众安保险
ZhongAn Insurance

眾安在綫財產保險股份有限公司

ZHONGAN ONLINE P & C INSURANCE CO., LTD.*

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

(Stock Code: 6060)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2021

The board of directors of ZhongAn Online P & C Insurance Co., Ltd. (the "**Company**") announces the following audited annual results of the Company and its subsidiaries for the year ended December 31, 2021. This announcement, containing the full text of the 2021 Annual 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 (the "**Hong Kong Stock Exchange**") in relation to information accompanying preliminary announcements of annual results.

Both the Chinese and English versions of this results announcement are available on the websites of the Company (www.zhongan.com) and the Hong Kong Stock Exchange (www.hkexnews.hk). Printed versions of the Company's 2021 Annual Report will be delivered to the holders of H shares of the Company and available for viewing on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and of the Company (www.zhongan.com) in April 2022.

By Order of the Board
ZhongAn Online P & C Insurance Co., Ltd.
Yaping Ou
Chairman

Shanghai, the PRC, March 23, 2022

As at the date of this announcement, the board of directors of the Company comprises two executive directors, namely Mr. Yaping Ou (chairman) and Mr. Hugo Jin Yi Ou, two non-executive directors, namely Mr. Liangxun Shi and Mr. Gang Ji, and four independent non-executive directors, namely Mr. Shuang Zhang, Ms. Hui Chen, Mr. Wei Ou and Ms. Vena Wei Yan Cheng.

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

Contents

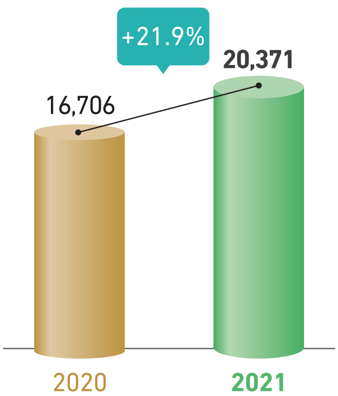
Five-Year Financial Summary

(RMB'000)	Y2021	Y2020	Y2019	Y2018	Y2017
Gross written premiums	**20,480,119**	16,708,504	14,629,589	11,255,718	5,954,475
Net profit/(loss) for the year	**757,099**	254,380	(638,645)	(1,796,718)	(996,356)
Net profit/(loss) attributable to owners of the parent	**1,164,590**	553,786	(454,101)	(1,743,895)	(997,250)
Basic earnings/(loss) per share (in RMB)	**0.79**	0.38	(0.31)	(1.19)	(0.77)
Total assets	**51,772,329**	45,673,436	30,907,575	26,341,096	21,149,492
Total liabilities	**32,624,132**	28,280,101	14,402,044	9,866,423	3,878,796
Total equity	**19,130,197**	17,393,335	16,505,531	16,474,673	17,270,696
Equity attributable to owners of the parent	**16,748,402**	15,705,350	14,911,655	15,432,039	17,126,913
Combined ratio (%)	**99.6%**	102.5%	113.3%	120.9%	133.1%
Comprehensive solvency margin ratio (%)	**472%**	560%	502%	600%	1,178%

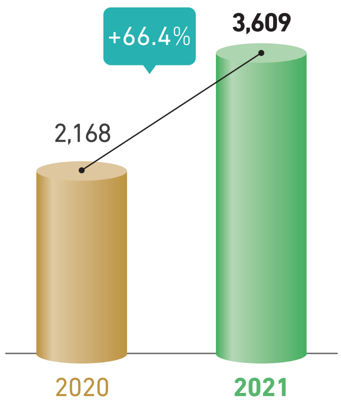
Results Summary

Overall Operating Results

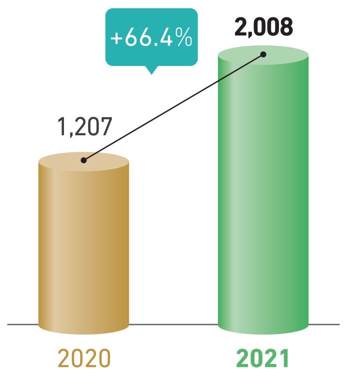
Gross written premiums[1]
(RMB million)



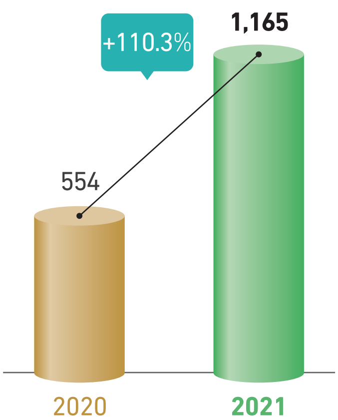
Premiums of proprietary channels
(RMB million)



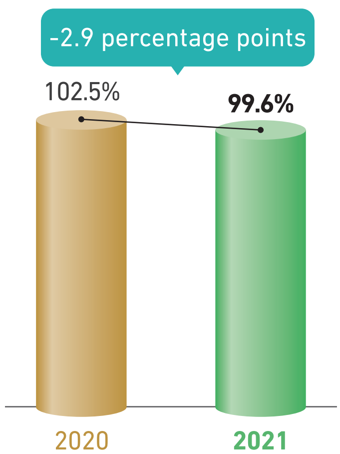
Investment income[2]
(RMB million)



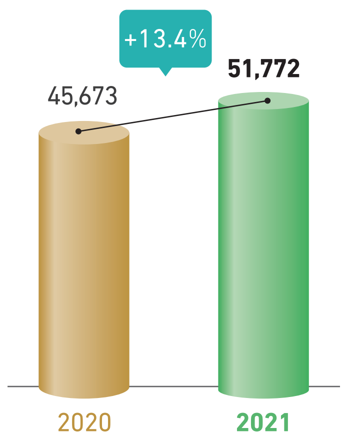
Net profit attributable to owners of the parent
(RMB million)



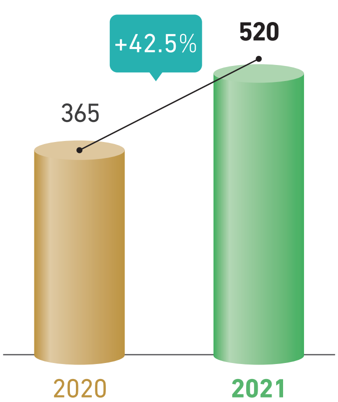
Combined ratio
(%)



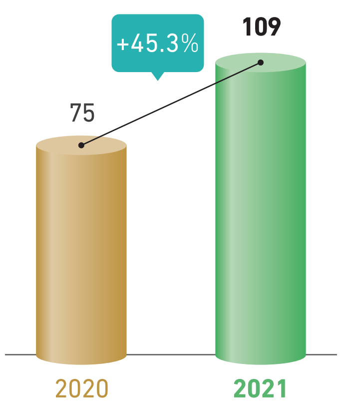
Total assets
(RMB million)



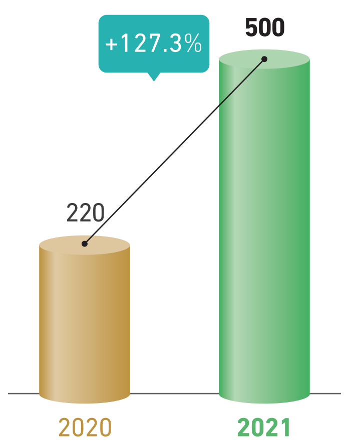
Revenue from technology export
(RMB million)



Number of insurance industry customers of insurance technology products



Number of customers of ZA Bank
(thousand)



1 excluding life insurance business
2 refers to investment income of domestic insurance funds

Message from the Chairman

Message from the Chairman

ZhongAn calmly responded to the complex and severe external environment and the challenges posed by the once-in-a-century pandemic. In the future, let's continue to work together and forge ahead.

Yaping Ou
Chairman

Dear Shareholders,

How time flies! Another year has passed.

Looking back on the past year, we went through various difficulties and obstacles and reaped great harvests. In 2021, the overall development of the insurance industry decelerated due to factors such as the slowdown in the growth of national economy and the COVID-19 pandemic. In this context, ZhongAn responded calmly to the complex and severe external environment and the challenges posed by the once-in-a-century pandemic. Adhering to quality development, we achieved underwriting profit for the first time, and recorded a significant growth in income from the investment of insurance funds and a steady increase in the scale of GWP and market share.

Staying true to our mission of "empowering the finance business with technologies and providing insurance services with a caring hand", we uphold "Insurance + Technology" as our distinctive two-winged innovation in building the operation and maintenance system and infrastructure system. By promoting refined operation with Insurtech, we continue to improve efficiency in operation and claim settlement for superior and more considerate customer service.

Applying essential parts of extensive knowledge acquired to achieve goals, we adopt an ecosystem-oriented approach and constantly introduce innovative scenarios. We strengthen our long-term value in multiple dimensions, and a number of ecosystems such as health, digital lifestyle, consumer finance, auto and others are flourishing. By accelerating the strategic upgrade of health ecosystem, we are committed to achieving the interflow among "healthcare + medicine + insurance" to extend the value chain to various scenarios such as daily medical treatment, chronic disease management, rehabilitation care and health management, providing customers with "one-stop" medical and health services for the entire life cycle.

Accumulating strengths and displaying them gradually, ZhongAn, being a representative of digital transformation in the finance and insurance industry, has been continuously polishing and upgrading Insurtech to reshape marketing, underwriting, claim settlement, operation and other stages. We respond to the national initiative for digital transformation, promote technology export, seek win-win cooperation, and support the digital transformation of the financial insurance industry and micro, small and medium enterprises. Both the significant increase in the revenue from technology export and the continuous expansion of international customer base are testaments to our superior technological capabilities.

I would like to extend my sincere gratitude to Shareholders, partners of ZhongAn and customers for their trust and support, and also appreciate every employee at ZhongAn for your devotion and contribution. In the future, let's continue to work together and forge ahead.

Yaping Ou
Chairman

Corporate Milestone

2013

October 9, 2013

Establishment of the Company

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

2014

April 2014

Wujieshan

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

2015

June 2015

Series A Financing

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

November 2015

Baobiao Auto Insurance

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

保骉车险

2016

July 7, 2016

ZhongAn Technology

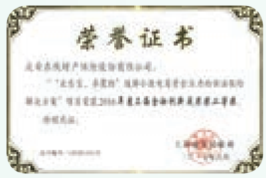
ZhongAn Information and Technology Services Co., Ltd., a wholly-owned subsidiary of the Company, was incorporated.

2017

June 2017

Innovation Achievement

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



September 28, 2017

Listing of H Shares

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

December 4, 2017

Hong Kong Stock Connect

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

December 8, 2017

ZATI

ZhongAn announced the establishment of a joint venture company – ZhongAn Technologies International Group Limited in Hong Kong, acting as an international development platform for ZhongAn Technology to explore international business development, cooperation and investment opportunities in relation to Fintech and Insurtech businesses in overseas markets.

众安国际
ZhongAn International

2018

September 2018

International Technology Export

We assisted Sompo Japan Insurance Inc. ("SOMPO") in approaching digital transformation with its next generation cloud based end-to-end insurance system.

2019

March 2019

Virtual Bank

ZA Bank became one of the first batch of companies who were granted a virtual bank license in Hong Kong. ZA Bank launched its trial pilot on December 18, 2019.

July 2019

Internet Hospital

The Internet hospital was officially launched in December 2019, which provides users with one stop services covering online medical advice and doorstep medicine delivery, establishing a closed-loop health ecosystem.

2020

May 2020

ZA Insure

ZA Insure obtained a digital-only insurer license in Hong Kong and officially opened for business on May 18, 2020.

December 2020

Issuance of the USD Notes

ZhongAn publicly issued an aggregate of USD1 billion senior unsecured notes, setting the highest financing record in the global Insurtech industry.

December 2020

H Share Full Circulation

ZhongAn completed the H Share full circulation programme.

2021

October 2021

ZATI completed the first round of financing to fuel the expansion of international fintech business.

October 2021

ZhongAn released the digital insurance ecosystem cube plan and opened more than 20 rights and interests in 4 categories of products, services, technologies and resources to 12 major industry scenarios.

December 2021

ZhongAn launched the 2022 version of Personal Clinic Policy, and opened the era of tailor-made services for million RMB coverage medical insurances for insured "use services without getting sick".

December 2021

ZhongAn achieved underwriting profit, and the combined ratio for the year was optimized to 99.6%.

Management Discussion and Analysis

Management Discussion and Analysis

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", build a new customer-cenric service model, 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 digital life of customers through proprietary channels and ecosystem partners' platforms, in order to meet the diversified protection needs of customers and create value for them. We proved and upgraded our technology strengths in the operation of our insurance business, and we aim to empower the insurance industry by exporting Insurtech technologies and to facilitate the digital transformation of the industry.

In 2021, following the development of the global digital economy and the digital transformation of the insurance industry, ZhongAn has further closely integrated services with "Insurance + Technology", and built a new customer-centric service model to create more value for users.

In 2021, ZhongAn recorded a total of GWP[1] of RMB20,371 million, representing a year-on-year increase of 21.9%, provided services to more than 500 million insured customers, and issued 7,745 million policies for the year.

As ZhongAn upheld the long termism and stayed focused on sustainable growth with quality, we have achieved positive underwriting profit in 2021, partly fuelled by our technology-driven cost reduction and efficiency improvement. The combined ratio decreased to 99.6%, representing an improvement of approximately 2.9 percentage points from approximately 102.5% for the corresponding period last year. In particular, the loss ratio was approximately 57.6%, representing a year-on-year increase of approximately 3.5 percentage points, while the expense ratio decreased by 6.4 percentage points year-on-year to approximately 42.0%. The underwriting profit for 2021 amounted to approximately RMB75 million, a turnaround from loss to profit as compared to the underwriting loss of approximately RMB408 million for the corresponding period last year.

Benefiting from the underwriting profit generated from the underwriting business and a significant increase in investment income in 2021, we recorded a net profit attributable to the parent of RMB1,165 million, representing a year-on-year increase of 110.3%, recording positive earnings for two consecutive years.

Segment Financial Highlights

The following table sets forth the income/(loss) for each segment in 2021, among which, the insurance segment offers a wide range of online P&C insurance business; the technology segment provides technology export related business to its customers; virtual banking services provided by ZA Bank in Hong Kong; other segments include entities outside the aforementioned segments, such as ZA Life, insurance brokerage and life sciences.

