interest of controlled corporation	90,000,000	6.34%	6.12%
Shanghai Xinlu Investment Management Co., Ltd. ⁽⁷⁾	H Shares	Interest of controlled corporation	90,000,000	6.34%	6.12%
Shanghai Youlu Investment Management Co., Ltd. ⁽⁷⁾	H Shares	Interest of controlled corporation	90,000,000	6.34%	6.12%
Zhen Zhang ⁽⁷⁾	H Shares	Interest of controlled corporation	90,000,000	6.34%	6.12%
Cnhooray Internet Technology Co. Ltd. ⁽⁸⁾	H Shares	Beneficial interest	81,000,000	5.70%	5.51%
Timeway Holdings Limited ⁽⁸⁾	H Shares	Interest of controlled corporation	81,000,000	5.70%	5.51%
Sinolink Worldwide ⁽⁸⁾	H Shares	Interest of controlled corporation	81,000,000	5.70%	5.51%
Asia Pacific Promotion Limited ⁽⁸⁾	H Shares	Interest of controlled corporation	81,000,000	5.70%	5.51%
Shanghai Yuanqiang Investment Company Limited ⁽⁹⁾	Domestic Shares	Beneficial interest	50,000,000	100%	3.40%
Song Zou ⁽⁹⁾	Domestic Shares	Interest of controlled corporation	50,000,000	100%	3.40%

Notes:

- (1) All the Shares are held in long position (as defined under Part XV of the SFO) unless otherwise specified.
- (2) The shareholding percentages are calculated on the basis of 50,000,000 Domestic Shares and 1,419,812,900 H Shares as at June 30, 2021.
- (3) 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. (杭州雲鉅投資諮詢有限公司) ("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.



Disclosure of Interest

- (4) Tencent Computer System is a consolidated affiliated entity (through contractual arrangements) of Tencent, 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 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.
- (5) Ping An Insurance is a joint-stock company incorporated in the PRC and listed on Main Board of the Hong Kong Stock Exchange (Stock Code: 2318) and the Shanghai Stock Exchange (Stock Code: 601318).
- (6) Shenzhen Jia De Xin Investment Limited (深圳市加德信投資有限公司) is a subsidiary of Shenzhen Huaxinlian Investment Limited (深圳市華信聯投資有限公司). As such, Shenzhen Huaxinlian Investment Limited 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.
- (7) Unifront Holding Limited (優孚控股有限公司) is owned by Shanghai Songlu Investment Management Co., Ltd. (上海松鹿投資管理有限公司) as to 25.00%, Shanghai Jianglu Investment Management Co., Ltd. (上海江鹿投資管理有限公司) as to 16.88% 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 Jianglu 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 Jianglu 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.
- (8) Cnhooray Internet Technology Co. Ltd. (深圳日訊網絡科技股份有限公司) is a subsidiary of Timeway Holdings Limited (中宇集團有限公司). The entire interest of Timeway Holdings Limited (中宇集團有限公司) is held by Sinolink Worldwide. 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).
- (9) 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).

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, 2021.



Other Information

Employees and Remuneration Policies

As at June 30, 2021, the Group had 3,294 full-time employees. 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 management 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, 2021 was approximately RMB891.9 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 and customers.

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 and Consumer Rights Protection Committee

The Company has established an audit and consumer rights protection committee in accordance with the Listing Rules. The primary duties of the audit and consumer rights protection committee are to supervise our internal control system, financial information disclosure, financial reporting and consumer rights protection matters. The audit and consumer rights protection committee comprises Mr. Xinyi Han, Ms. Hui Chen and Mr. Wei Ou. Mr. Xinyi Han is a non-executive Director, and Ms. Hui Chen and Mr. Wei Ou are independent non-executive Directors. Ms. Hui Chen is the chairman of the audit and consumer rights protection committee.

The audit and consumer rights protection committee has reviewed the unaudited interim results of the Group for the six months ended June 30, 2021. The audit and consumer rights protection 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 information of the Company are unaudited.

Other Board Committees

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



Other Information

Changes in Directors, Supervisors and Chief Executive During the Reporting Period

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. With effect from January 22, 2021, Mr. Jin Chen resigned as an executive Director and the chairman of the investment strategy committee of the Board of the Company.
2. With effect from April 1, 2021, Mr. Ming Yin resigned as a non-executive Director and a member of the risk management committee of the Board of the Company.
3. With effect from July 20, 2021, Mr. Yifan Li resigned as an independent non-executive director, chairman of the risk management committee, and a member of the audit committee and the related transaction control committee of the Board of the Company.
4. With effect from July 20, 2021 the following changes in the board committees of the Company have taken place:
 - (a) the audit committee and the consumer rights protection committee of the Board of the Company have been consolidated as the audit and consumer rights protection committee, with Ms. Hui Chen, Mr. Xinyi Han and Mr. Wei Ou as its members and Ms. Hui Chen as the chairman;
 - (b) the risk management committee and the related transaction control committee of the Board of the Company have been consolidated as the risk management and related transaction control committee, with Mr. Wei Ou, Ms. Hui Chen and Mr. Ying Wu as its members and Mr. Wei Ou as the chairman;
 - (c) the investment strategy committee of the Board of the Company has been renamed as the strategy and investment decision committee, with Mr. Yaping Ou, Mr. Hugo Jin Yi Ou, Mr. Xing Jiang, Mr. Liangxun Shi and Mr. Weibiao Zhan as its members and Mr. Yaping Ou as the chairman; and
 - (d) the remuneration and nomination committee of the Company has been renamed as the nomination and remuneration management committee, with Mr. Yaping Ou, Mr. Shuang Zhang and Mr. Ying Wu as its members and Mr. Shuang Zhang as the chairman.

Save as mentioned above, there is no other change in the Directors' information required to be disclosed under Rule 13.51B(1) of the Listing Rules.

Subsidiary Share Option Schemes

The subsidiaries of the Company, being ZATI, ZA Life and ZA Tech, each adopted a subsidiary share option scheme (each and collectively, the "Subsidiary Share Option Scheme(s)") on December 29, 2020. Each of the Subsidiary Share Option Scheme is valid and effective for a period of ten (10) years commencing from the respective adoption date and will expire on December 28, 2030. A summary of the principal terms of the Subsidiary Share Option Schemes is set out below.

The purpose for each of the ZATI Share Option Scheme, ZA Life Share Option Scheme and ZA Tech Share Option Scheme is to enable ZATI, ZA Life and ZA Tech to grant share options of ZATI, ZA Life and ZA Tech, respectively, to their respective eligible participants as incentives or rewards for their contribution to the growth of the Group and to provide the Group with a more flexible means to reward, remunerate, compensate and/or provide benefits to the respective eligible participants of the Subsidiary Share Option Scheme.

Eligible participants for ZATI Share Option Scheme includes classes of persons, at the sole determination of the board of directors of ZATI, who have contributed or will contribute to ZATI group or invested entity, such eligible participants being (a) any full-time or part-time employees and senior management members of ZATI; (b) any full-time or part-time employees of the holding companies of ZATI and/or its subsidiaries; (c) any consultant or service providers (whether professional or otherwise and whether on contractual, honorary basis or otherwise and whether paid or unpaid) who provides support to ZATI (where such consultant and service providers possess special skills or technical knowledge to fill the void currently experienced by the Group and is beneficial to ZATI's rapid business growth in the fintech sector); and (d) any full-time or part-time employees who are on transfer or secondment between ZATI, its holding company, any of its subsidiaries or joint venture entities (as the case may be).

Eligible participants for ZA Life Share Option Scheme includes classes of persons, at the sole determination of the board of directors of ZA Life, who have contributed or will contribute to ZA Life group or invested entity, such eligible participants being (a) any full-time or part-time employees and senior management members of ZA Life; (b) any full-time or part-time employees of the holding companies of ZA Life and/or its subsidiaries; (c) any consultant or service providers (whether professional or otherwise and whether on contractual or honorary basis or otherwise and whether paid or unpaid) who provides support to ZA Life (where such consultant and service providers possess special skills or technical knowledge to fill the void currently experienced by the Group and is beneficial to ZA Life's continuing development in the insurance sector); and (d) any full-time employee or part-time employee who are on transfer or secondment between ZA Life, its holding company, any of its subsidiaries or joint venture entities (as the case may be).



Eligible participants for ZA Tech Share Option Scheme includes classes of persons, at the sole determination of the board of directors of ZA Tech, who have contributed or will contribute to ZA Tech group or invested entity, such eligible participants being (a) any full-time employees and senior management members of ZA Tech; (b) any full-time employees of the holding companies of ZA Tech and/or its subsidiaries; and (c) any full-time employees who are on transfer or secondment between ZA Tech, its holding company, any of its subsidiaries or joint venture entities (as the case may be).

The board of directors of each of ZATI, ZA Life and ZA Tech, respectively, determines the criteria for each type of eligible participants under each Subsidiary Share Option Scheme based on various commercial considerations including without limitation, seniority of an employee with internal grading of manager or above and whether the employee will have medium-to-long-term contribution to business development of ZATI, ZA Life and ZA Tech, respectively, and/or the Group. The board of directors of ZATI and ZA Life respectively determines the criteria for the consultants and service providers under each of the Subsidiary Share Option Scheme based on the following factors: (i) the special skills or technical knowledge possess by such consultants and service providers, (ii) whether the consultants and service providers have contributed to the growth of the business development of ZATI and ZA Life respectively and (iii) whether the consultants and service providers will contribute to the medium-to-long-term growth of the business development of ZATI and ZA Life respectively.

The maximum aggregate number of shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under a Subsidiary Share Option Scheme must not exceed ten (10) per cent of the issued share capital of ZATI, ZA Life and ZA Tech, respectively, as at the adoption date of the respective Subsidiary Share Option Scheme, subject to adjustment in the event of specified capitalisation events from time to time as described in the Subsidiary Share Option Schemes.

As at the date of the annual report of the Company published on March 26, 2021, the total number of shares available for issue under each of the ZATI Share Option Scheme, ZA Life Share Option Scheme and ZA Tech Share Option Scheme was 210,000,000 shares, 100,000,000 shares and 3,000,000 shares, respectively, representing 10% of the share capital for each of ZATI, ZA Life and ZA Tech, respectively.

As at the date of this interim report, the total number of shares available for issue under each of the ZATI Share Option Scheme, ZA Life Share Option Scheme and ZA Tech Share Option Scheme was 210,000,000 shares, 100,000,000 shares and 3,000,000 shares, respectively, representing 10% of the share capital for each of ZATI, ZA Life and ZA Tech, respectively.

Unless approved by the Shareholders of the Company, the total number of shares of ZATI, ZA Life and ZA Tech respectively issued and to be issued upon exercise of the share options granted to each grantee (including both exercised and outstanding share options under such Subsidiary Share Option Scheme) in any 12-month period must not exceed one (1) per cent of the issued share capital of each of ZATI, ZA Life and ZA Tech.

Neither the ZATI Share Option Scheme, ZA Life Share Option Scheme nor the ZA Tech Share Option Scheme stipulated a minimum period for which a share option of each of ZATI, ZA Life and ZA Tech must be held before it can be exercised.

The board of directors of ZATI, ZA Life and ZA Tech (through its administration committee) shall respectively determine the exercise price for the share option of ZATI, ZA Life and ZA Tech with reference to the respective net asset value per underlying share of ZATI, ZA Life and ZA Tech at the time of grant.

The grant of a share option of each of ZATI, ZA Life and ZA Tech to a grantee shall be accepted within 14 days from the date of the relevant offer letter and no payment is required to accept an offer.

A share option of each ZATI, ZA Life and ZA Tech shall be exercisable during the option period notified by the board of directors of each ZATI, ZA Life and ZA Tech to each grantee in the relevant offer letter and the expiry date of such option period shall not exceed ten (10) years from the date of the relevant offer letter.

The ZATI Share Option Scheme, ZA Life Share Option Scheme and ZA Tech Share Option Scheme will continue be in force until December 28, 2030 pursuant to the respective provisions therein.

Details of the movements of the options granted under the Subsidiary Share Options Schemes during (i) the year ended December 31, 2020 and (ii) the six months ended June 30, 2021 are as follows:



Other Information

(i) ZATI Share Option Scheme

Year ended December 31, 2020



Grantee	Date of grant	Exercise period	Exercise price	Number of ZATI shares comprised in options					Closing price per share before the date of grant	Note
				Outstanding as at January 1, 2020	Granted during the year ended December 31, 2020	Exercised during the year ended December 31, 2020	Cancelled/Lapsed during the year ended December 31, 2020	Outstanding as at December 31, 2020		
Employees	December 31, 2020	December 31, 2020 to December 30, 2030	HK\$1.3418	—	109,951,100	—	—	109,951,100	N/A	Note
Total				—	109,951,100	—	—	109,951,100		



Six months ended June 30, 2021



Grantee	Date of grant	Exercise period	Exercise price	Number of ZATI shares comprised in options					Closing price per share before the date of grant	
				Outstanding as at January 1, 2021	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled/ Lapsed during the Reporting Period	Outstanding as at June 30, 2021		
<i>Employees</i>	December 31, 2020	December 31, 2020 to December 30, 2030	HK\$1.3418	109,951,100	—	—	4,999,500	104,951,600	N/A	Note
<i>Employees</i>	June 25, 2021	June 25, 2021 to June 24, 2031	HK\$1.3418	—	41,615,370	—	—	41,615,370	N/A	Note
<i>Other consultants who provided services to the ZATI group</i>	June 25, 2021	June 25, 2021 to June 24, 2031	HK\$1.3418	—	2,303,000	—	—	2,303,000	N/A	Note
Total				<u>109,951,100</u>	<u>43,918,370</u>	<u>—</u>	<u>4,999,500</u>	<u>148,869,970</u>		

Note:

The vesting of the share options shall be subject to the fulfillment of all terms and conditions for the grant of such share options made to the grantee as set out in the relevant offer letter (i) provided the grantee shall be continuously employed by ZATI, its holding company or its subsidiaries (as the case may be) through the vesting date, the awarded share options shall vest in accordance with the vesting schedule as stipulated in the relevant offer letter; and (ii) other conditions (if any) as determined by the board of directors of ZATI in its absolute discretion.



Other Information

(ii) ZA Life Share Option Scheme

Year ended December 31, 2020



Grantee	Date of grant	Exercise period	Exercise price	Number of ZA Life shares comprised in options						Closing price per share before the date of grant	Note
				Outstanding as at January 1, 2020	Granted during the year ended December 31, 2020	Exercised during the year ended December 31, 2020	Cancelled/ Lapsed during the year ended December 31, 2020	Outstanding as at December 31, 2020			
Employees	December 31, 2020	December 31, 2020 to December 30, 2031	HK\$1.171	—	27,484,500	—	—	27,484,500	N/A	Note	
Total				—	27,484,500	—	—	27,484,500			

Six months ended June 30, 2021



Grantee	Date of grant	Exercise period	Exercise price	Number of ZA Life shares comprised in options						Closing price per share before the date of grant	Note
				Outstanding as at January 1, 2021	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled/ Lapsed during the Reporting Period	Outstanding as at June 30, 2021			
Employees	December 31, 2020	December 31, 2020 to December 30, 2030	HK\$1.171	27,484,500	—	—	1,650,000	25,834,500	N/A	Note	
Employees	June 25, 2021	June 25, 2021 to June 24, 2031	HK\$1.171	—	840,000	—	—	840,000	N/A	Note	
Total				27,484,500	840,000	—	1,650,000	26,674,500			

Note:

The vesting of the share options shall be subject to the fulfillment of all terms and conditions for the grant of such share options made to the grantee as set out in the relevant offer letter (i) provided the grantee shall be continuously employed by ZA Life, its holding company or its subsidiaries (as the case may be) through the vesting date, the awarded share options shall vest in accordance with the vesting schedule as stipulated in the relevant offer letter; and (ii) other conditions (if any) as determined by the board of directors of ZA Life in its absolute discretion.



(iii) ZA Tech Share Option Scheme

Year ended December 31, 2020



Grantee	Date of grant	Exercise period	Exercise price	Number of ZA Tech shares comprised in options					Closing price per share before the date of grant	Note
				Outstanding as at January 1, 2020	Granted during the year ended December 31, 2020	Exercised during the year ended December 31, 2020	Cancelled/ Lapsed during the year ended December 31, 2020	Outstanding as at December 31, 2020		
Employees	December 31, 2020	December 31, 2020 to December 30, 2030	HK\$9.3989	—	2,268,000	—	—	2,268,000	N/A	Note
Total				—	2,268,000	—	—	2,268,000		

Six months ended June 30, 2021



Grantee	Date of grant	Exercise period	Exercise price	Number of ZA Tech shares comprised in options					Closing price per share before the date of grant	Note
				Outstanding as at January 1, 2021	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled/ Lapsed during the Reporting Period	Outstanding as at June 30, 2021		
Employees	December 31, 2020	December 31, 2020 to December 30, 2030	HK\$9.3989	2,268,000	—	97,500	32,500	2,138,000	N/A	Note
Employees	June 25, 2021	June 25, 2021 to June 24, 2031	HK\$9.3989	—	687,000	—	—	687,000	N/A	Note
Other consultants who provided services to the ZA Tech group	June 25, 2021	June 25, 2021 to June 24, 2031	HK\$9.3989	—	75,000	—	—	75,000	N/A	Note
Total				2,268,000	762,000	97,500	32,500	2,900,000		

Note:

The vesting of the share options shall be subject to the fulfillment of all terms and conditions for the grant of such share options made to the grantee as set out in the relevant offer letter (i) provided the grantee shall be continuously employed by ZA Tech, its holding company or its subsidiaries (as the case may be) through the vesting date, the awarded share options shall vest in accordance with the vesting schedule as stipulated in the relevant offer letter; and (ii) other conditions (if any) as determined by the board of directors of ZA Tech in its absolute discretion.

None of the grantees relating to the grants under the Subsidiary Share Option Schemes (i) for the year ended December 31, 2020; and (ii) the six months ended June 30, 2021 is a Director, chief executive or substantial shareholder of the Company, nor an associate (as defined under the Listing Rules) of any of them.



Other Information

Purchase, Sale or Redemption of Company's Listed Securities

Save as disclosed in this interim report, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the Reporting Period.

Use of Proceeds

1. Use of proceeds from Listing

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

2. Use of proceeds from 2025 Notes

On July 9, 2020, the Company entered into a subscription agreement with various financial institutions in connection with the issue of the USD600,000,000 3.125% Notes due 2025 (the "**2025 Notes**"). As at June 30, 2021, the Group had used approximately RMB4,160 million (equivalent to approximately USD640 million) of the proceeds from the 2025 Notes and the USD300,000,000 3.50% Notes due 2026 (the "**2026 Notes**") for working capital and general corporate purposes. There was no change in the intended use of net proceeds as previously disclosed in the announcements of the Company dated July 10, 2020 and July 16, 2020 (the "**2025 Notes Announcements**"). The Company will gradually apply the remaining net proceeds in the manner set out in the 2025 Notes Announcements. The Company may adjust its plans in response to changing market conditions and, thus, reallocate the use of the proceeds.

For further details of the 2025 Notes, please refer to the announcements of the Company dated July 10, 2020 and July 16, 2020.

3. Use of proceeds from 2026 Notes

On August 31, 2020, the Company entered into a subscription agreement with various financial institutions in connection with the issue of the 2026 Notes. On October 9, 2020, the Company issued USD100,000,000 3.50% Notes due 2026 (the "**Additional Notes**") consolidated and forming a single series with the 2026 Notes. As at June 30, 2021, the Group had used approximately RMB4,160 million (equivalent to approximately USD640 million) of the proceeds from the 2025 Notes and 2026 Notes for working capital and general corporate purposes. There was no change in the intended use of net proceeds as previously disclosed in the announcements of the Company dated September 1, 2020, September 8, 2020 and October 9, 2020 (the "**2026 Notes Announcements**"). The Company will gradually apply the remaining net proceeds in the manner set out in the 2026 Notes Announcements. The Company may adjust its plans in response to changing market conditions and, thus, reallocate the use of the proceeds.

For further details of the 2026 Notes and the Additional Notes, please refer to the announcements of the Company dated September 1, 2020, September 8, 2020 and October 9, 2020.

Litigation

As of June 30, 2021, 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, 2021 (for the six months ended June 30, 2020: Nil).