Segment income statement for the year ended December 31, 2021

RMB'000	Insurance	Technology	Banking	Others	Eliminations	Total
Gross written premiums	20,373,607	—	—	108,959	(2,447)	20,480,119
Net premiums earned	18,782,258	—	—	105,283	(2,447)	18,885,094
Other income	117,601	530,993	115,172	282,067	(185,247)	860,586
Net profit/(loss)	1,786,315	(384,620)	(463,539)	(217,068)	36,011	757,099
Attributable to:						
– Owners of the parent						1,164,590

1 Unless otherwise noted, all figures for insurance business mentioned in MD&A do not include life insurance business.

Segment income statement for the year ended December 31, 2020

RMB'000	Insurance	Technology	Banking	Others	Eliminations	Total
Gross written premiums	16,709,376	—	—	2,607	(3,479)	16,708,504
Net premiums earned	16,216,663	—	—	2,020	(3,479)	16,215,204
Other income	111,878	377,618	67,802	271,209	(52,529)	775,978
Net profit/(loss)	993,107	(367,861)	(301,508)	(139,132)	69,774	254,380
Attributable to:						
– Owners of the parent						553,786

Net profit attributable to owners of the parent in 2021 was approximately RMB1,165 million, representing a year-on-year increase of 110.3%, mainly due to the turnaround in the underwriting business and the substantial increase in investment income. The specific performance of each segment is as follows:

1. Insurance segment: benefiting from the profitability of the underwriting business achieved by adhering to "sustainable growth with quality" strategy and the stable income from investment, the insurance segment achieved a net profit of approximately RMB1,786 million, an increase of approximately 79.9% year-on-year;

2. Technology segment: other income in the technology segment in 2021 was approximately RMB531 million, of which income generated from technology export was RMB520 million, an increase of approximately 42.5% year-on-year, while the net loss of the technology segment was approximately RMB385 million, further narrowing the net loss margin;

3. Banking segment: ZA Bank is currently in high growth phase, focusing on the expansion of new customers, investment in technology research and development, and the launch of new products, and the net loss was mainly due to the related expenditure;

4. Others segment: the net loss of the others segment was mainly due to the general and administrative expenses of ZA Life and other subsidiaries in the early stages of operation.

Insurance Segment Financial Highlights by Ecosystem

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

	2021		2020		
Ecosystems	RMB'000	Percentage %	RMB'000	Percentage %	Year-on-year growth rate %
Health	7,685,514	38%	6,604,296	40%	16%
Digital lifestyle	7,292,440	36%	6,298,583	38%	16%
Consumer finance	4,447,027	22%	2,161,809	13%	106%
Auto	946,178	5%	1,328,248	8%	-29%
Others	—	0%	312,961	1%	n/a
Total	20,371,160	100%	16,705,897	100%	22%

Management Discussion and Analysis

The following table sets forth a breakdown of (i) GWP, (ii) net written premiums, defined as gross written premium less premium ceded to reinsurers, (iii) 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 net premiums earned, and (v) channel fees, defined as handling charges directly related to written premiums as well as commissions, technical service fees and other channel related fees, as a percentage of net written premiums, by ecosystem in 2021 and 2020:

Ecosystems Data

Ecosystems	2021 RMB'000	2020 RMB'000
Health		
GWP	7,685,514	6,604,296
Net written premiums	7,260,492	6,287,278
Net premiums earned	7,331,819	6,303,263
Loss ratio%	51.3%	41.8%
Channel fees as a percentage of net written premiums%	18.3%	26.9%
Digital lifestyle		
GWP	7,292,440	6,298,583
Net written premiums	7,282,238	6,271,212
Net premiums earned	7,183,021	5,957,077
Loss ratio%	67.6%	62.0%
Channel fees as a percentage of net written premiums%	32.1%	32.6%
Consumer finance		
GWP	4,447,027	2,161,809
Net written premiums	3,736,289	1,989,708
Net premiums earned	3,190,430	2,598,904
Loss ratio%	46.0%	63.3%
Channel fees as a percentage of net written premiums%	19.7%	10.4%
Auto		
GWP	946,178	1,328,248
Net written premiums	941,539	1,328,248
Net premiums earned	1,074,541	1,111,729
Loss ratio%	68.0%	55.7%
Channel fees as a percentage of net written premiums%	13.0%	22.6%

Health ecosystem

2021 is the first year of the "14th Five-Year Plan". According to the National 14th Five-Year Plan for Medical Security published by the State Council, commercial insurance institutions are not only encouraged to provide comprehensive health insurance products and services involving medical treatment, disease, rehabilitation, care and maternity, but also to innovate and improve insurance coverage by leveraging its advantage as payers. 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.

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.

As the demand of customers changes, medical scenarios become more diversified and enriched in recent years, ZhongAn's products and services start from required and urgent medical scenarios such as in-patient and critical illness, and continue to explore along to cover the daily needs of outpatient and emergency, critical illness treatment, chronic disease treatment, rehabilitation management, consumer medicine and other scenarios. We are committed to refined operation of users lifecycle by covering every stage from consultation to post-operative care and to improve the overall health status of our users.

In recent years, the "HuiMinBao" (惠民保) launched by municipal governments has further stimulated users' health protection needs, and we have also actively participated in it to promote affordable insurance and health services for all. We actively utilize our user intelligence and data analysis capability to continuously develop a product matrix in line with "HuiMinBao", and innovatively launch supplementary solutions, such as outpatient allowance insurance, to help users further improve their protection level. We also carry out the concept of inclusive health to launch "higher frequency and lower compensation threshold" outpatient and emergency products. During the Reporting Period, we provided more than 140,000 outpatient and emergency claims services.

With the advancement of medical technology and pharmaceutical standards, we continue to innovate and try to explore the combination of insurance with the latest medical technology, innovative drugs and related services, effectively reducing the economic burden of patients, so as to provide customers with more comprehensive and rich health insurance and health services. During the Reporting Period, we expanded and upgraded the "Personal Clinic Policy" out-of-hospital special medicine list, and added the domestically approved immune cell therapy (CAR-T) drugs and over 30 special rare diseases for young adults for free for the first time, improved the availability and accessibility of new treatments, and continued to improve the "patient-centered multi-level protection system".

We pay attention to the health of people with chronic diseases and increase their medical coverage. 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, with more than 42 chronic disease products have been cumulatively launched. We and Alibaba Health jointly launched the country's first medical insurance for hepatitis B patients. One insurance policy can focus on meeting the health management needs of hepatitis B patients, covering inspection, early screening, consultation, drug purchase and drug management sessions, which let hepatitis B patients and their families truly realize the ease of finding medicines, the saving of medicines and the security. During the Reporting Period, the hepatitis B insurance served more than 14,000 people with liver disease.

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 gotten through the "medical inspection and drug insurance", launched a protection plan that caters 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 disease carrier who meet certain conditions can also get corresponding coverage by joining the protection plan.

Management Discussion and Analysis

Benefiting from the country's policy support to encourage people to run hospitals, as well as China's demographic dividend, 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. 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.

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 care, to achieve all-rounded full-process service coverage. We fully integrated Internet hospital services into 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. During the Reporting Period, the policy penetration rate of the insured users of ZhongAn Internet Hospital exceeded 90%. As of December 31, 2021, ZhongAn Internet Hospital had served more than 1.2 million users.

We also polished the accumulated million RMB coverage medical insurance product, brought user service experience and rich health ecosystem resources to group insurance employee benefit products and service plans to provide flexible and customized group medical service plans for corporate customers, helping enterprises enhance medical protection for employees and improve the competitiveness of enterprises in the job market. In 2021, our group insurance employee benefit products and services made further breakthroughs, covering more than 200,000 employees.

With a user-centric long-term product strategy, we continued to enrich our ecosystem-oriented product matrix and improve service capabilities, making our long-term value to users stand out. Leveraging our medium and long-standing business development in health ecosystem, in 2021, the health ecosystem provided health insurance and medical services to approximately 25.86 million insured customers and recorded approximately RMB7,686 million in total GWP, representing a year-on-year increase of approximately 16.4%. The number of paying users of the healthy ecosystem was 18.21 million, representing a year-on-year increase of 30.0%. We have launched more inclusive and cost-effective products to cover more people. The users of our Personal Clinic Policy (尊享e生) products were at an average age of around 35.

In terms of operating indicators, the loss ratio of the health ecosystem in 2021 was approximately 51.3%, with a year-on-year increase of approximately 9.6 percentage points. On one hand, in 2021, we further upheld the concept of inclusive health and launched more products with high-cost performance and low compensation threshold; on the other hand, we upgraded the original products and added more value-added services to make insurance truly reflect the value of protection.

The channel fee ratio of the health ecosystem in 2021 was approximately 18.3%, representing a year-on-year decrease of approximately 8.6 percentage point, which was mainly attributable to the contribution of premiums from the Company's proprietary channels and the further increase in the proportion of renewal premiums.

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 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. Our air travel insurance products for flight accidents, flight delays, travel accidents, and flight or hotel cancellations, cover all major OTA channels in China. 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.

The COVID-19 pandemic since 2020 has accelerated the changes in consumer behavior. The e-commerce scene has gradually evolved from the previous traditional "search-type" e-commerce to new forms such as social e-commerce and interest e-commerce represented by livestreaming. The form of e-commerce with livestreaming as the channel is also rapidly reconstructing the three elements of "people, goods, and venues", and the era of livestreaming e-commerce 2.0 with "content + private domain" as the core is coming. In 2020, the scale of livestreaming e-commerce market in China exceeded RMB1 trillion, and GMV is expected to reach RMB7 trillion in 2025, with a compound annual growth rate of about 37% from 2020 to 2025.

We actively cooperated with the leading short video content platforms, launched livestreaming e-commerce shipping return insurance, strengthened the livestreaming e-commerce management level, accurately solved the pain points of unguaranteed product quality and high overall return rate of livestreaming e-commerce, and further improved the user experience. During the Reporting Period, our e-commerce insurance services covered various e-commerce channels including Tmall, Taobao Marketplace, Xiaohongshu (小紅書), Douyin, Kuaishou, Mia (蜜芽) and Weidian (微店). During the Reporting Period, we provided over 1.2 billion insurance policies for users of new e-commerce platforms such as short video and livestreaming platforms. During the Reporting Period, e-commerce business accounted for 57.4% of the overall digital lifestyle ecosystem GWP. The contribution of return shipping insurance premiums from new e-commerce businesses also increased significantly, accounting for more than 20% of the overall return shipping insurance GWP.

In 2021, the pandemic was effectively controlled in mainland China, and the domestic airline industry was gradually recovering. We provided air travel products for flight accidents, flight delays, and travel accidents, and we have also innovatively launched insurance coverage related to cancellation of air tickets or hotels. During the Reporting Period, the premium income of air travel business recovered to the level before the pandemic, and covered all the leading OTA channels in China, including Ctrip, Tongcheng, Fliggy, Qunar, etc. The GWP of air travel business reached RMB1,739 million, accounting for 23.9% of the overall digital lifestyle ecosystem GWP.

For Innovative business, 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 based on data and user insights. We strive to meet customers' individual protection needs by launching various new innovative products, including various market-leading products such as pet ecosystem, screen crack insurance for mobile phone, accident insurance and household property insurance.

According to iResearch's "2020 China Pet Consumption Trend White Paper", in 2020, the number of pets in China exceeded 100 million, and the pet market size reached RMB300 billion. It is expected to achieve a compound annual growth rate of more than 20% in the next three years as an emerging industry. The pet companionship economy will experience booming growth with changes in the population structure and improved quality of life of people as well as emotional factor which drive the rapid release of the demand for pets. The pandemic has accelerated the migration of pet consumption to online, and the pet online medical model will become an important supplement to offline medical care. In addition, with the explosion of short videos and digital media, "cloud pet show" (雲吸寵) 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.

Based on ZhongAn's own scientific and technological strength, we initially launched pet insurance in 2020, and used technologies such as pet nose pattern recognition technology to build a pet database with an accuracy rate of over 99%. In order to further meet pet owners' medical protection needs for their "hairy children", our pet insurance has also undergone several iterations. It not only covers six types of pet spontaneous disease protection insurance, but also comes with health management services, including deworming, vaccines, online consultation and nutritionist consultation, as well as one-stop protection such as pet third-party liability insurance and pet death compensation. Through cooperation with domestic top-tier pet service companies, we connect high-quality medical resources with pet owners. We have established connections with more than 8,000 offline pet hospitals, covering major cities across China.

In addition, our self-operated "Cyber Petting" community relies on its own strong offline hospital resources to open up the pet service O2O model, improve the stickiness of pet owners through refined community operations, build product reputation, attract potential pet owners, and continuously expand the addressable market. We believe that pet insurance is an important product for ZhongAn to penetrate high-quality customers, and will continue to unlock cross-ecosystem synergies in the future.

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 December 31, 2021, we provided over one million pet owners with pet insurance, with a leading market share in the industry. During the Reporting Period, the annualized premium of pet insurance exceeded RMB100 million, with a year-on-year growth rate of over 250%, and our market share was among the top of the domestic industry.

With the advent of the 5G era, there is once again a potential emergency of fresh demand for phones in the mobile phone market. Based on user needs, we launched an innovative screen crack insurance for mobile phone, of which underwriting decision can be made instantly through online photo submission. Leveraging our own big data risk control capabilities and differentiated pricing, we experienced product upgrades and innovation, and solved the pain points of the industry. The intelligent claim review of screen crack insurance is 60 times more efficient as compared with manual review. Our screen crack insurance for mobile phone covers mainstream mobile phone manufacturers in the market. As the first screen crack insurance for used phones in China, its GWP premium recorded an increase of more than 65% in 2021 with a leading market share.

Management Discussion and Analysis

In 2021, the GWP of digital lifestyle ecosystem recorded RMB7,292 million, representing a year-on-year increase of 15.8%, among which, the proportion of innovative business including pet insurance, screen crack insurance for mobile phone and Personal Accident Policy (無憂保) increased from approximately 16% in 2020 to approximately 19%, representing a year-on-year increase of approximately 29%.

In 2021, the loss ratio of the digital lifestyle ecosystem was approximately 67.6%, representing a year-on-year increase of approximately 5.6%, which was mainly attributed to the price cut of Shipping Return Policy initiated by our major e-commerce channels Taobao and Tmall since May 2021, to reduce the overall cost for merchants and to improve user experience. Meanwhile, the channel fee ratio was approximately 32.1%, representing a year-on-year decrease of approximately 0.5%.

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 2021, China's GDP increased by approximately 8.1% year-on-year as the overall macroeconomic recovery was improving thanks to the well-controlled pandemic in China, and we also saw a certain recovery in our consumer finance business. We have always adhered to strict risk control standards and focused on the quality and steady growth of our consumer finance business. Throughout 2021, our consumer finance ecosystem recorded GWP of RMB4,447 million, representing an increase of 105.7% as compared with that in 2020. While pursuing steady business growth, we strictly controlled risks and actively cooperated with reinsurance companies. During the year, the proportion of premiums ceded to reinsurers under consumer finance ecosystem reached 16.0%, representing a further increase from approximately 7.9% in 2020. As of December 31, 2021, the outstanding loan balance of the consumer finance ecosystem was RMB19.4 billion, representing an increase of 21.0% from 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 good education and strong consumption demands. We take advantage of our own product portfolio to cross-sell this part of the customer base to meet the multi-level protection needs of users.