For and on behalf of the Board
Yaping Ou
Chairman

August 26, 2021



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 42 to 88, 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 2021 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 2021



Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2021

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



	Notes	Six months ended 30 June	
		2021 (unaudited)	2020 (unaudited)
Gross written premiums	6	9,845,471	6,766,787
Less: Premiums ceded to reinsurers	6	(618,215)	(118,663)
Net written premiums	6	9,227,256	6,648,124
Less: Net change in unearned premium reserves	6	(989,268)	794,021
Net premiums earned	6	8,237,988	7,442,145
Net investment income	7	944,069	868,293
Net fair value changes through profit or loss	8	93,213	(44,212)
Other income	9	477,372	319,390
Total income		9,752,642	8,585,616
Net claims incurred	10	(4,072,070)	(4,213,886)
Handling charges and commissions	11	(1,133,078)	(374,886)
Foreign exchange gains/(losses)		54,249	(1,011)
Finance costs		(167,671)	(62,832)
General and administrative expenses	12	(3,329,278)	(3,339,508)
Other expenses	13	(488,236)	(267,340)
Total expenses		(9,136,084)	(8,259,463)
Share of net profits/(losses) of associates and joint ventures accounted for using the equity method		(13,667)	8,133
Profit before income tax		602,891	334,286
Income tax	14	1,242	48,037
Net profit for the period		604,133	382,323
Attributable to:			
– Owners of the parent		755,347	490,493
– Non-controlling interests		(151,214)	(108,170)
		604,133	382,323



	Notes	Six months ended 30 June	
		2021 (unaudited)	2020 (unaudited)
Profit per share			
– Basic profit per share (RMB yuan)	15	0.51	0.33
– Diluted profit per share (RMB yuan)	15	0.51	0.33
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
– Changes in fair value of available-for-sale financial assets	16	(12,906)	143,888
– Exchange differences on translation of foreign operations	16	(36,166)	38,349
Other comprehensive income/(loss) for the period, net of tax	16	(49,072)	182,237
Total comprehensive income for the period		555,061	564,560
Attributable to:			
– Owners of the parent		739,406	654,532
– Non-controlling interests		(184,345)	(89,972)
		555,061	564,560

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 42 to page 88 are signed by:

Yaping Ou

(On behalf of Board of Directors)

Hugo Jinyi Ou

(On behalf of Board of Directors)



Interim Condensed Consolidated Balance Sheet

As at 30 June 2021

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



	Notes	30 June 2021 (unaudited)	31 December 2020 (audited)
ASSETS			
Cash and amounts due from banks and other financial institutions	17	8,568,664	8,418,374
Financial assets at fair value through profit or loss	18	9,378,064	6,120,366
Securities purchased under agreements to resell	19	369,980	93,000
Interest receivables	20	293,809	341,395
Premium receivables	21	5,872,715	4,477,914
Reinsurance receivables	22	664,520	319,525
Reinsurers' share of insurance contract liabilities	40	358,574	348,313
Available-for-sale financial assets	23	17,793,334	19,047,363
Loans and advances to customers	24	1,143,075	623,744
Investments classified as loans and receivables	25	1,133,029	1,146,493
Term deposits	26	330,000	330,090
Restricted statutory deposits	27	298,500	294,338
Held-to-maturity financial assets	28	689,419	686,690
Investments in associates and joint ventures	29	346,722	315,289
Right-of-use assets	30	216,098	277,749
Property and equipment	31	56,533	66,023
Intangible assets	32	525,636	481,477
Goodwill		3,189	3,189
Deferred income tax assets	33	—	—
Other assets	34	1,516,566	2,282,104
Total assets		49,558,427	45,673,436
EQUITY AND LIABILITIES			
Equity			
Share capital	35	1,469,813	1,469,813
Reserves	36	16,813,332	16,816,776
Accumulated losses		(1,825,892)	(2,581,239)
Equity attributable to owners of the parent		16,457,253	15,705,350
Non-controlling interests		2,005,053	1,687,985
Total equity		18,462,306	17,393,335
Liabilities			
Borrowings		60,000	—
Customer deposits	37	6,403,849	5,061,122
Securities sold under agreements to repurchase	38	2,994,372	4,093,822
Premiums received in advance		149,952	126,714
Reinsurance payables	39	826,473	452,442
Income tax payable		4,433	4,995
Insurance contract liabilities	40	9,620,408	8,547,233
Bonds payable	41	6,406,306	6,467,591
Lease liabilities	30	240,213	318,556
Deferred income tax liabilities	33	—	1
Contract liabilities		56,931	74,893
Other liabilities	42	4,333,184	3,132,732
Total liabilities		31,096,121	28,280,101
Total equity and liabilities		49,558,427	45,673,436



Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

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



For the six months ended 30 June 2021 (unaudited)										
Attributable to owners of the parent										
	Reserves							Sub-total	Non-controlling interests	Total equity
	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			
1 January 2021	1,469,813	16,596,419	477	39,902	275,311	(95,333)	(2,581,239)	15,705,350	1,687,985	17,393,335
Total comprehensive income	—	—	—	—	3,807	(19,748)	755,347	739,406	(184,345)	555,061
Contributions from non-controlling interests (Note 5(b))	—	—	—	—	—	—	—	—	500,164	500,164
Share-based payment	—	—	—	1,297	—	—	—	1,297	1,249	2,546
Others (Note 29)	—	11,200	—	—	—	—	—	11,200	—	11,200
30 June 2021	<u>1,469,813</u>	<u>16,607,619</u>	<u>477</u>	<u>41,199</u>	<u>279,118</u>	<u>(115,081)</u>	<u>(1,825,892)</u>	<u>16,457,253</u>	<u>2,005,053</u>	<u>18,462,306</u>



For the six months ended 30 June 2020 (unaudited)										
Attributable to owners of the parent										
	Reserves							Sub-total	Non-controlling interests	Total equity
	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			
1 January 2020	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	—	—	—	—	—	—	—	—	896,398	896,398
Consideration paid to non-controlling interests	—	(16,266)	—	—	—	—	—	(16,266)	(495,628)	(511,894)
Non-controlling interests on acquisition of subsidiary	—	—	—	—	—	—	—	—	5,650	5,650
Others	—	30,738	—	—	—	—	—	30,738	—	30,738
30 June 2020	<u>1,469,813</u>	<u>16,601,873</u>	<u>32</u>	<u>38,400</u>	<u>79,299</u>	<u>35,329</u>	<u>(2,644,087)</u>	<u>15,580,659</u>	<u>1,910,324</u>	<u>17,490,983</u>



Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

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



	Notes	Six months ended 30 June	
		2021 (unaudited)	2020 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operating activities	43(a)	478,276	2,234,108
Net cash flows generated from operating activities		478,276	2,234,108
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment, intangible assets and other assets		(131,254)	(110,729)
Purchases of investments, net		(822,415)	(3,412,651)
Acquisition of subsidiaries and other business entities, net		(32,325)	(27,151)
Deconsolidation of subsidiaries, net		(3,645)	—
Dividends and others received from investments		1,013,129	927,239
Net cash flows generated from/(used in) investing activities		23,490	(2,623,292)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from/(repayment of) borrowings		60,000	(2,258)
Proceeds from issue of preference shares		500,164	—
Increase/(decrease) in securities sold under agreements to repurchase, net		(1,140,714)	837,515
Proceeds from capital injection by non-controlling interests		—	896,398
Considerations paid for redemption of preference shares		—	(511,894)
Interest paid		(120,123)	—
Principal elements of lease payments		(84,237)	(74,354)
Other cash received related to financing activities		762	—
Net cash flows generated from/(used in) financing activities		(784,148)	1,145,407
Effects of exchange rate changes on cash and cash equivalents		(46,096)	36,816
Net increase/(decrease) in cash and cash equivalents		(328,478)	793,039
Cash and cash equivalents at the beginning of period	43(b)	8,218,037	2,914,820
Cash and cash equivalents at the end of period	43(b)	7,889,559	3,707,859



Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2021

(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 Limited 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 2021 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 therefore should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2020.

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 consolidated financial statements for the year ended 31 December 2020, except for the adoption of amended or improved standards as of 1 January 2021 as set out below. The adoption of these revised HKFRSs currently has had no significant impact on the interim condensed consolidated financial information.

Amendments to HKFRS 16

Amendments to HKFRS 9, HKAS 39,

HKFRS 7, HKFRS 4 and HKFRS 16

Covid-19-Related Rent Concessions

Interest Rate Benchmark Reform – Phase 2

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



Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2021

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

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 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.

HKFRS 9 is effective for accounting periods beginning on or after 1 January 2018. The Group was previously eligible to and elected to apply the temporary option to defer the effective date of HKFRS 9 under the amendments to HKFRS 4 'Insurance contracts'.

On March 24, 2020, ZA Bank Limited ("ZA Bank"), a subsidiary of the Company, officially opened for business in Hong Kong. Since its opening, the banking business has developed rapidly and its customer deposits has reached RMB5,061,122 thousand at 31 December 2020, representing 17.9% of the Group's total liabilities. Management determined that there was a change in the Group's activities and the change was significant to the Group's operations. As a consequence, the Group concludes that its activities are no longer predominantly connected with insurance as a result of reassessment at 31 December 2020 and then no longer qualifies for the temporary exemption from HKFRS 9. As permitted by HKFRS 4 Amendments, the Group will continue to apply the temporary exemption from HKFRS 9 only until the end of 2021 and will adopt the HKFRS 9 on 1 January 2022. The Group makes additional disclosures as below.

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



3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

HKFRS 9 and HKFRS 4 Amendments (continued)

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

	30 June 2021 Fair value	Six months ended 30 June 2021 Change in the fair value
Financial assets held for trading (A)	9,378,064	93,213
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)	14,437,805	12,030
– Financial assets not meet SPPI	5,179,814	351,643
Total	<u>28,995,683</u>	<u>456,886</u>

	30 June 2021 Carrying amounts
Credit risk rating grades of financial assets meet SPPI(C)	
Domestic	
AAA	9,689,573
AA+	940,278
AA	110,493
Overseas	
A3(inclusive) or above	1,343,853
Baa1	717,135
Baa2	712,640
Baa3	568,517
Ba1	6,571
Ba2	32,658
Ba3	38,312
Not rated*	275,938
Total	<u>14,435,968</u>

* Included in the not rated category are mainly Chinese offshore USD bonds whose guarantors' or keepwell providers' Moody's credit ratings are above Baa3.



Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2021

(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 2021	
	Carrying amounts	Fair value
Financial assets not have low credit risk*	77,541	77,541

* Financial assets that do not have low credit risk refer to financial assets with either credit rating for those assets rated by qualified rating agencies in the PRC below AA or Moody's credit rating below Baa3.

Except for the above assets, the carrying amounts of 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., which meet the SPPI conditions, 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.

In October 2020, the Amendments to HKFRS 17 was issued. The standard is currently mandatorily effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. 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 asset 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 interim condensed consolidated financial information and those used in preparing the operating segment information.



4. SEGMENT INFORMATION (continued)

Segment statement of comprehensive income for the six months ended 30 June 2021

	Insurance	Technology	Banking	Others	Eliminations	Total
Gross written premiums	9,841,704	—	—	4,103	(336)	9,845,471
Less: Premiums ceded to reinsurers	(616,872)	—	—	(1,343)	—	(618,215)
Net change in unearned premium reserves	(989,312)	—	—	—	44	(989,268)
Net premiums earned	8,235,520	—	—	2,760	(292)	8,237,988
Net investment income	878,564	25,184	32,613	8,738	(1,030)	944,069
Net fair value changes through profit or loss	74,717	(18,750)	—	37,246	—	93,213
Other income	113,176	274,151	41,441	113,172	(64,568)	477,372
Segment income	9,301,977	280,585	74,054	161,916	(65,890)	9,752,642
Net claims incurred	(4,070,825)	—	—	(1,248)	3	(4,072,070)
Handling charges and commissions	(1,181,322)	—	—	—	48,244	(1,133,078)
Foreign exchange gains/(losses)	51,736	(2,405)	4,285	(4,210)	4,843	54,249
Finance costs	(165,239)	(3,111)	(7)	(340)	1,026	(167,671)
General and administrative expenses	(2,909,693)	(88,234)	(213,537)	(75,708)	(42,106)	(3,329,278)
Other expenses	(3,292)	(326,582)	(71,549)	(143,094)	56,281	(488,236)
Segment expenses	(8,278,635)	(420,332)	(280,808)	(224,600)	68,291	(9,136,084)
Share of net profits/(losses) of associates and joint ventures accounted for using the equity method	—	3,017	—	(17,564)	880	(13,667)
Profits/(Losses) before income tax	1,023,342	(136,730)	(206,754)	(80,248)	3,281	602,891
Income tax	5,945	(626)	—	(4,077)	—	1,242
Net profits/(losses) for the period	1,029,287	(137,356)	(206,754)	(84,325)	3,281	604,133

Segment balance sheet at 30 June 2021

	Insurance	Technology	Banking	Others	Eliminations	Total
Segment assets	42,053,196	2,815,057	8,259,414	4,861,369	(8,430,609)	49,558,427
Segment liabilities	23,730,151	897,977	6,763,624	1,226,025	(1,521,656)	31,096,121
Segment equity	18,323,045	1,917,080	1,495,790	3,635,344	(6,908,953)	18,462,306



Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2021

(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
Net premiums earned	7,445,201	—	—	281	(3,337)	7,442,145
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)
Other income	110,850	140,449	19,016	32,500	16,575	319,390
Segment income	8,333,190	173,954	19,016	46,620	12,836	8,585,616
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)
Segment expenses	(7,779,430)	(275,532)	(130,492)	(93,616)	19,607	(8,259,463)
Share of net profits/(losses) of associates and joint ventures accounted for using the equity method	20,439	(5,181)	—	(8,005)	880	8,133
Profits/(Losses) before income tax	574,199	(106,759)	(111,476)	(55,001)	33,323	334,286
Income tax	47,943	58	—	36	—	48,037
Net profits/(losses) for the period	622,142	(106,701)	(111,476)	(54,965)	33,323	382,323

Segment balance sheet at 31 December 2020



	Insurance	Technology	Banking	Others	Eliminations	Total
Segment assets	39,749,938	2,914,547	6,625,678	4,298,169	(7,914,896)	45,673,436
Segment liabilities	22,530,848	872,371	5,301,037	790,532	(1,214,687)	28,280,101
Segment equity	17,219,090	2,042,176	1,324,641	3,507,637	(6,700,209)	17,393,335



5. SUBSIDIARIES

(a) The Company's subsidiaries at 30 June 2021 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 300,000	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")	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	Medical Service	RMB 5,000	100.00%	Set-up
ZhongAn (Hainan) Telemedicine Centre Ltd. ("ZA Telemedicine Centre")	Hainan, The PRC	Hainan, The PRC	Medical Service	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
Shanghai ZhongAn Pharmacy Co. Ltd., ("ZhongAn Pharmacy") (i)	Shanghai, The PRC	Shanghai, The PRC	Pharmacy	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



Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2021

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

5. SUBSIDIARIES (continued)

(a) The Company's subsidiaries at 30 June 2021 are as follows: (continued)



Name	Place of operations	Place of incorporation/ registration	Nature of business	Registered capital (Thousand)	Percentage of equity	Acquisition Mode
ZA Technology Services Ltd. ("ZA Technology")	British Virgin Islands	British Virgin Islands	Technology Development/ Technology Consulting	USD 0.001	100.00%	Set-up
ZhongAn (Wuxi) Information Technology Services Ltd. ("ZhongAn (Wuxi) Technology")	Jiangsu, The PRC	Jiangsu, The PRC	Technology Development/ Technology Consulting	RMB 50,000	100.00%	Set-up
Zhongyanshe (Jiaxing) Software Training Ltd. ("Zhongyanshe")	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	USD 30,000	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
Asia Fintech Center Pte. Ltd. ("Asia Fintech Center")	Singapore	Singapore	Innovation Lab	SGD 2,400	100.00%	Set-up
ZA Tech Global (Ireland) Limited ("ZA Tech Ireland")	Dublin, Ireland	Dublin, Ireland	Technology Development/ Technology Consulting	EUR 1	100.00%	Set-up
PT ZATech Global Indonesia ("ZATech Indonesia") (ii)	Djakarta, Indonesia	Djakarta, Indonesia	Technology Development/ Technology Consulting	IDR 10,000,000	100.00%	Set-up
ZA Life Limited ("ZA Life")	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 2,600,000	100.00%	Set-up



5. SUBSIDIARIES (continued)

(a) The Company's subsidiaries at 30 June 2021 are as follows: (continued)



Name	Place of operations	Place of incorporation/ registration	Nature of business	Registered capital (Thousand)	Percentage of equity	Acquisition Mode
ZA Bank Limited ("ZA Bank")	Hong Kong, The PRC	Hong Kong, The PRC	Virtual Bank	HKD 2,600,000	100.00%	Set-up
ZA Care Limited ("ZA Care")	Hong Kong, The PRC	Hong Kong, The PRC	Technology	—	100.00%	Set-up
ZhongAn Digital Asset Group Ltd. ("ZA Digital Asset")	British Virgin Islands	British Virgin Islands	Digital Asset	USD 50	100.00%	Set-up
ZAKC Limited (formerly known as ZhongAn International Investment Management Company) ("ZAKC")	Hong Kong, The PRC	Hong Kong, The PRC	Technology Development	HKD 55,700.1	51.00%	Set-up
ZhongAn International Financial Services Limited ("ZA International Financial")	Hong Kong, The PRC	Hong Kong, The PRC	Technology Development/ Technology Consulting	HKD 0.1	100.00%	Set-up
Bloom Rewards Limited ("Bloom Rewards")	Hong Kong, The PRC	Hong Kong, The PRC	Technology Development/ Technology Consulting	HKD 0.1	100.00%	Set-up
ZA International Insurance Broker Limited (formerly known as AA Finance (Hong Kong) Limited) ("ZA International Insurance Broker")	Hong Kong, The PRC	Hong Kong, The PRC	Insurance Broker	HKD 6,000	100.00%	Equity Purchase
ZhongAn (Shenzhen) Technology Consulting Co., Ltd ("ZhongAn Technology Consulting")	Shenzhen, The PRC	Shenzhen, The PRC	Technology Development/ Technology Consulting	USD 20,000	100.00%	Set-up

* All of the subsidiaries of the Company established in the PRC are limited liability company.

- (i) On June 15 2021, ZA Internet Hospital set up ZhongAn Pharmacy with registered capital of RMB1,000 thousand. ZA Internet Hospital holds 100% of voting rights of ZhongAn Pharmacy. ZhongAn Technology has control over ZhongAn Pharmacy through ZA Internet Hospital.
- (ii) On April 1 2021, ZA Tech Global and ZA Tech Singapore set up ZATech Indonesia with registered capital of IDR10,000,000 thousand. ZA Tech Global and ZA Tech Singapore hold 99% and 1% respectively of voting rights of ZATech Indonesia. ZhongAn Technology has control over ZATech Indonesia through ZA Tech Global.
- (iii) On 23 June 2021, ZhongAn Insurance Broker signed an equity transfer agreement to transfer 100% of the equity of Beijing Zhongke Haizheng Technology Incubator Co., Ltd. and its subsidiaries, Taixin Wealth Fund Sales Co., Ltd. and Hexin Jiasubao Information Technology (Beijing) Co., Ltd. (the "Zhongke Haizheng Group") at the price of RMB68,000 thousand. After this transaction, ZhongAn Insurance Broker no longer has control over Zhongke Haizheng Group pursuant to the agreement, and investment income RMB885 thousand was recognized due to this transaction.



Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2021

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

5. SUBSIDIARIES (continued)

(b) Non-controlling interests

Changes in non-controlling interests:



	ZhongAn International	ZhongAn Life Sciences	Shanghai Dexu	Total
31 December 2020				
Total comprehensive income/(loss)	1,669,814	12,619	5,552	1,687,985
	(180,109)	(4,566)	330	(184,345)
Contributions from non-controlling Interests (i)	500,164	—	—	500,164
Share-based payments	1,249	—	—	1,249
30 June 2021	1,991,118	8,053	5,882	2,005,053

(i) On 26 May 2021, Sinolink Worldwide subscribed 500,000,000 redeemable preference shares from ZhongAn International at a total price of HKD600,197 thousand, equivalent to RMB500,164 thousand. The non-controlling interests of ZhongAn International increased by RMB500,164 thousand.

(c) At 30 June 2021, consolidated structured entities are as follows:



Name	Holding by the Company (%)	Total Subscription (RMB'000)	Principal activities
ZhongAn TaiKang Asset Management Plan	100.0%	3,405,795	Asset Management Product
ZhongAn LeXiang No.1 Asset Management Plan	100.0%	3,188,473	Asset Management Product
ICBC Credit Suisse Asset Management ZhongAn Insurance No.1 Asset Management Plan	100.0%	800,000	Asset Management Product
Shanghai Dexu	98.8%	400,000	Equity Investment



6. NET PREMIUMS EARNED



	Six months ended 30 June	
	2021	2020
Property and casualty insurance written premiums	5,111,904	3,159,099
Short-term life insurance written premiums	4,729,464	3,607,379
Long-term life insurance written premiums	4,103	309
Gross written premiums	9,845,471	6,766,787
Less: Premiums ceded to reinsurers	(618,215)	(118,663)
Net written premiums	9,227,256	6,648,124
Less: Net change in unearned premium reserves	(989,268)	794,021
	8,237,988	7,442,145

7. NET INVESTMENT INCOME



	Six months ended 30 June	
	2021	2020
Interest income		
– Debt investments	274,778	250,699
– Bank deposits	39,101	27,504
– Trust investment scheme	30,657	36,861
– Securities purchased under agreements to resell	2,761	2,169
Dividend income		
– Wealth management products	63,126	49,632
– Fund investments	12,360	67,867
– Equity investments	11,957	14,972
Realized gains, net	509,329	418,589
	944,069	868,293



Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2021

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

8. NET FAIR VALUE CHANGES THROUGH PROFIT OR LOSS



	Six months ended 30 June	
	2021	2020
Financial assets at fair value through profit or loss		
– Equity investments	84,630	(3,852)
– Wealth management products	12,282	(13,631)
– Debt investments	5,378	(20,147)
– Fund investments	(9,077)	(6,582)
	93,213	(44,212)

9. OTHER INCOME



	Six months ended 30 June	
	2021	2020
Revenue from services (a)	312,054	142,218
Government grants (b)	121,313	121,805
Revenue from banking business (c)	39,204	18,308
Sales of goods (d)	313	4,069
Other	4,488	32,990
	477,372	319,390

- (a) Revenue from services includes information technology services, insurance brokerage services and other services provided by the Group.
- (b) Government grants include rental subsidies, development support funds and government subsidies related to intangible assets, and etc.
- (c) Revenue from banking business includes interest income from loans and advances to customers and commission income.
- (d) The income of sale of goods is mainly derived from an online platform operated by Shanghai Lianmo, ZhongAn Life Sciences and its subsidiaries.