In 2021, we continued our focus on small-sized, dispersed 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 by 17.3 percentage points to 46.0% in 2021 compared with 63.3% in 2020.

The channel fee ratio of the consumer finance ecosystem in 2021 was 19.7%, up by 9.3 percentage points from 10.4% in 2020, which was mainly due to the increase in marketing expenses incurred in acquiring customers.

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 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 28.8% in total GWP to RMB946 million in 2021.

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 user insights and 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 resource to connect and maintain the channels. In 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 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 9.6 percentage points on a year-on-year basis to 13.0% in 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 55.7% to 68.0% in 2021.

Brand Building and Proprietary Channels

In 2021, we focused on the "ZhongAn" brand to provide potential customers with seamless omnichannel brand experience. Meanwhile, we continued 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 ranked first among peers in the industry, exceeding 14 million across distribution networks.

During the Spring Festival activity co-organized by all parties, we distributed 4 billion ZhongAn blessing cards and gained 15 billion brand exposures, and distributed red envelopes to a total of approximately 250 million people on New Year's Eve in 2021.

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 Chinese Fad and Hip-Hop among Millennials and Gen Z. By integrating brand building with our cultural insights, we have successfully deepened our customer interface and have seen higher level of activity among our users. Currently, we actively strengthen the linkage between brand spokespersons and our products through Summer Olympics, Winter Olympics and other major events, strengthen ZhongAn's brand awareness, and endeavor to gain the popularity among the consumers, in order to demonstrate the value of our brand building efforts.

Leveraging on self-developed marketing tools, we open up all links in public and private domains and conduct real-time monitoring and optimization of the entire marketing process. We have shifted our marketing efforts from streaming allocation to a higher level of gaining the popularity among the consumers, demonstrating distinctive strengths and differentiation of ZhongAn.

Leveraging up to 30 multi-carrier matrices that directly reach users, such as APPs under the ZhongAn brand, mini programs, WeChat Official Accounts, WeChat Enterprise 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 rely on algorithms and data analysis to categorize users, customize different products and services, and awaken users to create greater value.

Management Discussion and Analysis

In 2021, the premiums of our proprietary channels reached RMB3,609 million, a year-on-year increase of 66.4% over RMB2,168 million recorded in 2020, and its contribution to the Company's GWP reached approximately 18%.

Moreover, this year we have exerted our efforts to create an intersection among those ecosystems and strived to provide our customers with an all-round guarantee with convenience and economical effects. Based on insurance coverage products related to our four major ecosystems, we have also expanded product series as well as our services covering medical health, family, pets and other services through our proprietary channels, providing better value for our customers. In 2021, the overall cross-selling rate[1] of our proprietary channels reached approximately 33%. Based on our self-developed data and customer middle offices, ZhongAn has realized real-time data sharing across all ecosystems and conducted refined operation with each user as a unit to better serve users' entire life cycle. The renewal rate[2] of our million RMB coverage medical insurance series through our proprietary channels reached approximately 82%. The per capita GWP of users of our proprietary channels reached RMB506 in 2021, an increase of 20.2% from RMB421 in 2020.

R&D Investments and Technology Empowerment

We continue to focus on the development of cutting-edge technologies 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 2021, ZhongAn invested RMB1,127 million in research and development activities, representing a year-on-year increase of 24.5% and accounting for 5.5% of total GWP. As of December 31, 2021, ZhongAn had a total of 1,836 engineers and technicians, which accounted for 48% of our total employees.

As of December 31, 2021, we had accumulatively filed applications for 531 patents, including applications for 174 overseas patents. As of December 31, 2021, we obtained 116 patents, representing an increase of 91.8% as compared with that at the end of 2020. In addition, as of December 31, 2021, we had 34 PCT (Patent Cooperation Treaty) patent applications in total, covering 11 countries and regions. As of the same date, there were 15 overseas patents granted, 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.

As our cloud-based distributed insurance core system, "Wujieshan" is able to support a great number of individual policies. In 2021, we issued a total of 7,745.3 million policies and provided services to more than 500 million users. The number of customers receiving claim payment for the year reached 129 million, and user experience was greatly improved through technology empowerment with the online claim settlement rate exceeding 95%. Through the smart claim settlement for our health insurance, a claim settlement was completed every 28 seconds, and the waiting time for customers to receive claim payment was shortened by 57% year-on-year,which was attributed to the increased efficiency by 60 times than manual review through the intelligent compensation case review of screen crack insurance. With technology empowerment, the Company improved its operating efficiency, and the proportion of operating expenses to net premiums decreased by 4.5 percentage points to 17.5% in 2021 from 22.0% in 2020.

Technology Export

On December 12, 2021, according to the 14th Five-Year Plan for Digital Economy Development (《"十四五"數字經濟發展規劃》) published by the State Council, by 2025, the additional value of the core digital economy industry will account for 10% of the GDP. Industrial digital transformation will reach a new level with a significant improvement in the level of digital industrialization. Digital public services will be more inclusive, accessible and equitable, and the digital economy governance system will be improved. The digital economy represents new productivity and a new development orientation, and provides an important high ground for global technological innovation.

We have been deeply engaged in the Insurtech segment, developing and exporting our advanced experience and technology strengths in the Insurtech industry to facilitate digital transformation throughout the insurance industry through building digital new infrastructure. We have 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 subscription fees.

1 Cross-selling rate= number of people who insured other products of ZhongAn Insurance for themselves or their family on proprietary channels/total number of people insured on proprietary channels in 2021

2 renewal rate= number of 13th renewal order/number of 12th renewal order in 2021

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 Insurtech 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 Insurtech 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, obscure user profiles or user insights, 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 efficiently target users and embrace various marketing scenarios and approaches, to drive growth for insurance industry participants with data analytics through the 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. We have over 2,000 user tags, and an event can be launched in as quickly as 5 minutes. We have helped our customers reach more than 100 million users in total and the average efficiency can be increased by 80%.

2) Business Production Series

Through our business production series products, insurance companies, insurance brokerage companies and other players in the industry value chain can successfully complete digital transformation, serve users more effectively, and complete online policy issuance, claim settlement and other functions smoothly, including:

- In sales process, AI outbound call information platform provides one-stop solutions to enhance customer reach and marketing, grow ROI and renewal rate. We develop online platforms catering to agents' digitalization needs on mobile end.
- Our cloud-based distributed insurance core systems and brokerage systems support the entire life cycle operation of insurance business as well as the operation of traditional businesses including policy issuance, check and claim settlement. In addition, it provides established product facilities and excellent underwriting capabilities with a high level of flexibility, configurability and automation. Business production series also includes products of business and data middle offices, various business application platforms and the middle office system. Our Insurtech products of business production series can enable customers to respond to big data, high-frequency and high-concurrency internet business scenarios so as to engage in online insurance business in a prompt manner. In addition, relying on a microservices-based structure with flexible scalability, business scalability of customers can be improved 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 54,000 insurance policies per second.

Management Discussion and Analysis

3) Business Infrastructure Series

Our business infrastructure series includes two modules, smart operation and maintenance and 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 to deal with high-frequency under the context of Internet and provides stable and safe support for the customers in their pursuit for rapid business development.

Our R&D integrated project management platform helps customers publish daily for over 300 times online and the stability of business system reaches 99.99%. In terms of data management, we maintain daily data volume of more than 10 million, manage over 8,000 databases simultaneously, support over 10 types of databases and publish more than 30,000 times of data annually.

In terms of information security, we provide an integrated platform for insurance compliance, Web application security gateway, data leakage prevention system and other products to help customers build and improve the entire cyber security system, and provide customers cost-effective and one-stop product solutions which allow cross-cloud environmental management deployment and are equipped with financial-level security management system standard, quickly meet grade-based security protection and compliance construction requirements, strengthen protection and empower business. As a result, our accuracy rate in identifying security risks reaches 98%, and the average daily interception of various system attack exceeds 740,000, and the availability of business system reaches over 99.99%.

In 2021, we recorded revenue from technology export of RMB520 million, representing a year-on-year increase of 42.5%, and the revenue contribution of business production, business growth and business infrastructure series were about 52%, 36% and 12%; out of the revenue of technology export, the proportion of recurring income[1] reached 48%. In 2021, we served a total of 109 customers in the insurance industrial chain, a net increase of 34 from the corresponding period last year. We have provided Insurtech business service to approximately 600 domestic and foreign customers. Our customer base in domestic market has covered industry-leading companies including Taiping General Insurance, CPIC Group, AIA Life, Manulife-Sinochem, HSBC Life and BOC-Samsung Life Insurance.

In 2021, 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, thereby helping 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. With its technological renovation and rich knowledge and experience in this sector, ZhongAn Technology has expanded the customer base of its business growth series products to corporate customers involving securities, consumer finance, e-commerce, video content and other industries. Our brokage and agency middle office also helped more than 20 major brokage and agency firms in China complete their digital transformation to grasp the online demands.

Note 1: 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.

In recent years, policies issued in the domestic market has further encouraged the development of Insurtech. In 2021, a mid- and long-term specific purpose plan named the "Insurtech 14th Five-year Development Plan" was first published by the insurance industry, which proposed the promotion of investment in information technology to account for more than 1%. On January 21, 2022, the CBIRC has promulgated the Guidance on Digital Transformation of the Banking Insurance Industry (《關於銀行業保險業數位化轉型的指導意見》), which specifies that the banking and insurance industry will basically finish the digital operation management system in 2025 and bring a more extensive market for our technology export business. In the meanwhile, as the requirements of regulatory authority for the information and technology capability of financial institutions are also becoming increasingly stringent, ZhongAn Technology entered the compliance technology market by virtue of its rich experience and solid technical foundation in the vertical field of Insurtech, and conduct a cross-selling based on technical customer supervised group.

ZhongAn strived to achieve the Measures on Regulation of Information Work of Insurance Intermediaries (《保險仲介資訊化工作監管辦法》) promulgated by the CBIRC, published a self-developed compliance solution of regulation of information work of insurance intermediaries in 2021, gave a hand to improve the technical regulatory capability and construct level of information within the industry. We established a clear and comprehensive financial, business and staff management system for insurance intermediary through Insurtech in respect of system construction, products renewal and level protection assessment, etc., achieved interconnection between Insurtech solution and cooperating insurance company. In 2021, a total of 41 customers entered into contracts with us for the product of level protection assessment. Such product is conducive to enlarge our technical customer supervised group, provide a customer-based and product-based for our further repeat sales (疊加銷售) to further dig our customer value.

"Insurance Agents Core 2.0 (保險中介核心2.0)" available for insurance agencies was officially launched this year, which is premised on "Compliance + Transformation" and brings product empowerment, system empowerment and mode empowerment for insurance agencies. In addition to satisfying new regulatory requirements, we also further enhanced technical infrastructure, improved online level, optimized insurance supply side to provide an appropriate "easy access" for agency informatization upgrade.

In 2021, relying on our technical development in the Insurtech vertical areas and accumulated general insight experience, we horizontally expanded technology export to into more financial sectors.

With the publication of laws such as "Data Security Law" and "Regulations on Security Protection of Critical Information Infrastructure", relevant national departments pay more attention to information security and Internet security. ZhongAn also started to engage in Internet security field. The ShareTech Security Jointly Creation Laboratory (眾至網路安全聯合共創實驗室) established by us in November 2021 provides more professional nurture base for ZhongAn's technology innovation. We also innovatively launched insure-based security risk management operation service Insured MRS (Managed Risk Service), to connect insurance companies and security corporations, and provide inclusive and safety service through large scale and centralized risk management. The ShareTech Security Jointly Creation Laboratory explores new trend and model of industry with combination of "Technology + Security + Insurance", and carries out better and deeper cooperation in areas such as cyber security insurance service supply chain ecology, service innovation, co-construction of technology and market innovation exploration and combination. At the same time, the ShareTech Security Jointly Creation Laboratory also carries out deep cooperation in external services of data and information security related products, to together combine solutions and construct mature and standardized products for external services.

In the future, we will continue to explore the huge market potential of compliance technology, keep prompt tracing of the development of compliance technology, and help insurers and intermediaries to address compliance deficiencies related to regulatory data docking, data quality management and anti-fraud during the digital transformation of insurance companies and intermediaries. On the basis of this, we will further dig long-term value of customers 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.

Management Discussion and Analysis

Based on ZhongAn's blockchain technology, we have laid out the "ZQALink" focusing on the field of supply chain finance. As a provider of credit enhancement services and solutions, based on the high-quality credit of core enterprises and with the combination of business online, data transparency, risk control scenarios, asset visualization, operation intelligence and underlying blockchain support, ZQALink builds an operation management scheme for supply chain assets and financial products at enterprise terminal, thereby promoting the development of supply chain network. "ZQALink" is committed to the deep integration and application of "supply chain business scenario + fintech + insurance", and secured tens of millions of RMB in series A financing at the beginning of 2022. Being positioned in enterprise-grade services and based on dual-driving chain of "blockchain + supply chain", ZQALink becomes a connector between industry and finance for empowering industrial chain. For instance, with the aid of blockchain, smart contracts and other technologies, we export integrated comprehensive services such as resource integration, business consulting, fintech, and joint operation to customers, so as to solve the financing problems of small and micro enterprises and help them operate and develop. ZQALink has served many industries such as banking, insurance, retail, logistics, construction, energy, agriculture, etc., with a total of more than 1,000 micro, small and medium-sized enterprises.

Through cutting-edge Insurtech solutions with standardization, integration of products 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.

ZA Tech, our technology subsidiary, focuses on exporting our advanced technology experience and strengths to international customers, and is committed to becoming a new standard for digital insurance. At present, our footprints are all over Japan, Singapore, Thailand and other Asian markets. In 2021, we further expanded the territory of Insurtech to Europe, and we have completed the launch of our first customer product.

The partners we serve can be divided into two categories: insurance companies and Internet platforms. For insurance company customers, Graphene, the next-generation distributed insurance core system we built, can help customers connect with various ecosystem partners locally and launch a variety of fragmented and scenario-based protection products. For Internet platform customers, we provide an overall insurance and financial solution, Fusion.

In 2021, we became a regional technology partner of 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 has been implemented in Malaysia at the beginning. We will help AIA more rapidly develop and distribute digital insurance products by utilizing professional technical knowledge and patent system, Graphene. 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.

At the same time, we established cooperation with AIA in digital marketing based on original Graphene. We consider Graphene and marketing module X-man as AIA's group recommendation standard of next stage of digital transformation. Taking Singapore as local service hub, we will launch the first cross-national lightweight SaaS core product, Nano, in Southeast Asia.