10. NET CLAIMS INCURRED



	Six months ended 30 June	
	2021	2020
Property and casualty insurance claims paid	2,748,114	2,778,914
Short-term life insurance claims paid	1,456,426	760,089
Long-term life insurance claims paid	453	—
Gross claims paid	4,204,993	3,539,003
Less: Claims paid ceded to reinsurers	(206,583)	(119,606)
Net claims paid	3,998,410	3,419,397
Add: Net change in claim reserves and long-term life insurance reserves	73,660	794,489
	4,072,070	4,213,886

11. HANDLING CHARGES AND COMMISSIONS



	Six months ended 30 June	
	2021	2020
Handling charges and commissions before reinsurance arrangement	1,391,831	349,245
Less: Reinsurance commission expenses/(income)	(258,753)	25,641
	1,133,078	374,886

12. GENERAL AND ADMINISTRATIVE EXPENSES



	Six months ended 30 June	
	2021	2020
Consulting and technical fee	1,247,079	1,503,487
Advertising and marketing expense	1,072,970	894,764
Employee benefit expense	569,550	430,855
Amortization of intangible assets	50,212	51,163
Taxes and surcharges	47,120	34,588
Depreciation of right-of-use assets	43,262	49,817
Depreciation of property and equipment	15,702	19,730
Rental fee	9,401	857
Auditors' remuneration	6,600	6,500
Provision for/(reversal of) impairment loss	(30,876)	117,191
Other	298,258	230,556
	3,329,278	3,339,508



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For the six months ended 30 June 2021

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

13. OTHER EXPENSES



	Six months ended 30 June	
	2021	2020
Cost of providing services	252,950	64,542
Expense of providing services	197,619	181,046
Cost of banking business	33,839	9,246
Others	3,828	12,506
	488,236	267,340

14. INCOME TAX

(a) Income tax



	Six months ended 30 June	
	2021	2020
Current income tax	5,051	(79)
Deferred income tax (Note 33)	(6,293)	(47,958)
	(1,242)	(48,037)

(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	
	2021	2020
Profit before income tax	602,891	334,286
Tax computed at the applicable tax rate	181,674	98,207
Income not subject to tax	(1,828)	(17,088)
Expenses not deductible for tax	558	1,776
Recognition of unrecognized prior periods' deductible temporary differences	(157,762)	—
Tax losses for which no deferred tax asset was recognized	83,625	52,639
Extra tax deductions for research and development costs	(8,584)	(7,918)
Utilization of previously unrecognized tax losses	(107,883)	(176,145)
Adjustments to income tax in respect of previous periods	8,958	492
Income tax at the Group's effective rate	(1,242)	(48,037)



15. PROFIT PER SHARE

Basic profit per share is calculated by dividing net profit for the period attributable to owners of the parent 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	
	2021	2020
Net profit for the period attributable to owners of the parent	755,347	490,493
Weighted average number of shares in issue (in thousand)	1,469,813	1,469,813
Basic profit per share (RMB yuan)	0.51	0.33
Diluted profit per share (RMB yuan)	0.51	0.33

The Company had no dilutive potential shares during the six-month period ended 30 June 2021 and 2020 respectively.

16. OTHER COMPREHENSIVE INCOME/(LOSS)



	Six months ended 30 June	
	2021	2020
Available-for-sale financial assets		
Gains/(Losses) from changes in the fair value of available-for-sale financial assets	(121,610)	229,220
Reclassification adjustments for amounts transferred to profit or loss	114,996	(37,011)
	(6,614)	192,209
Income tax relating to available-for-sale financial assets	(6,292)	(48,321)
	(12,906)	143,888
Exchange differences on translation of foreign operations	(36,166)	38,349
	(49,072)	182,237



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For the six months ended 30 June 2021

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

17. CASH AND AMOUNTS DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS



	30 June 2021	31 December 2020
Cash in hand	81	56
Placements with banks	1,734,795	1,401,509
Deposits with original maturity of no more than three months	4,391,666	6,023,043
Due from banks and other financial institutions	2,103,080	643,026
Other monetary assets (i)	339,042	350,740
	8,568,664	8,418,374

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

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS



	30 June 2021	31 December 2020
Listed		
– Debt investments	1,350,528	1,108,625
– Equity investments	260,990	59,022
Unlisted		
– Wealth management products	4,479,529	1,912,474
– Debt investments	1,969,365	1,778,766
– Fund investments	1,085,334	994,169
– Equity investments	232,318	267,310
	9,378,064	6,120,366



19. SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL



	30 June 2021	31 December 2020
Securities - bonds		
- Stock exchange	350,000	93,000
- Inter-bank market	19,980	—
	<u>369,980</u>	<u>93,000</u>

20. INTEREST RECEIVABLES



	30 June 2021	31 December 2020
Debt investments	261,813	306,173
Bank deposits	28,720	36,765
Trust investment schemes	1,836	2,147
Loans	1,438	2,488
Securities purchased under agreements to resell	5	2
Less: Impairment provisions	(3)	(6,180)
	<u>293,809</u>	<u>341,395</u>

21. PREMIUM RECEIVABLES



	30 June 2021	31 December 2020
Premium receivables	6,127,454	4,781,317
Less: Provision for impairment of premium receivables	(254,739)	(303,403)
	<u>5,872,715</u>	<u>4,477,914</u>



Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2021

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

22. REINSURANCE RECEIVABLES



	30 June 2021	31 December 2020
Reinsurance receivables	664,520	319,525
Less: Provision for impairment of reinsurance receivables	—	—
	<u>664,520</u>	<u>319,525</u>

23. AVAILABLE-FOR-SALE FINANCIAL ASSETS



	30 June 2021	31 December 2020
Listed		
– Debt investments	6,119,047	6,994,783
– Equity investments	950,313	1,667,131
– Fund investments	372,075	343,604
Unlisted		
– Debt investments	6,534,123	5,985,060
– Wealth management products	1,934,163	1,917,550
– Fund investments	1,897,650	2,222,612
– Equity investments	25,613	25,613
Less: Impairment provisions	(39,650)	(108,990)
	<u>17,793,334</u>	<u>19,047,363</u>



24. LOANS AND ADVANCES TO CUSTOMERS

(a) Analyzed by corporate and individual



	30 June 2021	31 December 2020
Individual customers	1,060,595	549,580
Corporate customers	83,819	75,253
Less: Loan loss provisions (b)	(1,339)	(1,089)
	<u>1,143,075</u>	<u>623,744</u>

All the loans and advances to customers are unsecured.

(b) Loan loss provisions



1 January 2021	(1,089)
Provision for the period	(4,622)
Reversal during the period	3,564
Write-off and transfer during the period	808
30 June 2021	<u>(1,339)</u>

25. INVESTMENTS CLASSIFIED AS LOANS AND RECEIVABLES



	30 June 2021	31 December 2020
Trust investment scheme	1,139,200	1,219,133
Less: Impairment provisions	(6,171)	(72,640)
	<u>1,133,029</u>	<u>1,146,493</u>

The Group's maximum exposure to loss in the trust investment schemes is limited to their carrying amounts.



Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2021

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

26. TERM DEPOSITS



Maturity Period	30 June 2021	31 December 2020
1 month to 3 months (including 3 months)	10,000	—
3 months to 1 year (including 1 year)	20,000	30,090
1 to 2 years (including 2 years)	300,000	—
2 to 3 years (including 3 years)	—	300,000
	330,000	330,090

27. RESTRICTED STATUTORY DEPOSITS



	30 June 2021	31 December 2020
At the beginning of period	294,338	294,338
Increase	50,000	—
Decrease	(45,838)	—
At the end of period	298,500	294,338

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 2021		
	Amount	Storage	Period
China Everbright Bank	148,500	Term deposit	3 years
China Citic Bank	100,000	Term deposit	3 years
Industrial and Commercial Bank of China	50,000	Term deposit	3 years
	298,500		



	31 December 2020		
	Amount	Storage	Period
China Citic Bank	145,838	Term deposit	3 years
China Everbright Bank	148,500	Term deposit	3 years
	294,338		



28. HELD-TO-MATURITY FINANCIAL ASSETS



	30 June 2021	31 December 2020
Listed		
– Corporate bonds	96,623	35,785
– Government bonds	30,340	30,416
– Finance bonds	18,935	76,450
Unlisted		
– Government bonds	543,521	544,039
	<u>689,419</u>	<u>686,690</u>

29. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES



	1 January 2021	Additions	Share of profits/ (losses)	Other changes in capital reserves	Foreign exchange translation adjustments	30 June 2021
ZA-CP Network Technology (Shanghai) Co., Ltd. ("ZA-CP") (a)	711	3,184	(1,333)	—	—	2,562
Shanghai Nuanwa Technology Co., Ltd. ("Shanghai Nuanwa")	33,876	—	—	—	—	33,876
Shanghai Xiaojia Financial Technology Service Co., Ltd. ("Shanghai Xiaojia")	2,282	—	20	—	—	2,302
Chongqing ZhongAn Microloan Limited Company ("ZhongAn Microloan")	211,743	—	7,152	—	—	218,895
Shanghai Dingzuan Ltd. ("Dingzuan")	—	—	—	—	—	—
Shanghai Zhongzhirong Digital Technology Ltd. ("Zhongzhirong")	2,911	—	(252)	—	—	2,659
Shanghai Ju'A Technology Ltd. ("Shanghai Ju'A") (b)	3,547	—	(2,988)	7,000	—	7,559
Baibao (Shanghai) Technology Co., Ltd. ("Shanghai Baibao") (c)	—	3,006	(154)	4,200	—	7,052
Nova Technology Ltd. ("Nova Technology")	21,218	—	(11,081)	—	—	10,137
A3 Holdings Inc. ("A3 Holdings") (d)	14,394	3,224	(331)	—	(166)	17,121
Data Enlighten (Asia) Limited (Data Enlighten)	12,972	—	(542)	—	(150)	12,280
RD International Holdings Limited ("RD International Holdings") (e)	11,635	25,917	(5,150)	—	(123)	32,279
	<u>315,289</u>	<u>35,331</u>	<u>(14,659)</u>	<u>11,200</u>	<u>(439)</u>	<u>346,722</u>



Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2021

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

29. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

- (a) On 7 January 2021, ZhongAn Life Sciences and Colgate-Palmolive (H.K.) Holding Limited injected USD500 thousand and USD500 thousand respectively into ZA-CP, pursuant to the capital injection agreement. After this transaction, the registered capital of ZA-CP increased to USD4,000 thousand, ZhongAn Life Sciences remains 50% of voting rights of ZA-CP.
- (b) On 7 January 2021, Shanghai Minhang Venture Capital Partnership for Transfer and Transformation of Scientific and Technological Achievements (Limited Partnership), Shanghai Wanlian Investment Center (Limited Partnership) and Guohong Jiaxin (Shenzhen) Angel Venture Capital (Limited Partnership) injected RMB20,000 thousand into Shanghai Ju'A pursuant to the capital injection agreement. After this transaction, ZhongAn Technology's percentage of equity of Shanghai Ju'A decreased from 50% to 40% while ZhongAn Technology's share of Shanghai Ju'A's equity increased by RMB7,000 thousand.
- (c) On 14 April 2021, ZhongAn Technology together with natural person Hongwei Su, Xuefeng Li and Yi Li set up Shanghai Baibao, with registered capital of RMB8,000 thousand. ZhongAn Technology injected non-monetary assets valued at RMB3,006 thousand to Shanghai Baibao and obtained 37.5% of equity of Shanghai Baibao. On 26 May 2021, Shanghai Volcanic Stone Phase II Venture Capital (Limited Partnership), Shanghai Qingyuanshu Enterprise Management (Limited Partnership) and Shanghai Qingchenglu Enterprise Management (Limited Partnership) injected RMB30,000 thousand into Shanghai Baibao pursuant to the capital injection agreement. After this transaction, ZhongAn Technology decreased its percentage of equity of Shanghai Baibao to from 37.5% to 30%, and ZhongAn Technology's share of Shanghai Baibao's equity increased by RMB4,200 thousand.
- (d) On 22 Mar 2021, ZA Tech Global Cayman injected USD500 thousand to A3 Holdings, equivalent to RMB3,224 thousand. After this transaction, ZA Tech Global Cayman remains 40% of voting rights of A3 Holdings, and ZA Tech Global holds 40% of voting rights of A3 Holdings through ZA Tech Global Cayman.
- (e) Due to the group restructuring of RD Wallet Technologies Limited ("RD Wallet"), RD International Holdings was set up in April 2021 and ZA Digital Asset subscribed 1 nil-paid share of RD International Holdings. RD Wallet was wholly owned by RD International Holdings. Pursuant to the share subscription agreement dated 21 June 2021, all previous shares of RD Wallet held by ZA Digital Asset were transferred to RD International Holdings as capital contribution in RD International Holdings. ZA Digital Asset agreed to subscribe 999,999 shares of RD International Holdings at a total consideration of USD10,000 thousands, representing 19.996% voting rights of RD International Holdings. As of 30 Jun 2021, ZA Digital Asset actually paid 60% of the capital contribution (40% in shares of RD Wallet and 20% in cash) equivalent to RMB38,989 thousand and designated 1 director on the board of directors of RD International Holdings.



30. 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 2021	31 December 2020
Right-of-use assets		
Buildings	215,311	276,079
Equipment	787	1,670
	<u>216,098</u>	<u>277,749</u>
Lease liabilities	<u>240,213</u>	<u>318,556</u>

Additions to the right-of-use assets during the six months ended 30 June 2021 were RMB10,205 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	
	2021	2020
Depreciation charge of right-of-use assets		
Buildings	(61,053)	(69,418)
Equipment	(580)	(910)
	<u>(61,633)</u>	<u>(70,328)</u>
Interest expense	5,913	9,270
Expense relating to short-term leases	9,401	857

The total cash outflow relating to leases for the six months ended 30 June 2021 was RMB93,638 thousand.



Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2021

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

31. PROPERTY AND EQUIPMENT



	Motor vehicles	Electrical equipment	Office furniture and equipment	Leasehold improvements	Total
Cost					
1 January 2021	3,612	67,421	10,677	136,545	218,255
Additions	—	4,496	95	3,946	8,537
Disposals	(48)	(212)	(97)	—	(357)
30 June 2021	3,564	71,705	10,675	140,491	226,435
Accumulated depreciation and impairment					
1 January 2021	(2,709)	(37,693)	(7,098)	(104,732)	(152,232)
Depreciation	(63)	(5,707)	(971)	(11,068)	(17,809)
Disposals	24	80	35	—	139
30 June 2021	(2,748)	(43,320)	(8,034)	(115,800)	(169,902)
Net book value					
1 January 2021	903	29,728	3,579	31,813	66,023
30 June 2021	816	28,385	2,641	24,691	56,533

32. INTANGIBLE ASSETS



	Software	Patent	Other	Total
Cost				
1 January 2021	1,036,843	30,100	3,414	1,070,357
Additions	122,717	—	—	122,717
Disposals	(3,491)	—	—	(3,491)
30 June 2021	1,156,069	30,100	3,414	1,189,583
Accumulated amortization and impairment				
1 January 2021	(581,301)	(7,023)	(556)	(588,880)
Amortization	(71,084)	(1,505)	(91)	(72,680)
Impairment	(2,387)	—	—	(2,387)
30 June 2021	(654,772)	(8,528)	(647)	(663,947)
Net book value				
1 January 2021	455,542	23,077	2,858	481,477
30 June 2021	501,297	21,572	2,767	525,636



33. DEFERRED INCOME TAX ASSETS AND LIABILITIES



	30 June 2021	31 December 2020
Net deferred income tax liabilities, at the beginning of period	(1)	(42)
Recognized in profit or loss	6,293	112,986
Recognized in other comprehensive income	(6,292)	(112,945)
Net deferred income tax liabilities, at the end of period	—	(1)

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



	30 June 2021	31 December 2020
Deferred income tax assets and liabilities		
Accumulated taxable losses	336,598	203,601
Insurance contract liabilities	329,373	341,621
Impairment loss provisions	110,097	157,164
Amortization of intangible assets	38,009	43,489
Employee stock ownership plan	9,600	9,600
Net estimated liabilities for sales return	1,487	793
Unrealized gains of structured entities	(668,398)	(622,292)
Net fair value adjustment on financial assets at fair value through profit or loss	(49,509)	(33,285)
Net fair value adjustment on available-for-sale financial assets	(97,519)	(91,227)
Share of net profit of associates and joint ventures accounted for using the equity method	(9,738)	(9,465)
Net deferred income tax liabilities	—	(1)
Represented by		
Deferred income tax assets	825,164	756,268
Deferred income tax liabilities	(825,164)	(756,269)

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. At 30 June 2021, the Group did not recognize deferred income tax assets of RMB472,630 thousand in respect of deductible tax loss and other temporary differences amounting to RMB2,966,422 thousand that can be carried forward against future taxable income.



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

34. OTHER ASSETS



	30 June 2021	31 December 2020
Advanced payment	387,553	555,668
Coinsurance expense to be reimbursed	258,872	205,606
Subrogation receivable	167,097	275,718
Estimate of input tax	80,252	25,716
Right to surrender cost	69,233	49,406
Deposits	63,392	37,148
Receivable from disposal of subsidiaries	61,700	—
Assets recognized from costs to fulfil a contract	44,653	33,183
Receivable from investment clearance and settlement	—	729,309
Others	389,964	373,498
Less: Provisions for other assets	(6,150)	(3,148)
	<u>1,516,566</u>	<u>2,282,104</u>

35. SHARE CAPITAL



	30 June 2021	31 December 2020
Number of shares issued and fully paid at RMB1 yuan each	<u>1,469,813</u>	<u>1,469,813</u>

36. RESERVES

The amounts of the Group's reserves and the movements therein during the period are presented in the interim condensed 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 has accumulated losses at its company level, no reserve has been retained.



36. 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 Group.

37. CUSTOMER DEPOSITS



	30 June 2021	31 December 2020
Current and savings accounts		
– Individual customers	4,606,489	3,269,294
– Corporate customers	248,139	955
Term deposits		
– Individual customers	1,549,221	1,790,031
– Corporate customers	—	842
	<u>6,403,849</u>	<u>5,061,122</u>



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38. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE



	30 June 2021	31 December 2020
Securities - bonds		
– Inter-bank market	1,972,910	2,831,022
– Stock exchange	1,021,462	1,262,800
	<u>2,994,372</u>	<u>4,093,822</u>

At 30 June 2021, bond investments of approximately RMB3,324,642 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.

39. REINSURANCE PAYABLES



	30 June 2021	31 December 2020
Within one year	822,575	448,730
Over one year	3,898	3,712
	<u>826,473</u>	<u>452,442</u>



40. INSURANCE CONTRACT LIABILITIES



	30 June 2021		
	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	Net
Insurance contracts liabilities			
– Unearned premium reserves	6,429,483	(212,800)	6,216,683
– Claim reserves	3,184,079	(141,174)	3,042,905
– Long-term life insurance reserves	6,846	(4,600)	2,246
	<u>9,620,408</u>	<u>(358,574)</u>	<u>9,261,834</u>
Incurred but not reported claim reserves	<u>1,983,318</u>	<u>(66,851)</u>	<u>1,916,467</u>



	31 December 2020		
	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	Net
Insurance contracts liabilities			
– Unearned premium reserves	5,415,675	(188,260)	5,227,415
– Claim reserves	3,128,468	(158,094)	2,970,374
– Long-term life insurance reserves	3,090	(1,959)	1,131
	<u>8,547,233</u>	<u>(348,313)</u>	<u>8,198,920</u>
Incurred but not reported claim reserves	<u>2,005,410</u>	<u>(81,271)</u>	<u>1,924,139</u>



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

40. INSURANCE CONTRACT LIABILITIES (continued)

Movements of unearned premium reserves



	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	Net
1 January 2021	5,415,675	(188,260)	5,227,415
Premium written	9,841,368	(616,872)	9,224,496
Premium earned	(8,827,560)	592,332	(8,235,228)
30 June 2021	<u>6,429,483</u>	<u>(212,800)</u>	<u>6,216,683</u>

Movements of claim reserves



	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	Net
1 January 2021	3,128,468	(158,094)	2,970,374
Claims incurred	4,260,151	(189,329)	4,070,822
Claims paid	(4,204,540)	206,249	(3,998,291)
30 June 2021	<u>3,184,079</u>	<u>(141,174)</u>	<u>3,042,905</u>



41. BONDS PAYABLE

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.