In March 2021, we cooperated with PFI Mega Life, a joint venture company of Prudential Financial Group in Indonesia. With the help of ZhongAn's local market insights and Graphene, we assisted PFI Mega Life in formulating and promoting digital solutions to create timely protection for Indonesian users.

In October 2021, we entered into cooperation with Muang Thai Life, one of Thailand's largest life and health insurers, and taped into Thailand's market. Powered by our lightweight SaaS core product, Nano, Muang Thai Life will simplify and accelerate product development cycles and go-to-market strategies..

In November 2021, we entered into cooperation with Klook, a travel booking platform. We further facilitate product innovation of partners by making use of consumer insights accumulated from different markets, thereby solving the difficulties of customers under the new normal situation in traveling, strengthen interaction with customers and improve insurance penetration.

Virtual Bank and Digital Insurance in Hong Kong

In 2021, ZATI continued to develop overseas markets and brought avant experiences to our clients through innovative financial technology products.

As the first licensed virtual bank in operations in Hong Kong, ZA Bank stood out in the highly competitive Hong Kong market and won the trust of users with its innovative user experience within only two years since its official opening. It has maintained a leading position in Hong Kong's virtual banking industry in terms of number of customers and business scale. We are committed to redefining customers' financial experience through technologies, and realizing service upgrade and creating brand-new one stop financial service experience for customers in Hong Kong by virtue of prominent customer insight and product innovation capabilities as well as business qualification advantages.

As of December 31, 2021, the number of customers of ZA Bank exceeded 500,000, representing approximately 6% of Hong Kong's population. ZA Bank became the largest virtual bank in Hong Kong in terms of the scale of customers. Meanwhile, the balance of deposits reached HK$7 billion, and the balance of loans increased by approximately four times year-on-year to approximately HK$2.5 billion.

In 2021, ZA Bank continued to innovate and polish the deposit, loan, foreign exchange and consumer product service matrix, and also entered insurance and corporate banking services. It is currently one of the local virtual banks with the most complete products. Focusing on the needs of users, we adhere to the original intention of flexible, simple and convenient products, and launched Asia's first product to get salary paid up to 7 days early every month with 7-day interest-free period "Salary FastPass (出糧FastPass)", credit card bill instalment plan "ZA Bill Master (ZA卡數師)" and tax loan product "Guaranteed Price (一口價)", creating a new cash flow management experience for users. Mobile applications are an important carrier for us to communicate and interact with users. In early 2022, we conducted a significant update on the ZA Bank App, launching brand-new picture structure and functions, which conform more to the living demand of our customers.

In order to practically implement the concept of inclusive finance, ZA Bank officially launched corporate banking for small and medium enterprises in Hong Kong in March 2021 to create flexible loan products and services for small and medium enterprises. The bank also participated in the "Financing Guarantee Scheme For Small and Medium Enterprises " launched by HKMC Insurance Limited to help small and medium enterprises cope with the operational challenges brought about by the pandemic.

ZA Bank is also committed to taking care of the comprehensive wealth management needs of users. In January 2022, the bank entered the investment business and became the first virtual bank in Hong Kong to be granted a Type 1 regulated activity (dealing in securities) license by the Securities and Futures Commission. It plans to use fund investment as the entry point to prepare for further upgrading of user's investment and wealth management experience.

As the only fintech company in Hong Kong with both a virtual banking licence and a digital-only insurer licence, ZATI leveraged its advantage of dual licences to create the first fully digital bancassurance for users in Hong Kong through the ZA Bank App in May 2021. Users can now get insurance products provided by ZA Insure in the ZA Bank App in as fast as 3 minutes.

Strictly adhering to its mission to provide protection for customers, ZA Insure provides local residents with insurance products and services that "everyone can afford" through a 24/7 online platform. In May 2021, ZA Insure launched a Standard Plan under the Voluntary Health Insurance Scheme named "ZA VHIS", with the best price in response to customer needs, providing customers with a more comprehensive basic medical protection. In December 2021, ZA Insure launched "ZA Savings Insurance", with a guaranteed average return of up to 2.5% per annum on the ZA Bank App, to help users achieve their financial goals flexibly.

Looking forward, ZATI will continue to leverage synergies of its brands to further upgrade user experience and create more values for users in terms of digital wealth management experience in the future. We will continue to assist Hong Kong in developing fintech, building a financial center with global financial impact and promoting inclusive finance.

Management Discussion and Analysis

Asset Management[1]

As of December 31, 2021, we had total investment assets of approximately RMB30,774 million, among which cash and cash equivalents represented 5.2%, fixed income investments represented 25.6%, equity and investment funds represented 43.5% (out of which stocks and equity funds represented 10.0%, fixed income funds represented 17.5% and unlisted equity investments represented 14.8%), and other investments (wealth management products and trusts) represented approximately 25.6%. Our total investment income of insurance business was approximately RMB2,008 million (2020: approximately RMB1,207 million). The total investment yield and net investment yield was approximately 6.8% and approximately 2.4%, respectively (total investment yield and net investment yield for 2020 was approximately 5.7% and approximately 3.5%, respectively).

In 2021, the COVID-19 pandemic was still spreading in many places around the world. Thanks to sound prevention measures, the pandemic in China was well controlled, but it also suffered the challenge of repeated spreading of the pandemic. With the support of active and prudent fiscal and monetary policies, in 2021, the economic activities in China have recovered, and GDP recovery recorded a year-on-year positive growth.

However, with the impact of factors such as industry upgrade and structural valuation diversion, there were relatively large fluctuations in domestic capital market and obvious diversion in the industry segment of stocks. Facing internal and external challenges of the macro and micro environment, our investment of insurance fund strengthened risk control and recorded steady asset yield.

In 2021, our asset management business 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; and

3) enhancing the overall risk management by implementing comprehensive control measures over market risk, credit risk, operational risk and liquidity risk throughout the entire process, to mitigate risk exposure. We focused on strengthening credit risk screening and market risk hedging to maintain steady growth in investment income.

As of December 31, 2021, out of the domestic credit bonds we invested in 100% received external credit bonds ratings of AA (domestic) level or above and approximately 87.3% received external credit bonds ratings of AAA (domestic) level.

The Company received Financial Strength Rating of "A-" (Excellent) and a Long-Term Issuer Credit Rating of "a-". The outlooks of the above credit ratings (hereafter referred to as "Ratings") are stable, which reflects ZhongAn's strong balance sheet capability, steady operation performance, beneficial business portfolio and suitable corporate risk management.

Outlook

In future, we will continue to stick to the two-winged growth strategy of "Insurance + Technology", adhere to "sustainable growth with quality", enhance brand building, and meanwhile, we apply technology development and innovation to the whole process of insurance and continuously optimize underwriting operating efficiency and customers' experience. In addition, we will continue to export our insurance technology capability to domestic and overseas markets to empower all participants from upstream to downstream of the whole insurance industrial chain, thus making us the best partner during the digital transformation and upgrade of the global insurance industry.

1 refers to the asset management of domestic insurance funds only

FINANCIAL REVIEW

In 2021, our Internet insurance business, technology business and virtual banking business in Hong Kong have achieved rapid growth. For the year ended December 31, 2021, the total income of the Group reached approximately RMB21,940 million, a year-on-year increase of approximately 18.6%. At the same time, we continued to pursue sustainable growth with quality. Through technology empowerment, we have reduced costs and increased efficiency, and the Internet insurance business has realized underwriting profit for the first time . While our technology segment has grown rapidly, the net loss margin has continued to narrow. In view of the above, this year we have achieved net profit of RMB757 million, a year-on-year increase of 197.6%.

The following table sets forth the comparative figures for the year ended December 31, 2021 and the year ended December 31, 2020:

	For the Year Ended December 31	
	2021 RMB'000	**2020 RMB'000**
Total income	**21,940,360**	18,493,163
Net profit for the year	**757,099**	254,380
Total comprehensive income for the year	**599,703**	411,135
Earnings per share		
– Basic (RMB yuan)	**0.79**	0.38
– Diluted (RMB yuan)	**0.79**	0.38

The following table sets forth our key financial ratios for the year ended December 31, 2021 and the year ended December 31, 2020:

	As of/For the Year Ended December 31	
	2021	**2020**
Group		
Return on assets(1)	**2.4%**	1.4%
Return on equity(2)	**7.2%**	3.6%
Gearing ratio(3)	**63.0%**	61.9%
Net investment yield(4)	**2.4%**	3.0%
Total investment yield(5)	**6.6%**	5.3%
Insurance segment		
Net investment yield(4)	**2.4%**	3.5%
Total investment yield(5)	**6.8%**	5.7%

Notes:

(1) Return on assets equals profit/(loss) for the year 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 year 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.

(5) Total investment yield equals total investment income (defined as the sum of net investment income, net fair value gains 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.

Management Discussion and Analysis

UNDERWRITING BUSINESS

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

	For the Year ended December 31			
	2021		2020	
	RMB'000	%	RMB'000	%
Net premiums earned	18,779,811	100.0	16,213,185	100.0
Net claims incurred	10,812,803	57.6	8,772,703	54.1
Insurance operating expenses	7,891,889	42.0	7,848,617	48.4
Underwriting profit/(loss)	75,119	0.4	(408,135)	(2.5)

	For the Year ended December 31	
	2021	2020
Retention ratio[1]	94.4%	96.9%
Loss ratio[2]	57.6%	54.1%
Expense ratio[3]	42.0%	48.4%
Combined ratio[4]	99.6%	102.5%

Notes:

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

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

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

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

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 21.9% from approximately RMB16.706 billion for the year ended December 31, 2020 to approximately RMB20.371 billion for the year ended December 31, 2021. We continued to optimize our product structure in order to fulfill sustainable growth with quality. Benefiting from deep cooperation with our business partners and rapid development of our proprietary platforms, we achieved steady growth in health insurance and bond insurance.

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

	For the Year Ended December 31		
	2021 RMB'000	2020 RMB'000	% of change
Health insurance	7,341,552	6,426,446	14.2%
Accident insurance	2,018,508	1,886,880	7.0%
Bond insurance	4,084,174	1,839,208	122.1%
Motor insurance	941,851	1,328,248	(29.1%)
Credit insurance	702,439	638,181	10.1%
Household property insurance	452,129	256,922	76.0%
Cargo insurance	178,449	198,436	(10.1%)
Liability insurance	193,369	117,134	65.1%
Others[(1)]	4,458,689	4,014,442	11.1%
Of which:			
Shipping return insurance	3,685,489	3,834,418	(3.9%)
Total	20,371,160	16,705,897	21.9%

Note:

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

2. Premiums ceded to reinsurers

The premiums ceded to reinsurers increased from approximately RMB522 million for the year ended December 31, 2020 to approximately RMB1,151 million for the year ended December 31, 2021, of which the ceded premiums of health insurance increased by approximately RMB102 million with the increase of gross written premium of health insurance, and the ceded premiums of bond insurance which was the new product ceded to reinsurers amounted to approximately RMB579 million.

The Company continued to carry out a stable ceding policy for the year ended December 31, 2021. Reinsurance helped 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 (Hong Kong), Ltd.

3. Net change in unearned premium reserves

Unearned premium reserves are portions of written premiums relating to unexpired risk of insurance coverage. Unearned premium reserves increased by approximately RMB470 million during the year ended December 31, 2021 compared to that as of December 31, 2020 due to the increase of written premiums.

4. Net premiums earned

Net premiums earned represent net written premiums less net change in unearned premium reserves. As a result of the foregoing, net premiums earned increased by approximately 15.8% from approximately RMB16,213 million for the year ended December 31, 2020 to approximately RMB18,780 million for the year ended December 31, 2021.

5. Net claims incurred

Net claims incurred represent insurance claims paid less claims paid ceded to reinsurers, as adjusted by net change in claim reserve. Net claims incurred increased by approximately 23.3% from approximately RMB8,773 million for the year ended December 31, 2020 to approximately RMB10,813 million for the year ended December 31, 2021, among which net claims incurred for health and other insurances rose by approximately RMB1,206 million and approximately RMB633 million, respectively, from the year ended December 31, 2020 to the year ended December 31, 2021.

Management Discussion and Analysis

6. Handling charges and commissions

Handling charges and commissions represent fees paid to insurance agents for the distribution of our policies less reinsurance expenses recovered. Handling charges and commissions increased by approximately 25.8% from approximately RMB1,407 million for the year ended December 31, 2020 to approximately RMB1,770 million for the year ended December 31, 2021.

7. General and administrative expenses

General and administrative expenses primarily include consulting fees and technical fee primarily paid to our ecosystem partners, employee benefit expenses, advertising and marketing expenses, amortization of right-of-use assets, impairment loss of premium receivable and intangible assets, asset management fee, and other miscellaneous general and administrative expenses. General and administrative expenses amounted to approximately RMB6,063 million for the year ended December 31, 2021, representing a year-on-year decrease of 7.8%.

INVESTMENT BUSINESS

In 2021, the Group's investing activities consisted of (i) equity investment; (ii) proprietary trading of bonds and other asset management products; and (iii) entrustment of third-party asset management companies for purchase of stock, bonds and other asset management products.

8. Composition of investment assets

We 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:

	December 31, 2021		December 31, 2020	
	Balance RMB'000	Percentage %	Balance RMB'000	Percentage %
By category:				
Cash and amounts due from banks and other financial institutions	4,300,693	12.2	8,418,374	26.0
Fixed income investments	12,794,972	36.2	13,068,540	40.4
Bonds	17,700,400	50.1	16,429,597	50.8
Term deposits	330,000	0.9	330,090	1.0
Other fixed income investments	312,921	0.9	402,675	1.2
Securities sold under agreements to repurchase	(5,548,348)	(15.7)	(4,093,822)	(12.7)
Equity and investment funds	10,168,000	28.8	5,894,750	18.2
Investment funds	8,457,646	23.9	3,560,385	11.0
Stocks	745,496	2.1	1,726,153	5.3
Unlisted equity shares	964,858	2.7	608,212	1.9
Other investments	8,074,802	22.8	4,976,517	15.4
Wealth management products	7,144,202	20.2	3,830,024	11.8
Trust	930,600	2.6	1,146,493	3.5
Total investment assets	35,338,468	100.0	32,358,181	100.0

We had total investment assets of approximately RMB32,358 million as of December 31, 2020 and approximately RMB35,339 million as of December 31, 2021, respectively, representing an increase of approximately 9.2%. Total investment assets represented approximately 70.8% and 68.3% of our total assets in 2020 and 2021, respectively. As of December 31, 2021, equity and investment funds and other investments represented approximately 28.8% and approximately 22.8% of our total investment assets, respectively.

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

Cash and amounts due from banks and other financial institutions primarily include cash, time deposit and placements with banks. Cash and amounts due from banks and other financial institutions decreased from approximately RMB8,418 million as of December 31, 2020 to approximately RMB4,301 million as of December 31, 2021. The primary reason for the decrease was net cash outflows from operation activities and investment activities, details of which are set out in the section headed "Cash Flow".

10. Bonds

Bonds include government bonds, financial bonds, corporate bonds and interbank deposits. As of December 31, 2021, 97.3% of the bonds the Company received external ratings of AA (domestic) level or above, or BBB- (international) level or above. For domestic bonds, more than approximately 87.3% of the bonds received external ratings of AAA (domestic) level. Bonds increased from approximately RMB16,430 million as of December 31, 2020 to approximately RMB17,700 million as of December 31, 2021. With the increase of the scale of total investment assets, we appropriately adjusted the proportion and allocation of various investment assets accordingly.

11. Stocks and investment funds

The Group's investment in stocks decreased from approximately RMB1,726 million as of December 31, 2020 to approximately RMB746 million as of December 31, 2021, while our investment in investment funds increased from approximately RMB3,560 million as of December 31, 2020 to approximately RMB8,458 million as of December 31, 2021. Considering our need to invest in a variety of products and the benefit of diversifying investment assets, we reduced the scale of stocks and invested more in investment funds.

12. Other investments

Other investments include: (i) wealth management products, which include asset management plans issued by reputable financial institutions such as Ping An Asset Management Co., Ltd.; and (ii) trust products, which typically have longer terms and higher return over investment as compared to traditional fixed income products and receive external ratings of AA level or above. The Group's investment in these other investments increased from approximately RMB4,977 million as of December 31, 2020 to approximately RMB8,075 million as of December 31, 2021. Considering our need to diversify the investment portfolio, we invested more in other investments to secure stable investment return and manage overall credit risk.

Management Discussion and Analysis

13. **Net investment income**

	For the Year Ended December 31		
	2021 RMB'000	2020 RMB'000	% of change
Interest income			
– Bank deposits	**91,699**	60,596	51.3%
– Bond investments	**579,035**	507,579	14.1%
– Securities purchased under agreements to resell	**10,365**	3,661	183.1%
– Trust investment scheme	**56,243**	73,280	(23.2%)
Dividend income			
– Fund investment	**71,057**	105,197	(32.5%)
– Equity investment	**15,785**	25,575	(38.3%)
– Wealth management products	**128,851**	78,575	64.0%
Realized gain, net	**1,114,885**	673,035	65.7%
	2,067,920	1,527,498	35.4%

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 through profit or loss available-for-sale securities. We had net investment income of approximately RMB1,528 million for the year ended December 31, 2020 and net investment income of approximately RMB2,068 million for the year ended December 31, 2021. Based on our judgment of market trend, we adjusted the allocation of various investment assets.

14. **Net fair value gains through profit or loss**

Net fair value gain through profit or loss represents net fair value change on financial assets measured at fair value through profit or loss. We had net fair value gain amounting to approximately RMB127 million for the year ended December 31, 2021, compared to loss of approximately RMB26 million for the year ended December 31, 2020. The changes were primarily due to robust performance and positive trends in the capital market during the year.

TECHNOLOGY BUSINESS

Revenue generated from technology export business of ZhongAn Technology and ZA Tech rose from approximately RMB365 million for the year ended December 31, 2020 to approximately RMB520 million for the year ended December 31, 2021. As the technology business remained at the stage of polishing products, investing in research and development and expanding its customer base, technology export business incurred approximately RMB385 million losses in total for the year ended December 31, 2021, representing a year-on-year increase of approximately 4.5%.

VIRTUAL BANK

On March 24, 2020, our "Virtual Bank" officially opened for business in Hong Kong, which generated segment income of approximately RMB189 million for the year ended December 31, 2021.

OVERALL RESULTS

15. Total income

Total income represents the sum of net premiums earned, net investment income, net fair value changes through profit or loss and other income. As a result of the foregoing, total income increased by approximately 18.6% from approximately RMB18,493 million for the year ended December 31, 2020 to approximately RMB21,940 million for the year ended December 31, 2021.

16. Total profit/loss before tax

Total profit before tax of the Group was approximately RMB829 million for the year ended December 31, 2021 compared with total profit before tax of approximately RMB147 million for the year ended December 31, 2020.

17. Income tax expense

Under the Enterprise Income Tax Law of the People's Republic of China (中華人民共和國企業所得稅), the Company and some of its subsidiaries are subject to the statutory rate of 25%. We had income tax credit of approximately RMB108 million and income tax expense of approximately RMB72 million for the year ended December 31, 2020 and 2021, respectively, which were primarily generated from changes in deferred income tax liabilities.

18. Net profit for the Reporting Period

The Group recorded a net profit of approximately RMB757 million for the year ended December 31, 2021 compared to a net profit of approximately RMB254 million for the year ended December 31, 2020. The improvement in the performance of the Group was primarily due to the significant increase of underwriting profitability and investment income .

CASH FLOW

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

	For the Year Ended December 31	
	2021 RMB'000	2020 RMB'000
Net cash (outflow)/inflow from operating activities	(602,953)	4,858,856
Net cash outflow from investing activities	(5,941,883)	(6,271,850)
Net cash inflow from financing activities	2,194,949	7,106,584
Effect of exchange rate changes on cash and cash equivalents	(103,121)	(390,373)
Net (decrease)/increase in cash and cash equivalents	(4,453,008)	5,303,217
Cash and cash equivalents at the beginning of period	8,218,037	2,914,820
Cash and cash equivalents at the end of period	3,765,029	8,218,037

We had net cash outflow from operating activities of approximately RMB603 million for the year ended December 31, 2021, which comprised cash inflow from underwriting business and other operating activities of approximately RMB22,958 million, offset by the cash outflows from claims and other operating expenses of approximately RMB10,738 million and approximately RMB12,823 million, respectively.

We had net cash outflow from investing activities of approximately RMB5,942 million for the year ended December 31, 2021, whereas our net cash outflow for the year ended December 31, 2020 was approximately RMB6,272 million. This was primarily due to the increase in the purchase of investment assets.

We had net cash inflow from financing activities of approximately RMB2,195 million for the year ended December 31, 2021, which primarily consisted of (i) net cash inflows from the increase of securities sold under agreements to repurchase of approximately RMB1,339 million, (ii) capital injection from non-controlling interest of approximately RMB1,105 million, which was offset by cash outflow of approximately RMB467 million paid for redemption of preference shares.

Management Discussion and Analysis

INDEBTEDNESS

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

ZhongAn Technology applied for a credit line of RMB120 million within 12 months for working capital loan and domestic letter of credit from China Merchants Bank, and as of December 31, 2021, we had bank loans amounting to RMB117 million, of which the working capital loan has a fixed interest rate of 4.9%.

Save as disclosed in this annual report, as of December 31, 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, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities.

19. Significant investments

We did not hold any significant investments during the year ended December 31, 2021 (including any investment in an investee company with a value of 5% or more of the Company's total assets as of December 31, 2021).

20. Material acquisitions and disposals

Save as disclosed in this annual report, we did not have any material acquisitions or disposals of subsidiaries, associated companies or joint ventures during the year ended December 31, 2021.

21. Future plans for material investments and capital assets

As of December 31, 2021, we did not have other plans for material investments and capital assets.

22. Pledge of assets

Save as disclosed in this annual report, as at December 31, 2021, none of the Group's assets were pledged.

23. Gearing ratio

As of December 31, 2021, our gearing ratio, calculated as total liabilities (excluding capital supplementary bonds and subordinated term debts) divided by total assets, was approximately 63%, representing an increase of 1.0 percentage points as compared with approximately 62% as of December 31, 2020.

24. Foreign exchange exposure

During the year ended December 31, 2021, we mainly operated in the PRC and a majority of the transactions was settled in Renminbi, the Company's functional currency. As of December 31, 2021, our cash and cash equivalents denominated in foreign currencies included approximately HK$1,709 million, approximately USD164 million and approximately JPY968 million, mainly arising from the business operation of ZATI and the issuance of USD Notes by the Company in the second half of 2020. We did not use any financial instruments for hedging purposes during the year ended December 31, 2021.

25. Contingent liabilities

As of December 31, 2021, we did not have any material contingent liabilities.

26. Off-balance sheet commitments and arrangements

As of December 31, 2021, we did not enter into any off-balance sheet arrangements.

27. Events after the Reporting Period

Save as disclosed in this annual report, there are no other significant events that may have an impact on the Group from December 31, 2021 to the Latest Practicable Date.

28. Employees and remuneration policies

As at December 31, 2021, the Group had 3,791 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 committee which reviews and determines executives' compensation based on the Group's performance and the executives' respective contributions to the Group.

The total employee benefit cost (including directors' and supervisors' remuneration) incurred by the Group for the year ended December 31, 2021 was RMB1,793 million.

Directors, Supervisors and Senior Management

Basic Information of Directors, Supervisors and senior management

Name	Position/Title	Age	Date of Appointment
Yaping Ou(1)	Chairman of the Board and executive Director	60	November 14, 2013
Hugo Jin Yi Ou(1)	Executive Director	30	November 27, 2017
Xinyi Han(2)	Non-executive Director	45	November 23, 2016
Liangxun Shi	Non-executive Director	56	November 18, 2019
Ming Yin(3)	Non-executive Director	52	November 18, 2019
Weibiao Zhan(4)	Non-executive Director	49	May 17, 2021
Gang Ji	Non-executive Director	47	January 28, 2022
Shuang Zhang	Independent non-executive Director	51	November 14, 2014
Hui Chen	Independent non-executive Director	56	December 21, 2016
Yifan Li(5)	Independent non-executive Director	55	December 21,2016
Ying Wu(6)	Independent non-executive Director	63	July 4, 2017
Wei Ou	Independent non-executive Director	64	December 19, 2019
Vena Wei Yan Cheng	Independent non-executive Director	43	January 28, 2022
Yuping Wen	Chairman of the Supervisory Committee	42	November 29, 2013
Baoyan Gan(7)	Supervisor	48	November 14, 2014
Limin Guo	External Supervisor	59	January 28, 2022
Haijiao Liu	Employee representative Supervisor	37	May 14, 2018
Xing Jiang	Vice general manager	45	June 10, 2014
	and chief executive officer		July 18, 2019
Min Wang	Executive vice general manager	37	July 24, 2019
	and Secretary of the Board		May 14, 2018
Gaofeng Li	Vice general manager and chief investment officer	45	January 23, 2019
	Chief financial officer		March 23, 2020
Francis Yui Man Tang	Vice general manager	58	July 10, 2018
Yongbo Zhang	Vice general manager and chief legal officer	44	April 20, 2018
	Compliance director		November 8, 2013
	Chief risk management officer		November 13, 2019
Nan Yang	Vice general manager	35	April 2, 2021
Zhenhua Song	Vice general manager	46	July 13, 2021
Rui Sun	Financial director	38	June 21, 2019
Hai Lin	Chief actuary	49	January 2, 2020
Xiaoming Wang	Audit director	40	April 14, 2020

Notes:

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

(2) Xinyi Han resigned as a non-executive Director on October 24, 2021.

(3) Ming Yin resigned as a non-executive Director on April 1, 2021.

(4) Weibiao Zhan was appointed as a non-executive Director on 17 May, 2021 and resigned on March 2, 2022.

(5) Yifan Li resigned as an independent non-executive Director on July 20, 2021.

(6) Ying Wu resigned as an independent non-executive Director on March 23, 2022.

(7) Baoyan Gan resigned as a supervisor on January 28, 2022.

Directors, Supervisors and Senior Management

Major working experiences and concurrent positions of Directors, Supervisors and senior management

Executive Directors

Yaping Ou (歐亞平), aged 60, has been the chairman of the Board since November 2013. Mr. Ou joined our Group in November 2013 and is responsible for overall strategic planning and business direction, and is also an executive Director, the chairman of the Strategy and Investment Decision Committee and a member of the Nomination and Remuneration Management Committee of the Board of the Company. Mr. Ou obtained a bachelor's degree in Engineering Management from the Beijing Institute of Technology (北京理工大學) in July 1984. Mr. Ou has over 30 years of experience in investing and corporate management. He served as the chairman and executive director of Sinolink Worldwide, a company listed on the Hong Kong Stock Exchange (stock code: 1168), between December 1997 and August 2013, and has served as its non-executive director since August 2013. Mr. Ou has been the chairman of Cnhooray Internet Technology Co. Ltd. (深圳日訊網絡科技股份有限公司), a substantial shareholder of the Company since 2000, as well as the chairman of ZA Bank Limited, ZhongAn Financial Services Limited and ZA Life Limited.

Hugo Jin Yi Ou (歐晉羿), aged 30, is an executive Director. Prior to his appointment as an executive Director in November 2017, Mr. Ou served as a non-executive Director of the Company between July 2017 and November 2017. He is also a member of the Strategy and Investment Decision Committee of the Board of the Company. Mr. Ou joined our Group in July 2017 and is primarily responsible for providing professional opinion and judgment to the Board. He has been a non-executive director of Sinolink Worldwide (stock code: 1168), a company whose shares are listed on the Hong Kong Stock Exchange, since January 2016. Mr. Ou is also a director of ZhongAn Technologies International Group Limited, a subsidiary of the Company, as well as a director of ZAKC Limited, ZA International Financial Services Limited, ZhongAn Financial Services Limited, Bloom Rewards Limited, ZhongAn Digital Asset Group Limited, ZA Tech Global Limited, ZA Bank Limited, ZA Tech Global (Cayman) Limited and A3 Holdings Inc.. Mr. Ou obtained a bachelor's degree in East Asian studies from Princeton University in July 2015. He worked as an associate at Thrive Capital from August 2015 to August 2016 and also served as manager of the planning and development department of Sinolink Worldwide from 2010 to 2015. Mr. Hugo Ou is a son of Mr. Ou Yaping who is the chairman of the Board.

Non-Executive Directors

Xinyi Han (韓歆毅), aged 45, was a non-executive Director and a member of the Audit and Consumer Rights Protection Committee of the Board of the Company until his resignation on October 24, 2021. Mr. Han joined our Group in November 2016. Mr. Han obtained a bachelor's degree in economics and a master's degree in economics from Tsinghua University (清華大學) in July 1999 and June 2001, respectively. Mr. Han has over 20 years of experience in finance. Mr. Han has been the chief financial officer of Ant Group since April 2020. Prior to that, Mr. Han held the positions of senior director and vice president at Ant Group, and had been a senior director at the corporate finance department of Alibaba from September 2011 to May 2014. Mr. Han had also worked at China International Capital Corporation Limited (中國國際金融有限公司) from July 2001 to September 2011. He has served as a director of Hundsun Technologies Inc. (恒生電子股份有限公司), a company listed on the Shanghai Stock Exchange ("SSE") (SSE stock code: 600570) since February 2016 and Yum China Holdings, Inc. (a company listed on the NYSE and the Hong Kong Stock Exchange, stock code; YUMC/9987) since May 2019.