On 8 September 2020, the Company issued 5.5 years notes in the aggregate principal amount of USD300,000 thousand at the rate of 3.50 per cent on the Hong Kong Stock Exchange.

On 12 October 2020, the Company issued an additional notes in the aggregate principal amount of USD100,000 thousand at the rate of 3.50 per cent on the Hong Kong Stock Exchange, which was consolidated and formed a single series with the USD300,000 thousand notes issued on 8 September 2020.



31 December 2020	Issuance	Premium Amortization	Redemption	Foreign exchange translation adjustment	30 June 2021
6,467,591	—	2,944	—	(64,229)	6,406,306

42. OTHER LIABILITIES



	30 June 2021	31 December 2020
Payables to service suppliers	1,463,588	989,825
Commission and brokerage payable	1,015,880	567,809
Deposit payable	445,378	419,585
Salary and staff welfare payable	294,649	331,247
Payable for investment purchased but not settled	166,554	8,262
Tax payable other than income tax	133,497	192,011
Estimated liabilities	126,644	63,698
Payables for asset management fee	102,764	98,266
Claims payable	52,793	69,695
Insurance guarantee fund	45,310	45,877
Others	486,127	346,457
	4,333,184	3,132,732



Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2021

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

43. NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

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



	Six months ended 30 June	
	2021	2020
Profit before income tax	602,891	334,286
Provisions for/(reversal of) impairment loss	(30,876)	117,191
Net investment income	(944,069)	(868,293)
Net fair value changes through profit or loss	(93,213)	44,212
Depreciation of property and equipment	17,809	20,985
Amortization of intangible assets	72,680	73,883
Depreciation of right-of-use assets	61,633	70,328
Foreign exchange losses/(gains)	(54,249)	1,011
Finance costs	167,671	62,832
Expense recognized for share-based payments	1,784	—
Increase in premium receivables	(1,346,137)	(9,841)
Increase in reinsurance receivables	(344,995)	(43,748)
Increase in placements with banks with original maturity of more than three months	(848,748)	(197,260)
Amortization of deferred income	(316)	(316)
Share of net losses/(profits) of associates and joint ventures	13,667	(8,133)
Increase in insurance contract liabilities	1,062,914	473
Increase in customer deposits	1,342,727	2,169,914
Decrease/(increase) in other operating assets	(537,305)	100,603
Increase in other operating liabilities	1,334,408	365,981
Cash generated from operating activities	478,276	2,234,108

(b) Cash and cash equivalents



	30 June 2021	31 December 2020
Cash in hand	81	56
Deposits with original maturity of no more than three months	4,391,666	6,023,043
Due from banks and other financial institutions	2,103,080	643,026
Investments with original maturity of no more than three months	1,055,690	1,201,172
Other monetary assets	339,042	350,740
	7,889,559	8,218,037



44. 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 and Shanghai Ju'A Technology Ltd. ("Ju'A") 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) Sales of insurance contracts



	Six months ended 30 June	
	2021	2020
Tencent and its subsidiaries	14,781	8,755
Nova Technology and its subsidiaries	880	265
Alibaba and its subsidiaries	807	782
Ant Group and its subsidiaries	660	496
Sinolink and its subsidiaries	16	51
Ping An Insurance and its subsidiaries	—	689
	17,144	11,038

(b) Claims from insurance contracts



	Six months ended 30 June	
	2021	2020
Tencent and its subsidiaries	7,268	3,732
Alibaba and its subsidiaries	2,018	1,383
Nova Technology and its subsidiaries	269	80
Ant Group and its subsidiaries	25	185
Sinolink and its subsidiaries	23	174
Ping An Insurance and its subsidiaries	—	219
	9,603	5,773



Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2021

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

44. RELATED PARTY TRANSACTIONS (continued)

(c) Handling charges and commissions



	Six months ended 30 June	
	2021	2020
Ant Group and its subsidiaries	472,083	—
Nova Technology and its subsidiaries	84,819	—
Tencent and its subsidiaries	15,143	—
	<u>572,045</u>	<u>—</u>

(d) Technical service fees



	Six months ended 30 June	
	2021	2020
Ant Group and its subsidiaries	258,668	1,009,644
Tencent and its subsidiaries	130	1,070
	<u>258,798</u>	<u>1,010,714</u>

(e) Asset management fees



	Six months ended 30 June	
	2021	2020
Ping An Insurance and its subsidiaries	7,107	5,597



44. RELATED PARTY TRANSACTIONS (continued)

(f) Fees for purchasing goods and other services



	Six months ended 30 June	
	2021	2020
Alibaba and its subsidiaries	44,335	32,033
Nova Technology and its subsidiaries	43,800	12,818
Ant Group and its subsidiaries	26,308	11,401
Ping An Insurance and its subsidiaries	20,160	4,861
Tencent and its subsidiaries	13,522	9,743
	148,125	70,856

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

(g) Interest income



	Six months ended 30 June	
	2021	2020
Ping An Insurance and its subsidiaries	40	72

(h) Technical service income



	Six months ended 30 June	
	2021	2020
Nova Technology and its subsidiaries	28	1,064

Technical service income refers to the revenue from IT services.



Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2021

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

44. RELATED PARTY TRANSACTIONS (continued)

(i) Capital transaction with Sinolink Worldwide

On 26 May 2021, Sinolink Worldwide subscribed 500,000,000 redeemable preference shares of ZhongAn International at a total price of HKD600,197 thousand, equivalent to RMB500,164 thousand. The non-controlling interests of ZhongAn International increased by RMB500,164 thousand.

(j) Receivables with related parties



	30 June 2021	31 December 2020
Ping An Insurance and its subsidiaries (i)	248,592	188,033
Nova Technology and its subsidiaries	62,481	36,909
Tencent and its subsidiaries	16,597	1,560
Ju'A	6,337	5,726
Ant Group and its subsidiaries	190	28,675
	<u>334,197</u>	<u>260,903</u>

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

(k) Prepayments to related parties



	30 June 2021	31 December 2020
Alibaba and its subsidiaries	19,055	16,094
Nova Technology and its subsidiaries	18,864	20,585
Ant Group and its subsidiaries	4,052	—
	<u>41,971</u>	<u>36,679</u>



44. RELATED PARTY TRANSACTIONS (continued)

(l) Payables with related parties



	30 June 2021	31 December 2020
Ant Group and its subsidiaries	271,569	338,376
Ping An Insurance and its subsidiaries	102,628	99,604
Tencent and its subsidiaries	8,517	347
Alibaba and its subsidiaries	7,091	9,930
Nova Technology and its subsidiaries	5,803	16,117
	395,608	464,374

(m) Compensation of key management personnel

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



	Six months ended 30 June	
	2021	2020
Wages, salaries and bonuses	6,907	6,508
Pension costs – defined contribution plans	326	41
Other social security costs, housing benefits and other employee benefits	364	216
	7,597	6,765

45. 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 2021, the Group has no major pending litigation that may have a material adverse effect on the financial position or operating results of the Group.



Notes to the Interim Condensed Consolidated Financial Information

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

46. 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 2021					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	6,833,869	1,739,347	—	—	—	8,573,216
Financial assets at fair value through profit or loss	—	286,892	2,503,897	1,578,950	5,705,897	10,075,636
Securities purchased under agreements to resell	—	370,042	—	—	—	370,042
Premium receivables	—	5,872,715	—	—	—	5,872,715
Reinsurance receivables	—	664,520	—	—	—	664,520
Available-for-sale financial assets	—	4,456,981	7,586,107	1,695,177	5,179,814	18,918,079
Held-to-maturity financial assets	—	43,029	654,432	116,659	—	814,120
Investments classified as loans and receivables	—	306,628	712,480	301,460	—	1,320,568
Loans and advances to customers	—	785,897	401,048	45	—	1,186,990
Term deposits	—	30,630	382,500	—	—	413,130
Restricted statutory deposits	—	224,773	110,288	—	—	335,061
Other assets	—	830,452	63,392	—	—	893,844
Total	6,833,869	15,611,906	12,414,144	3,692,291	10,885,711	49,437,921
Liabilities:						
Borrowings	—	62,940	—	—	—	62,940
Customer deposits	4,854,627	1,577,500	—	—	—	6,432,127
Securities sold under agreements to repurchase	—	2,996,832	—	—	—	2,996,832
Reinsurance payables	—	826,473	—	—	—	826,473
Bonds payable	—	211,568	7,261,152	—	—	7,472,720
Other liabilities	—	3,363,046	—	—	445,378	3,808,424
Total	4,854,627	9,038,359	7,261,152	—	445,378	21,599,516



46. MATURITY PROFILE OF FINANCIAL INSTRUMENTS (continued)



	31 December 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	7,016,865	1,402,781	—	—	—	8,419,646
Financial assets at fair value through profit or loss	—	672,938	2,176,120	510,746	3,232,975	6,592,779
Securities purchased under agreements to resell	—	93,008	—	—	—	93,008
Premium receivables	—	4,477,914	—	—	—	4,477,914
Reinsurance receivables	—	319,525	—	—	—	319,525
Available-for-sale financial assets	—	5,141,999	7,848,044	1,281,334	6,176,510	20,447,887
Held-to-maturity financial assets	—	43,230	651,679	118,246	—	813,155
Investments classified as loans and receivables	—	246,438	873,901	309,713	—	1,430,052
Loans and advances to customers	—	414,372	227,541	—	—	641,913
Term deposits	—	30,630	382,500	—	—	413,130
Restricted statutory deposits	—	276,227	54,502	—	—	330,729
Other assets	—	775,716	37,148	—	—	812,864
Total	7,016,865	13,894,778	12,251,435	2,220,039	9,409,485	44,792,602
Liabilities:						
Customer deposits	3,270,249	1,816,570	—	—	—	5,086,819
Securities sold under agreements to repurchase	—	4,098,080	—	—	—	4,098,080
Reinsurance payables	—	452,442	—	—	—	452,442
Bonds payable	—	213,690	4,769,702	2,655,634	—	7,639,026
Other liabilities	—	2,089,957	—	—	419,585	2,509,542
Total	3,270,249	8,670,739	4,769,702	2,655,634	419,585	19,785,909



Notes to the Interim Condensed Consolidated Financial Information

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47. 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, securities purchased under agreements to resell, available-for-sale financial assets, held-to-maturity financial assets, investments classified as loans and receivables, loans and advances to customers, term deposit, statutory deposits and etc.