Liangxun Shi (史良洵), aged 56, is a non-executive Director and a member of the Strategy and Investment Decision Committee of the Board of the Company. Mr. Shi joined our Group in November 2019. Mr. Shi graduated from Shanghai Institute of Mechanical Engineering. He is currently the deputy general manager of Ping An P & C, responsible for the individual insurance business group. Mr. Shi joined Ping An Insurance in October 1990 and held various positions including assistant general manager of the financial investment department of Ping An Insurance, deputy general manager of the underwriting department of Ping An P&C, deputy general manager of the non-marine insurance department of Ping An P&C, deputy general manager of the P&C insurance department of Ping An P&C and general manager of the P&C insurance department of Ping An P&C.

Ming Yin (尹銘), aged 52, was a non-executive Director and a member of the Risk Management Committee of the Board of the Company until his resignation on April 1, 2021. Mr. Yin joined our Group in November 2019. Mr. Yin joined our Group in November 2019. Mr. Yin held various positions since 2007, including general manager of Shanghai Branch of China Life Property and Casualty Insurance Co., Ltd. (中國人壽財產保險公司) ("**China Life Property and Casualty Insurance**"), assistant president and vice president of China Life Property and Casualty Insurance, and vice president of Ant Group. Mr. Yin graduated with an EMBA from China Europe International Business School.

Weibiao Zhan (湛煒標), aged 49, was a non-executive Director and a member of the Strategy and Investment Decision Committee of the Board of the Company until his resignation on March 2, 2022. Mr. Zhan joined our Group in May 2021. Mr. Zhan received his bachelor's degrees in both engineering and economics from South China University of Technology in July 1997, and his executive master of business administration from the Hong Kong University of Science and Technology in November 2011. Mr. Zhan has over 20 years of experience in technology, media and telecom and investment sectors and had held various positions in large consulting and information technology services companies. Between July 1997 and July 1998, Mr. Zhan served as an assistant to the department head of the technology department of China Academy of Science and Technology Development. From July 1998 to June 2000, Mr. Zhan successively served as a software engineer and a project manager at Kingdee Software (China) Co., Ltd. From June 2000 to May 2003, Mr. Zhan successively served as an application development consultant and a regional manager for southern China region at the Client Support Department of Microsoft (China) Co., Ltd. Guangzhou Branch. Mr. Zhan joined Tencent Holdings Limited, a company listed on The Stock Exchange of Hong Kong Limited (Stock Code: 700), since 2003 and now serves as the vice president of Tencent Financial Technology (FiT) and the partner of Tencent Investment. From March 2018 to February 2019, Mr. Zhan served as a director at Cango Inc., a company listed on the New York Stock Exchange (stock code: CANG). From February 2019 to June 2020, he also served as a non-executive director of Maoyan Entertainment, a company listed on the Hong Kong Stock Exchange (stock code: 1896). He currently serves as a director of Beijing Navinfo Co., Ltd., a company listed on the SZSE (Stock Code: 002405) and a director of E-Money Holding Co., Ltd., a company listed on the National Equities Exchange and Quotations System (stock code: 832950).

Gang Ji (紀綱), aged 47, is a non-executive Director and a member of the Audit and Consumer Rights Protection Committee of the Board of the Company. Mr. Ji joined our Group in January 2022. Mr. Ji joined Ant Group (formerly known as Ant Financial) in January 2016 and is currently the vice president and head of the strategic investment and corporate development department of Ant Group, mainly responsible for Ant Group's global strategic investment business. Mr. Ji has 21 years of experience in investment and 13 years of experience in the internet industry. Prior to joining Ant Group, he served as the vice president of Alibaba Group and was responsible for its strategic investments. Mr. Ji graduated from the University of International Business and Economics with a bachelor's degree in international business administration. Mr. Ji is currently a non-executive director of AGTech Holdings Limited, a company listed on GEM of the Hong Kong Stock Exchange (stock code: 8279).

Independent Non-Executive Directors

Shuang Zhang (張爽), aged 51, is an independent non-executive Director and chairman of the Remuneration and Nomination Management Committee of the Board of the Company. Mr. Zhang joined our Group in November 2013. Mr. Zhang graduated from Nanjing University (南京大學), majoring in natural resources management, in July 1994 and a master's degree in science from James Madison University in the United States in May 2002. He has been chief executive officer of The Paradise International Foundation (桃花源生態保護基金會) since 2015. Mr. Zhang has been a project director of the China region at The Nature Conservancy (大自然保護協會) from 2005 to 2015.

Hui Chen (陳慧), aged 56, is an independent non-executive Director, chairman of the Audit and Consumer Rights Protection Committee and a member of the Risk Management and Related Transaction Control Committee of the Board of the Company. Ms. Chen joined our Group in December 2016. Ms. Chen obtained a bachelor's degree in business management and a master's degree in business management from Shanghai Jiao Tong University (上海交通大學) in June 1988 and January 1991, respectively. Prior to joining the Company, she served as chief financial officer at Huazhu Hotels Group (華住酒店集團) between December 2014 and March 2016, and at Home Inns Group (如家酒店集團) between March 2003 and May 2006. She was financial controller of Beijing Ctrip International Travel Agency Limited (北京攜程國際旅行社有限公司) between December 1999 and February 2003.

Yifan Li, aged 55, was an independent non-executive Director, chairman of the Risk Management Committee, a member of the Audit Committee and the Related Transactions Control Committee of the Board of the Company until his resignation on July 20, 2021. Mr. Li joined our Group in December 2016. Mr. Li obtained a bachelor's degree in economics from Fudan University (復旦大學) in July 1989, a master's degree in management and administration sciences from the University of Texas at Dallas (德克薩斯大學達拉斯分校) in May 1994 and a master of business administration degree from the University of Chicago (Booth School of Business) (芝加哥大學布斯商學院) in June 2000. Mr. Li has over 17 years of experience in finance. Mr. Li has been an independent non-executive director of Everest Medicines Limited (雲頂新耀有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 1952) since September 2020, an independent non-executive director of Xinyuan Property Management Service (Cayman) Ltd. (鑫苑物業服務集團有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 1895) since September 2019, an independent non-executive director of Frontage

Directors, Supervisors and Senior Management

Holdings Corporation (方達控股公司), a company listed on the Hong Kong Stock Exchange (stock code: 1521) since April 2018, an independent director of Zhejiang Tiantie Industry Co., Ltd. (浙江天鐵實業股份有限公司), a company listed on the SZSE (SZSE stock code: 300587), since December 2017, an independent director of Qudian Group (趣店集團), a company listed on the NYSE (NYSE stock code: QD), since October 2017, an independent director of Shanghai International Port (Group) Co., Ltd. (上海國際港務(集團)股份有限公司), a company listed on the SSE (SSE Sstock ode: 600018), since September 2015, an independent director of Heilongjiang Interchina Water Co., Ltd. (黑龍江國中水務股份有限公司), a company listed on the SSE (SSE stock code: 600187) since May 2015, and a vice president of Zhejiang Geely Holding Group Co., Ltd. (浙江吉利控股集團有限公司) since October 2014. Prior to that, Mr. Li served as a director of Zhejiang Qianjiang Motocycle Co., Ltd. (浙江錢江摩托股份有限公司), a company listed on the SZSE (SZSE stock code: 000913) between November 2016 and April 2018, a vice president and chief financial officer of Sanpower Group Limited (三胞集團有限公司) between April 2014 and September 2014, and a vice president and chief financial officer of China Zenix Auto International Limited (正興車輪集團有限公司) between December 2010 and February 2014. Mr. Li is a certified public accountant in the United States and a member of the Chartered Institute of Management Accountants.

Ying Wu (吳鷹), aged 63, was an independent non-executive Director, a member of the Nomination and Remuneration Management Committee and a member of the Risk Management and Related Transaction Control Committee of the Board of the Company until his resignation on March 23, 2022. Mr. Wu joined our Group in July 2017. Mr. Wu obtained a bachelor's degree in electronic engineering from the Beijing Institute of Technology (北京工業大學) in July 1982, a master's degree in science from the New Jersey Institute of Technology (新澤西理工學院) in the United States in May 1988 and a doctor's degree (honoris causa) from NJIT in May 2016. Mr. Wu has over 30 years of experience in the telecom industry. Mr. Wu has been the president of CN Capital Management Limited (中澤嘉盟投資有限公司) since October 2008. Mr. Wu is currently the chairman of ZJBC Information Technology Co., Ltd. (中嘉博創信息技術股份有限公司), a company listed on the SZSE (stock code: 000889), an independent non-executive director of Zall Smart Commerce Group Ltd. (卓爾智聯集團有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 2098), a director of HyUnion Holdings Co., Ltd. (海聯金匯科技股份有限公司), a company listed on the SZSE (stock code: 002537), and chairman of the board of supervisors of Huayi Brothers Media Corporation Ltd. (華誼兄弟傳媒股份有限公司), a company listed on the SZSE (SZSE stock code: 300027). Mr. Wu was an independent director of TCL Corporation Ltd. (TCL集團股份有限公司), a company listed on the SZSE (SZSE stock code: 000100), a director of Joyoung Co., Ltd. (九陽股份有限公司), a company listed on the SZSE (SZSE stock code: 002242), and an independent director of Guangzhou Tech-Long Packaging Machinery Co., Ltd. (廣州達意隆包裝機械股份有限公司), a company listed on the SZSE (SZSE stock code: 002209).

Wei Ou (歐偉), aged 64, is an independent non-executive Director, the chairman of the Risk Management and Related Transaction Control Committee and a member of the Audit and Consumer Rights Protection Committee of the Board of the Company. Mr. Ou joined our Group in December 2019. Mr. Ou is a senior economist with a post-graduate diploma. Prior to joining our Group, Mr. Ou served as vice president of The People's Bank of China, Dalian Branch, director of Liaoning Office and Henan Office of former China Insurance Regulatory Commission, general manager of China Property & Casualty Reinsurance Company Ltd., party secretary and president of China Continent Property & Casualty Insurance Company Ltd., and chairman of the supervisory committee of China Life Reinsurance Company Ltd.

Vena Wei Yan Cheng (鄭慧恩), aged 43, is an independent non-executive Director, a member of the Nomination and Remuneration Management Committee and a member of the Risk Management and Related Transaction Control Committee. Ms. Cheng join our Group in January 2022. was elected to the Board in December 2021. Ms. Cheng is a senior consultant at Akin Gump Strauss Hauer & Feld. Ms. Cheng is admitted to practice law in Hong Kong, New York, and the United Kingdom, and has more than 19 years of experience practicing as a lawyer. Ms. Cheng also serves as a member of the Beijing Municipal Committee of the Chinese People's Political Consultative Conference, a member of the Hong Kong Housing Authority, and a member of the Hong Kong Innovation and Technology Fund Advisory Committee. Ms. Cheng obtained a bachelor of laws from King's College, University of London, and a Postgraduate Certificate in Laws (PCLL) from the University of Hong Kong.

Supervisors

Yuping Wen (溫玉萍), aged 42, is the chairman of the Supervisor Committee. Ms. Wen joined our Group in November 2013. Ms. Wen obtained a master's degree in management from the Xi'an University of Architecture and Technology (西安建築科技大學) in July 2005. Ms. Wen has been a director and a chief financial officer in the financial affairs department of Cnhooray Internet Technology Co. Ltd. (深圳日訊網絡科技股份有限公司) since 2010.

Baoyan Gan (干寶雁), aged 48, was a Supervisor until her resignation on January 28, 2022. Ms. Gan joined our Group in November 2014. Ms. Gan obtained a bachelor's degree in engineering from Tongji University (同濟大學) in July 1997. Ms. Gan has worked in the president's office at Luminggu Consultancy Management Co., Ltd. (鹿鳴穀諮詢管理有限公司) since June 2015. Prior to that, she worked in the president's office at Unifront Holding Limited (優孚控股有限公司) from March 2013.

Haijiao Liu (劉海姣), aged 37, is the employee representative Supervisor. Ms. Liu joined the Company in April 2013 as the person-in-charge of health insurance business department of the Company. Ms. Liu obtained a bachelor's degree in marketing from Shanghai University of Finance and Economics (上海財經大學), and a master of business administration from China Europe International Business School.

Limin Guo (郭立民), aged 59, is an external Supervisor. Mr. Guo joined our Group in January 2022. a senior engineer with master degree, obtained a master degree in International Business from Hunan University, an EMBA degree from Hong Kong University of Science & Technology and a bachelor degree in Chemical Engineering from Beijing Institute of Chemical Industry. Mr. Guo is an existing non-executive director of E-star Commercial Management Company Limited (a company listed on Stock Exchange, stock code:6668). Mr. Guo has extensive work experience in government and enterprise management and has worked in a variety of management works for over 30 years. Mr. Guo served as the deputy director of Development Planning Commission of Shenzhen Municipality (深圳市發展計劃局) from August 1998 to January 2003, the chairman of Shenzhen Airport Group Co., Ltd. from January 2003 to April 2004, the chief of State-owned Assets Supervision and Administration Commission of Shenzhen Municipality from April 2004 to August 2009, the chairman of the Board of Shum Yip Group Limited from August 2009 to February 2012, and the chief of Economy, Trade and Informatization Commission of Shenzhen Municipality (深圳市經濟貿易信息化委員會) from February 2012 to August 2017. In addition, Mr. Guo held directorships such as non-executive director of Ping An Insurance (Group) Company of China, Ltd. (a company listed on the Stock Exchange, stock code: 2318), Road King Infrastructure Limited and Coastal Greenland Limited.

Senior Management

Xing Jiang (姜興), aged 45, is the vice general manager and chief executive officer of the Company, and an executive director and legal representative of ZhongAn Technology, a subsidiary of the Company. Mr. Jiang joined the Company in April 2014, and is primarily responsible for the overall management of the Company and oversees day-to-day operations at the Company. Mr. Jiang obtained a bachelor's degree of engineering in computer and applications from the Hunan Finance and Economics Institute (湖南財經學院) (which, has merged with Hunan University into the current Hunan University) in July 1999. He was in charge of the insurance division at Zhejiang Rongxin Internet Technology Co., Ltd. (浙江融信網絡技術有限公司), which is wholly-owned by Ant Group, a substantial shareholder of the Company, from December 2013 to March 2014. From January 2011 to March 2012, he was a senior director at Alibaba (China) Network Technology Co., Ltd. (阿里巴巴(中國)網絡技術有限公司).

Min Wang (王敏), aged 37, is the executive vice general manager of the Company and the secretary of the Board. He is also an executive director of ZhongAn Online Insurance Brokers Co., Ltd (眾安在綫保險經紀有限公司). Mr. Wang obtained a bachelor's degree in economics and master's degree in economics from Nankai University (南開大學) in July 2008 and July 2010 respectively, and has obtained a doctorate degree from the Central Party School (中共中央黨校) in July 2018. He has worked in insurance supervision at the CIRC, where he was involved in the development of a number of insurance regulatory measures and became familiar with insurance regulations and industry operations.

Gaofeng Li (李高峰), aged 45, is the vice general manager, the chief financial officer and the chief investment officer of our Company. Mr. Li studied computer science and technology at Tianjin University and obtained his bachelor's degree in engineering in June 2000. Mr. Li has extensive experience in the financial industry and nearly 20 years of management experience, and has an in-depth understanding of China's capital markets. Prior to joining our Group, he has served as the head of Everbright Securities Co., Ltd's (光大證券股份有限公司) Chengdu business department from December 2003 to July 2007, the vice general manager of Cinda Securities Co., Ltd's (信達證券股份有限公司) marketing service center from July 2007 to January 2013, as well as the vice general manager, assistant general manager and secretary of the board of directors of Everbright Yongming Asset Management Co., Ltd (光大永明資產管理股份有限公司) from January 2013 to April 2018.

Francis Yui Man Tang (鄧銳民), aged 58, is the vice general manager of our Company. Mr. Tang joined our Group in July 2017. Mr. Yui Man Tang obtained a bachelor's degree in computer science from the University of Victoria (維多利亞大學) in Canada and a master's degree in business administration from The City University of New York (紐約市立大學) in USA in 1986 and 1990 respectively. Mr. Tang has worked in finance and corporate management for many years and has extensive financial and management experience.

Directors, Supervisors and Senior Management

Yongbo Zhang (張勇博), aged 44, is the vice general manager, the compliance director, the chief risk management officer and the chief legal officer of our Company. Mr. Zhang joined our Group in May 2013. Mr. Zhang obtained a master's degree in international economic law from the East China University of Political Science and Law (華東法政大學) in December 2007. Mr. Zhang served as a legal officer of Yongcheng Property Insurance Co., Ltd (永誠財產保險股份有限公司) between 2011 and 2013. Prior to that, he was involved in compliance matters at Manulife-Sinochem Life Co., Ltd. (中宏人壽保險有限公司) from February 2007 to February 2011. Mr. Zhang has been an accredited lawyer in the PRC since March 2001.

Nan Yang (楊楠), aged 35, is the vice general manager of the Company. Ms. Nan Yang was graduated from the School of Economics and Management of Tsinghua University and obtained bachelor's degree in Economics in 2009. Ms. Nan Yang has extensive experiences in strategy, capital market and investment. Before joining ZhongAn, Ms. Nan Yang served as the credit analyst and vice president in Credit Suisse (Hong Kong) Limited from July 2009 to August 2012 and from August 2014 to April 2018, respectively, and served as the investment manager in CDH Investments from August 2012 to August 2014.

Zhenhua Song (宋振華), aged 46, is the vice general manager of the Company. Mr. Song was graduated from the East China University of Science and Technology and obtained bachelor's degree. He served in large enterprises such as Ping An, and has multiple experiences in starting up business. Mr. Song has senior technology development background, experiences in Internet products and platform operation, profound theory foundation in insurance field and practical experience of multiple years.

Rui Sun (孫睿), aged 38, is the financial director of our Company, responsible for our Company's financial matters. Mr. Sun graduated with a bachelor's degree in law from the Department of Social Work at Fudan University in July 2005. He has over 10 years of work experience in finance, having worked on technological research relating to U.S. and Hong Kong listings at Deloitte Touche Tomatsu from September 2005 to November 2016 and in other fields including mergers and acquisitions and anti-fraud.

Hai Lin (林海), aged 49, is the chief actuary of our Company, responsible for our Company's actuarial management duties and reinsurance business. Mr. Lin graduated with a bachelor's degree in science from Fudan University in 1996 and a master's degree in business administration from Shanghai Jiaotong University in 2004. He served as actuarial director at Guangbo Business Consulting (Shanghai) (光博商務諮詢(上海)) from June 2015 to September 2018, and as chief actuary or as head of the actuarial department in multiple insurance companies including Yanzhao Property Insurance Co., Ltd (燕趙財產保險股份有限公司) from September 2018 to March 2019, Tianan Property Insurance Co., Ltd (天安財產保險股份有限公司) from January 2014 to March 2015, Yongan Property Insurance Co,. Ltd (永安財產保險股份有限公司) from August 2011 to December 2013, and Bank of China Insurance Company Limited (中銀保險有限公司) from August 2004 to July 2011. He has more than 10 years of experience in actuarial management at the headquarters of property insurance companies.

Xiaoming Wang (王曉明), aged 40, is the audit director of the Company, responsible for our Company's internal audit matters. Mr. Wang graduated from Central University of Finance and Economics in 2014 with a master's degree in certified public accountant and graduated from Beijing University of Technology in 2002 with a bachelor's degree in accounting. He possesses the qualifications of certified internal auditor (CIA) and certified anti-money laundering specialist. Mr. Wang has over 15 years of experience in internal audit and management in finance and insurance industries. He successively worked as head of the audit and internal control departments in Ping An Group, Houxiang Group (厚相集團) and Mandao Group (漫道集團), responsible for the overall management of internal audit matters.

Changes in information of the Directors and Supervisors

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

1. Mr. Xinyi Han resigned as a non-executive Director and a member of the Audit and Consumer Rights Protection Committee of the Board of the Company with effect from October 24, 2021.

2. Ms. Vena Wei Yan Cheng was appointed as an independent non-executive Director with effect from January 28, 2022, and a member of the Nomination and Remuneration Management Committee as well as the Risk Management and Related Transaction Control Committee of the Board of the Company with effect from March 23, 2022.

3. Mr. Gang Ji was appointed as a non-executive Director and a member of Audit and Consumer Rights Protection Committee of the Board of the Company with effect from January 28, 2022.

4. Ms. Baoyan Gan resigned as a Supervisor of the Company with effect from January 28, 2022.

5. Mr. Limin Guo was appointed as an external Supervisor of the Company with effect from January 28, 2022.

6. Mr. Weibiao Zhan resigned as a non-executive Director and a member of the Strategy and Investment Decision Committee of the Board of the Company with effect from March 2, 2022.

7. Mr. Ying Wu resigned as a independent non-executive Director and a member of the Nomination and Remuneration Management Committee as well as Risk Management and Related Transaction Control Committee of the Board of the Company with effect from March 23, 2022.

Save as mentioned above, there is no other change in the information of the Directors and Supervisors of the Company required to be disclosed under Rule 13.51B(1) of the Listing Rules since the publication of the 2021 interim report.

Corporate Governance Report

The Board of Directors is pleased to report to the Shareholders on the corporate governance of the Company for the year ended December 31, 2021.

Corporate Governance Practices

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

The Company has adopted the principles and code provisions of the CG Code as the basis of the Company's corporate governance practices. In the opinion of the Directors, throughout the year ended December 31, 2021, the Company has complied with all applicable code provisions set out in the CG Code, save as disclosed below.

Model Code for Securities Transactions

The Company has adopted the Model Code as the code of conduct regarding the Directors' dealings in the securities of the Company. Specific enquiry has been made of all the Directors and they have confirmed that they have complied with the Model Code throughout the year ended December 31, 2021.

Board of Directors

As at the Latest Practicable Date, the Board comprised two executive Directors, two non-executive Directors and four independent non-executive Directors.

The details of the Board composition are as follows:

Name of Director	Membership of Board Committee(s)
Executive Directors	
Yaping Ou *(Chairman of the Board)*	Chairman of the Strategy and Investment Decision Committee and member of the Nomination and Remuneration Management Committee
Hugo Jin Yi Ou	Member of the Strategy and Investment Decision Committee
Non-executive Directors	
Liangxun Shi	Member of the Strategy and Investment Decision Committee
Gang Ji	Member of the Audit and Consumer Rights Protection Committee
Independent Non-executive Directors	
Shuang Zhang	Chairman of the Nomination and Remuneration Management Committee
Hui Chen	Chairman of the Audit and Consumer Rights Protection Committee and member of the Risk Management and Related Transaction Control Committee
Wei Ou	Chairman of the Risk Management and Related Transaction Control Committee and member of the Audit and Consumer Rights Protection Committee
Vena Wei Yan Cheng	Member of the Nomination and Remuneration Management Committee and member of the Risk Management and Related Transaction Control Committee

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

The biography for each of the Directors is set out in the section headed "Directors, Supervisors and Senior Management" on pages 35 to 41 of this annual report.

Board Meetings

Code provision C.5.1 of the CG Code stipulates that Board meetings should be held at least four times a year at approximately quarterly intervals with active participation of the majority of the Directors entitled to be present, either in person or through electronic means of communications.

Code provision F.2.2 of the CG Code stipulates that the chairman of the board should attend the annual general meeting. Mr. Yaping Ou, the Chairman of the Board, did not attend the annual general meeting held on April 30, 2021 due to pre-arranged business commitments.

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

Two general meetings of the Company were held for the year.

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

Name of Directors	Number of Board meetings attended/ held for the year ended December 31, 2021	Attendance rate	Number of general meetings attended/ held for the year ended December 31, 2021	Attendance rate
Executive Directors				
Yaping Ou	8/8	100%	0/2	0
Hugo Jin Yi Ou	8/8	100%	1/2	50%
Non-executive Directors				
Xinyi Han(1)	7/7	100%	1/1	100%
Liangxun Shi	6/8	75%	2/2	100%
Ming Yin(2)	1/2	50%	0/0	0
Weibiao Zhan(3)	5/5	100%	0/1	0
Independent Non-executive Directors				
Shuang Zhang	8/8	100%	2/2	100%
Hui Chen	8/8	100%	2/2	100%
Yifan Li(4)	4/5	80%	1/1	100%
Ying Wu(5)	8/8	100%	2/2	100%
Wei Ou	8/8	100%	2/2	100%

(1) Resigned from the Board on October 24, 2021.

(2) Resigned from the Board on April 1, 2021.

(3) Appointed on May 17, 2021 and resigned from the Board on March 2, 2022.

(4) Resigned from the Board on July 20, 2021.

(5) Resigned from the Board on March 23, 2022.

Corporate Governance Report

Chairman and Chief Executive Officer

The positions of Chairman and Chief Executive Officer are held by Yaping Ou and Xing Jiang, respectively. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The Chief Executive Officer focuses on the Company's business development and the daily management and operations generally. The respective responsibilities are clearly defined and set out in writing.

Independent Non-executive Directors

During the year ended December 31, 2021, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing at least one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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

Appointment and Re-election of Directors

Each of the executive Directors, non-executive Directors and independent non-executive Directors has entered into a service contract with the Company for an initial term of three years with effect, subject to the approval of the CBIRC, from the date of their respective appointment up to the expiry of the term of the prevailing session of the Board of the Company.

All the Directors are subject to retirement by rotation and re-election at annual general meeting. Directors shall be elected at the shareholders' general meeting with a term of office of three (3) years, however, pursuant to Article 180 of the Articles of Association, an independent non-executive Director shall serve no more than six (6) years. Upon expiry of the term, a Director shall be eligible to offer himself/herself for re-election and reappointment. In addition, any new Director appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the next following annual general meeting and be eligible for re-election and reappointment.

Responsibilities, Accountabilities and Contributions of the Board and Management

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

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

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

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

In compliance with code provision B.1.4 of the CG Code which became effective on January 1, 2022, the Board has resolved to adopt a Board Independence Evaluation Mechanism, to ensure independent view and input are available to the Board. All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

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

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

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

Board Committees

The Board has combined the committees from six to four for improving its working quality and efficiency. The committees will continue to be responsible for the supervision of the Company's specific affairs. Each of these committees was established with defined responsibilities and duties. The terms of reference are available on the websites of the Company and the Hong Kong Stock Exchange.

The following changes in the Board committees of the Company have taken place with effect from July 20, 2021:

1. 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. Following the resignation of Mr. Xinyi Han on October 24, 2021, Mr. Gang Ji was nominated as a member of the Audit and Consumer Rights Protection Committee on the same day. Mr. Gang Ji began to serve as a member of the committee upon the approvel of his qualification as a Director by the CBIRC on January 28, 2022;

2. 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 Ms. Ying Wu as its members and Mr. Wei Ou as the chairman. Following the resignation of Mr. Ying Wu on March 23, 2022, Ms Vena Wei Yan Cheng was appointed as a member of the Risk Management and Related Transaction Control Committee on the same day;

3. 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. Liangxun Shi and Mr. Weibiao Zhan as its members and Mr. Yaping Ou as the chairman; and

4. 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. Following the resignation of Mr. Ying Wu on March 23, 2022, Ms. Vena Wei Yan Cheng was appointed as a member of the Nomination and Remuneration Management Committee on the same day.

Audit and Consumer Rights Protection Committee

The Company has established an Audit Committee in compliance with Rule 3.21 of the Listing Rules and the CG Code. On July 20, 2021, the committee combined with the Consumer Rights Protection Committee and became the Audit and Consumer Rights Protection Committee. The primary duties of the Audit and Consumer Rights Protection Committee are to supervise the risk management, internal control system, consumer rights protection, financial information disclosure and financial reporting matters.

As at December 31, 2021, the Audit and Consumer Rights Protection Committee comprised Ms. Hui Chen, Mr. Gang Ji and Mr. Wei Ou. Ms. Hui Chen is the chairman of the Audit and Consumer Rights Protection Committee. Mr. Gang Ji was nominated to, and Mr. Xinyi Han resigned from, the Audit and Consumer Rights Protection Committee on October 24, 2021.

During the year ended December 31, 2021, the Audit Committee convened 4 meetings. The attendance record of these meetings is set out in the table below:

Name of Committee Members	Number of meetings attended/held during the year ended December 31, 2021	Attendance rate
Hui Chen	4/4	100%
Yifan Li[(1)]	4/4	100%
Liangxun Shi	4/4	100%

(1) Mr. Yifan Li resigned as a director of the Company on July 20, 2021.

Corporate Governance Report

During the year ended December 31, 2021, the Consumer Rights Protection Committee convened 1 meeting. The attendance record of this meeting is set out in the table below:

Name of Committee Members	Number of meetings attended/held during the year ended December 31, 2021	Attendance rate
Ying Wu[(1)]	1/1	100%
Hugo Jin Yi Ou	1/1	100%
Liangxun Shi	1/1	100%

(1) Mr. Ying Wu resigned as a director of the Company on March 23, 2022.