Determination of fair value and fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the interim 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 significant in the overall calculation. As such, the significance of the input should be considered from an overall perspective in the calculation of fair value.

For Level 2 financial instruments, valuations are generally obtained from third party pricing services for identical or comparable assets, or through the use of valuation methodologies using observable market inputs, or recent quoted market prices. Valuation service providers typically gather, 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.



47. FAIR VALUE MEASUREMENT (continued)

Determination of fair value and fair value hierarchy (continued)

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.

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



	30 June 2021			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Financial assets at fair value through profit or loss				
– Wealth management products	3,930,495	549,034	—	4,479,529
– Debt investments	1,315,761	2,004,132	—	3,319,893
– Fund investments	1,085,334	—	—	1,085,334
– Listed equity investments	162,171	98,819	—	260,990
– Unlisted equity investments	—	—	232,318	232,318
Available-for-sale financial assets				
– Debt investments	5,634,631	6,978,889	—	12,613,520
– Fund investments	2,264,720	5,005	—	2,269,725
– Wealth management products	1,934,163	—	—	1,934,163
– Listed equity investments	950,313	—	—	950,313
– Unlisted equity investments	—	—	25,613	25,613
	<u>17,277,588</u>	<u>9,635,879</u>	<u>257,931</u>	<u>27,171,398</u>
Assets for which fair values are disclosed				
Investments classified as loans and receivables	—	—	1,133,029	1,133,029
Held-to-maturity financial assets	30,340	660,916	—	691,256
	<u>30,340</u>	<u>660,916</u>	<u>1,133,029</u>	<u>1,824,285</u>



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47. FAIR VALUE MEASUREMENT (continued)

Determination of fair value and fair value hierarchy (continued)



	31 December 2020			Total
	Level 1	Level 2	Level 3	
Assets measured at fair value				
Financial assets at fair value through profit or loss				
– Debt investments	1,079,921	1,807,470	—	2,887,391
– Wealth management products	998,968	913,506	—	1,912,474
– Fund investments	994,169	—	—	994,169
– Listed equity investments	59,022	—	—	59,022
– Unlisted equity investments	—	—	267,310	267,310
Available-for-sale financial assets				
– Debt investments	6,507,185	6,363,668	—	12,870,853
– Fund investments	2,566,216	—	—	2,566,216
– Listed equity investments	1,667,131	—	—	1,667,131
– Wealth management products	1,416,712	500,838	—	1,917,550
– Unlisted equity investments	—	—	25,613	25,613
	<u>15,289,324</u>	<u>9,585,482</u>	<u>292,923</u>	<u>25,167,729</u>
Assets for which fair values are disclosed				
Investments classified as loans and receivables	—	—	1,146,493	1,146,493
Held-to-maturity financial assets	146,321	544,039	—	690,360
	<u>146,321</u>	<u>544,039</u>	<u>1,146,493</u>	<u>1,836,853</u>

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.

48. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The interim condensed consolidated financial information was approved and authorized for issue by the directors of the Company on 26 August 2021.



Definitions

“AIA Group” or “AIA”	AIA Group Limited, a company incorporated in Hong Kong and listed on the Main Board of the Hong Kong Stock Exchange (stock code: 1299)
“Alibaba”	Alibaba Group Holding Limited, a company incorporated in the Cayman Islands, with its American Depositary shares listed on the New York Stock Exchange (stock symbol: BABA) and its ordinary shares listed on the Main Board of the Hong Kong Stock Exchange (stock code: 9988)
“Alibaba Health”	Alibaba Health Information Technology Limited, a company incorporated in Bermuda and listed on the Main Board of the Hong Kong Stock Exchange (stock code: 0241)
“Ant Group”	Ant Group Co., Ltd. (螞蟻科技集團股份有限公司), a limited liability company incorporated in the PRC (formerly known as Zhejiang Alibaba E-Commerce Co., Ltd. (浙江阿里巴巴電子商務有限公司) and incorporated on October 19, 2000) and one of our substantial shareholders
“APIs”	application programming interfaces
“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 Corporation Limited
“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
“CTrip”	Trip.com Group Limited (formerly known as Ctrip.com International, Ltd.), a company incorporated in the Cayman Islands and listed on the Main Board of the Hong Kong Stock Exchange (stock code: 9961)
“DevOps”	a set of practices that combines software development (Dev) and information-technology operations (Ops) which aims to shorten the systems development life cycle and provide continuous delivery with high software quality
“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
“Douyin”	Douyin (抖音), a social media short-form video app for creating and sharing short lip-sync, comedy, and talent videos
“DINK”	double income, no kids
“EAST System”	Examination and Analysis System Technology, an examination and analysis system with independent intellectual property right developed by the former China Banking Regulatory Commission in 2008
“Global Offering”	has the meaning ascribed to it in the Prospectus
“Group”, “we”, “our” or “us”	the Company and its subsidiaries, or where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, such subsidiaries could be viewed as if they were the subsidiaries of the Company at the time



Definitions

“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
“IDR”	Indonesian rupiah, the lawful currency of Indonesia
“iQIYI”	iQIYI, Inc. (formerly known as “Ding Xin, Inc.” and “Qiyi.com, Inc.”), a company incorporated in the Cayman Islands and listed on the NASDAQ Global Market (stock code: IQ)
“JPY”	Japanese yen, the lawful currency of Japan
“Kuaishou”	Kuaishou (快手), a social media short-form video app for creating and sharing short lip-sync, comedy, and talent videos
“Lexin”	LexinFintech Holdings Ltd., a company incorporated in the Cayman Islands and listed on the NASDAQ Global Market (stock code: LX)
“Listing”	the listing of the H shares on the Main Board of the Hong Kong Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“O2O”	online to offline
“OTA”	online travel agency
“Ping An Insurance”	Ping An Insurance (Group) Co. of China, Ltd. (中國平安保險(集團)股份有限公司), a joint stock limited company incorporated in the PRC on March 21, 1988 listed on the Main Board of the Hong Kong Stock Exchange (stock code: 02318) and the Shanghai Stock Exchange (SSE stock code: 301318), and one of our substantial shareholders
“Ping An P&C”	Ping An Property and Casualty Insurance Company of China, Ltd. (中國平安財產保險股份有限公司), a subsidiary of Ping An Insurance
“PRC” or “China”	the People’s Republic of China, but for the purposes of this interim report only, except where the context requires, references in this interim report to the PRC or China exclude Hong Kong, Macau and Taiwan
“Prospectus”	the prospectus of the Company dated September 18, 2017
“RMB” or “Renminbi”	the lawful currency of PRC
“Reporting Period”	the six months ended June 30, 2021
“SaaS”	Software as a Service, a software deployment model under which cloud providers license software applications to users as a service
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Share(s)”	the shares in the share capital of our Company with a nominal value of RMB1 each
“Shareholder(s)”	the holders of the Shares



“Sinolink Worldwide”	Sinolink Worldwide Holdings Limited (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)
“substantial shareholders”	has the meaning ascribed to it under the Listing Rules
“Supervisor(s)”	members of the Supervisory Committee of the Company
“Supervisory Committee”	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)
“Tencent”	Tencent Holdings Limited, a company incorporated in the Cayman Islands and listed on the Main Board of the Hong Kong Stock Exchange (stock code: 0700)
“Tencent Computer System”	Shenzhen Tencent Computer Systems Company Limited (深圳市騰訊計算機系統有限公司), a limited liability company incorporated in the PRC on November 11, 1998, one of our substantial shareholders and a subsidiary of Tencent
“UBI”	Usage-based Insurance, an insurance based on usage
“USD”	United State dollars, the lawful currency of the United States of America
“ZA Bank” or “ZAVB”	ZA Bank Limited (眾安銀行有限公司), a subsidiary of our Company, incorporated in Hong Kong on August 8, 2018
“ZA Life” or “ZA Insure”	ZA Life Limited (眾安人壽有限公司), a subsidiary of our Company, incorporated in Hong Kong on February 27, 2019
“ZA Life Share Option Scheme”	a share option scheme of ZA Life adopted by the Shareholders on December 29, 2020
“ZA Tech”	ZA Tech Global Limited, a non-wholly owned subsidiary of ZATI and a company incorporated in Hong Kong with limited liability
“ZA Tech Share Option Scheme”	a share option scheme of ZA Tech adopted by the Shareholders on December 29, 2020
“ZATI” or “ZhongAn International”	ZhongAn Technologies International Group Limited (眾安科技(國際)集團有限公司), a non-wholly owned subsidiary of the Company and a company incorporated in Hong Kong with limited liability
“ZATI Share Option Scheme”	a share option scheme of ZATI adopted by the Shareholders on December 29, 2020
“ZhongAn Technology”	ZhongAn Information and Technology Services Co., Ltd. (眾安信息技術服務有限公司), a wholly-owned subsidiary of our Company, incorporated in the PRC on July 7, 2016
“%”	per cent



Glossary

“cede”	the transfer of all or part of a risk written by an insurer to a reinsurer
“claim”	an occurrence that is the basis for submission and/or payment of a benefit under an insurance policy. Depending on the terms of the insurance policy, a claim may be covered, limited or excluded from coverage
“commission”	a fee paid to an agent or broker by an insurance company for services rendered in connection with the sale or maintenance of an insurance product
“customer”	unless otherwise indicated, the insured under our insurance policies. The number of our customers was calculated based on unique identifiers and contact information available to us
“gross written premiums” or “GWP”	total premiums (whether or not earned) for insurance contracts written or assumed during a specific period, without deduction for premiums ceded
“handling charges and commissions”	fees paid to insurance agents for the distribution of our products
“insured”	the insured person as specified in the insurance product
“Insuretech”	use of technology innovations designed to achieve savings and efficiency from the traditional insurance industry model
“net investment income”	the sum of interest income, dividend income and realized gains or losses on securities through profit or loss and available-for-sale securities
“net premiums earned”	net written premiums less net change in unearned premium reserves during a period
“premium”	payment and consideration received on insurance policies issued or reissued by an insurance company
“reinsurance”	the practice whereby a reinsurer, in consideration of a premiums paid to it, agrees to indemnify another party for part or all of the liabilities assumed by the reinsured party under an insurance contract, which the reinsured party has issued
“reserves”	liability established to provide for future payments of claims and benefits to policyholders net of liability ceded to reinsurance companies
“unearned premium reserves”	portions of written premiums relating to unexpired risk of insurance coverage