During the year ended December 31, 2021, the Audit and Consumer Rights Protection Committee convened 3 meetings. The attendance record of these meetings is set out in the table below:

Name of Committee Members	Number of meetings attended/held during the year ended December 31, 2021	Attendance rate
Hui Chen	3/3	100%
Xinyi Han[(1)]	2/2	100%
Gang Ji[(2)]	0/0	0
Wei Ou	3/3	100%

(1) Mr. Xinyi Han resigned as a director of the Company on October 24, 2021.
(2) Mr. Gang Ji's qualification as a Director was approved on January 28, 2022.

During these meetings, the Audit and Consumer Rights Protection Committee reviewed the annual results announcement and report of the Company for the year ended December 31, 2020 and the interim results announcement and interim report for the six months ended June 30, 2021, the relevant financial disclosure, issues on operations and compliance control, the effectiveness of the risk management and internal control systems and the effectiveness of the internal audit function of the Company, scope of work and appointment of external auditors and non-audit related services, connected transactions, as well as arrangements for employees to raise concerns about possible improprieties.

The Audit and Consumer Rights Protection Committee has also reviewed the annual results of the Group for the year ended December 31, 2021 and has discussed with the management of the Company about the accounting principles and practices adopted by the Group, and its internal controls and financial reporting matters.

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

Nomination and Remuneration Management Committee

The Company established a Nomination and Remuneration Committee in compliance with Rule 3.25 of the Listing Rules and the relevant CG Codes. On July 20, 2021, the committee changed its name to the Nomination and Remuneration Management Committee. The terms of reference of the Nomination and Remuneration Management Committee are of no less exacting terms than those set out in the CG Codes. The primary functions of the Nomination and Remuneration Management Committee include overseeing and developing the process and policies relating to nomination and appointment and the remuneration of Directors, reviewing and making recommendations to the Board on appropriate candidates for directorships, Board composition and succession planning, assessing the independence of independent non-executive Directors and reviewing and making recommendations to the Board on remuneration packages of individual executive Directors and senior management.

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

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

As at December 31, 2021, the Nomination and Remuneration Management Committee comprised Mr. Shuang Zhang, Mr. Yaping Ou and Mr. Ying Wu. Mr. Shuang Zhang is the chairman of the Nomination and Remuneration Management Committee.

During the year ended December 31, 2021, the Nomination and Remuneration Management Committee convened 7 meetings. The attendance record of these meetings is set out in the table below:

Name of Committee Members	Number of meetings attended/held during the year ended December 31, 2021	Attendance rate
Shuang Zhang	7/7	100%
Yaping Ou	7/7	100%
Ying Wu[(1)]	7/7	100%

(1) Mr. Ying Wu resigned as a director of the Company on March 23, 2022.

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

The remuneration management system of directors was formulated by the Company and approved by the Shareholders at the 1st extraordinary general meeting in 2021. Such remuneration system specified that director's remuneration of the Company shall be determined according to actual criteria set by the general meeting, taking fully into account the overall economic environment, development level of the industry, operation conditions of the Company as well as director's performance, responsibility and the risks they bear. The remuneration management system shall follow the general meeting's decision if adjustments are required. Details of the remuneration payable to each Director of the Company for the year ended December 31, 2021 are set out in Note 16 to the financial statements.

The remuneration of the members of senior management by band for the year ended December 31, 2021 is set out in the table below:

Remuneration bands (RMB)	Number of persons
0-1,000,000	2[(1)]
1,000,000-2,000,000	8[(2)]
2,000,000-3,000,000	1
3,000,000-4,000,000	2
Total	13

(1) Two of them resigned in 2021.
(2) One of them resigned in 2021.

Corporate Governance Report

Board Diversity Policy

The Company has adopted the Diversity Policy which sets out the approach to achieve diversity of the Board and is available on the website of the Company. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

Pursuant to the Diversity Policy, the Nomination and Remuneration Management Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination and Remuneration Management Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and regional and industry experience.

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

The Board will consider setting measurable objectives to implement the Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

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

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

Since the establishment of the Company, the Board attaches great importance to and has achieved gender diversity. We also emphasize the gender diversity of all employees (including senior management). As at December 31, 2021, the gender ratio of the Company's employees is set out in the table below:

Gender	Number	Percentage
Female	1,653	40.28%
Male	2,408	59.72%
Total	3,791	100%

Director Nomination Policy

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

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

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

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

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings. During the year ended December 31, 2021 changes to the composition of the Board are set out in the section headed "Changes in information of the Directors and Supervisors" on page 41 of this annual report and page 45 of this Corporate Governance Report.

Strategy and Investment Decision Committee

The Company has established the Investment Strategy Committee, which was renamed as the Strategy and Investment Decision Committee with effect from July 20, 2021. The committee is mainly responsible for considering the corporate development planning, purpose management of the insurance assets, investment decision procedure and authorization mechanism, significant investment, management system related to insurance asset and liability, and formulating and improving the management mechanism of assets and liabilities of the Company.

As at December 31, 2021, the Strategy and Investment Decision Committee comprised Mr. Yaping Ou, Mr. Hugo Jin Yi Ou, Mr. Liangxun Shi and Mr. Weibiao Zhan. Mr. Yaping Ou is the chairman of the Strategy and Investment Strategy Committee.

During the year ended December 31, 2021, the Strategy and Investment Decision Committee convened 6 meetings. The attendance record of these meetings is set out in the table below:

Name of Committee Members	Number of meetings attended/held during the year ended December 31, 2021	Attendance rate
Yaping Ou	6/6	100%
Hugo Jin Yi Ou	6/6	100%
Xinyi Han(1)	3/3	100%
Liangxun Shi(2)	1/2	50%
Weibiao Zhan(3)	3/3	100%

(1) On July 20, 2021, Mr. Xinyi Han was re-designated to the Audit and Consumer Rights Protection Committee.

(2) On July 20, 2021, Mr. Liangxun Shi was re-designated to the Strategy and Investment Decision Committee.

(3) On May 17, 2021, the director appointment of Mr. Weibiao Zhan became effective.

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

Corporate Governance Report

Risk Management and Related Transaction Control Committee

The Company has established the Risk Management Committee, which was consolidated with the Related Transaction Control Committee as the Risk Management and Related Transaction Control Committee with effect from July 20, 2021. The purpose of the committee is to advise the Board on the overall risk appetite/tolerance and risk management strategies of the Company, and oversee senior management's implementation of those strategies as established and approved by the Board, provide an independent review of the effectiveness of the strategies adopted to ensure that it aligned with the Company's overall business objectives, and manage related party transactions.

As at December 31, 2021, the Risk Management and Related Transaction Control Committee comprised Mr. Wei Ou, Ms. Hui Chen and Mr. Ying Wu. Mr. Wei Ou is the chairman of Risk Management and Related Transaction Control Committee.

During the year ended December 31, 2021, the Risk Management Committee convened 5 meetings. The attendance record of these meetings is set out in the table below:

Name of Committee Members	Number of meetings attended/held during the year ended December 31, 2021	Attendance rate
Yifan Li [(1)]	5/5	100%
Ming Yin [(2)]	2/2	100%
Wei Ou	5/5	100%

(1) Mr. Yifan Li resigned as a director of the Company on July 20, 2021.
(2) Mr. Ming Yin resigned as a director of the Company on April 1, 2021.

During the year ended December 31, 2021, the Related Transaction Control Committee convened 4 meetings. The attendance record of these meetings is set out in the table below:

Name of Committee Members	Number of meetings attended/held during the year ended December 31, 2021	Attendance rate
Wei Ou	4/4	100%
Yifan Li [(1)]	4/4	100%
Hui Chen	4/4	100%

(1) Mr. Yifan Li resigned as a director of the Company on July 20, 2021.

During the year ended December 31, 2021, the Risk Management and Related Transaction Control Committee convened 4 meetings. The attendance record of these meetings is set out in the table below:

Name of Committee Members	Number of meetings attended/held during the year ended December 31, 2021	Attendance rate
Wei Ou	4/4	100%
Hui Chen	4/4	100%
Ying Wu [(1)]	4/4	100%

(1) Mr. Ying Wu resigned as a director of the Company on March 23, 2022.

During the meetings, the Risk Management and Related Transaction Control Committee considered matters such as related party file maintenance, the identification and management of significant related transactions and the implementation of the related party transaction management system for the year as well as risk management policy and solvency margin, and made relevant recommendations to the Board.

Corporate Governance Function

The Board is responsible for performing the functions set out in code provision A.2.1 of the CG Code.

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

Dividend Policy

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

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

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

Directors' Responsibility in Respect of the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2021.

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

Continuous Professional Development of Directors

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

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

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

During the year ended December 31, 2021, the Company applied for various training courses in relation to the corporate governance guidelines for banking and insurance institutions, regulatory policy interpretation of internet personal insurance business, development opportunities in insurance intermediary industry after the publication of Chinese Civil Code and the compliance system construction and cases analysis of anti-money laundering, etc., provided by Insurance Industry Association of China (中國保險行業協會) for all directors. In addition, relevant reading materials including Directors' manual, legal and regulatory update and seminar handouts have been provided to the Directors for their reference and studying, to ensure that the Directors understand the business and operations of the Group and their duties and obligations.

Corporate Governance Report

During the year ended December 31, 2021, the following continuous professional training topics were offered to the Directors:

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

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

Name of Directors	Training received
Executive Directors	
Yaping Ou	A
Hugo Jin Yi Ou	A
Non-executive Directors	
Xinyi Han[1]	A
Liangxun Shi	A
Ming Yin[2]	A
Weibiao Zhan[3]	A
Independent Non-executive Directors	
Shuang Zhang	A
Hui Chen	A
Yifan Li[4]	A
Ying Wu[5]	A
Wei Ou	A

(1) Resigned from the Board on October 24, 2021.

(2) Resigned from the Board on April 1, 2021.

(3) Resigned from the Board on March 2, 2022.

(4) Resigned from the Board on July 20, 2021.

(5) Resigned from the Board on March 23, 2022.

Auditors' Responsibility and Remuneration

The Company appointed PricewaterhouseCoopers, Certified Public Accountants and Registered PIE Auditor, Hong Kong ("**PricewaterhouseCoopers**") as the external auditor for the year ended December 31, 2021. A statement by PricewaterhouseCoopers about their reporting responsibilities for the financial statements is included in the Independent Auditors' Report on page 118.

Details of the fees paid/payable in respect of the audit and non-audit services provided by PricewaterhouseCoopers for the year ended December 31, 2021 are set out in the table below:

Services rendered to the Company	Fees paid and payable
	RMB'000
Audit services	13,709
Non-audit services	3,460
Total	17,169

Risk Management and Internal Controls

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

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

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

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

The management has confirmed to the Board and the Audit and Consumer Rights Protection Committee on the effectiveness of the risk management and internal control systems for the year ended December 31, 2021.

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

The Board, as supported by the Audit and Consumer Rights Protection Committee and Risk Management and Related Transaction Control Committee as well as the management report and the internal audit findings by the internal audit department, conducted an annual review on the effectiveness of the risk management and internal control systems of the Group, including the financial, operational and compliance controls, for the year ended December 31, 2021, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

Arrangements are in place to facilitate employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company. The Company has formulated a specialised "Integrity Safety Management System" including specific provisions for whistleblowing and anti-corruption to comply with the requirements of the latest revision of the CG Code.

Company Secretary

Mr. Yongbo Zhang (張勇博) is the company secretary of the Company. See disclosure in "Directors, Supervisors and Senior Management — Senior Management" in this annual report for the biography of Mr. Zhang.

For the year ended December 31, 2021, Mr. Zhang had undertaken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

Shareholders' Rights

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

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

Corporate Governance Report

Putting forward proposals at Shareholders' general meetings

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

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

The contents of a proposal shall (i) be within the scope of duties and responsibilities of the Shareholders' general meeting, (ii) have definite topics and specific matters to be resolved on, and (iii) be in compliance with relevant requirements of the laws, administrative regulations and the Articles of Association.

Putting forward enquiries to the Board and contact details

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

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

Address: 4–5/F, Associate Mission Building
169 Yuanmingyuan Road
Shanghai, PRC
(For the attention of the corporate governance and securities affairs department)

Telephone: 021-60278677

Fax: 021-60272335

Email: dongshihui@zhongan.com

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

Communication with Shareholders and Investors Relations

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. The Company's shareholders communication policies are set out in the Articles of Association. At the Annual General Meeting, Directors (or their delegates as appropriate) will be available to meet Shareholders and answer their enquiries. The Company has conducted a review on the implementation effectiveness of shareholders communication policies.

Changes in Constitutional Documents

The Company's existing Articles of Association, which are available for viewing on the websites of the Company and the Hong Kong Stock Exchange, were approved at the general meeting on December 28, 2021, and became effective on February 21, 2022. There has been no changes to the Articles of Association since then.

Report of Directors

The Board of the Company is pleased to present this Report of Directors together with the consolidated financial statements of the Group for the year ended December 31, 2021.

Directors

The Directors who held office during the year ended December 31, 2021 and up to the Latest Practicable Date are:

Executive Directors:

Yaping Ou *(Chairman)*
Hugo Jin Yi Ou

Non-executive Directors:

Xinyi Han[(1)]
Liangxun Shi
Ming Yin[(2)]
Weibiao Zhan[(3)]
Gang Ji

Independent Non-executive Directors:

Shuang Zhang
Hui Chen
Yifan Li[(4)]
Ying Wu[(5)]
Wei Ou
Vena Wei Yan Cheng

(1) Mr. Xinyi Han resigned as a non-executive Director on October 24, 2021 due to his personal business arrangements.

(2) Mr. Ming Yin resigned as a non-executive Director on April 1, 2021 due to his personal business arrangements.

(3) Mr. Weibiao Zhan resigned as a non-executive Director on March 2, 2022 due to his personal business arrangements.

(4) Mr. Yifan Li resigned as an independent non-executive Director on July 20, 2021 due to his personal business arrangements.

(5) Mr. Ying Wu resigned as an independent non-executive Director on March 23, 2022 due to his personal business arrangements.

Biographical details of the Directors and senior management of the Group are set out in the section headed "Directors, Supervisors and Senior Management" on pages 35 to 41 of this annual report.

Global Offering

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

Principal activities

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

An analysis of the principal activities of the Group during the year ended December 31, 2021 is set out "Message from the Chairman" on pages 5 to 7 and "Management Discussion and Analysis" on pages 10 to 34 of this annual report.

Business review

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

Report of Directors

Principal risks and uncertainties

Since establishment, we have gradually developed and improved a comprehensive risk management system in strict compliance with regulatory requirements and based on the strategic development needs of the Group. The formal implementation of Phase II of the C-ROSS project in 2022 will be a point for us to actively update and further improve the mechanism of our systems, employees, structure, models and data, and elements. In the meantime, we will also comprehensively review, revise and improve the Company's system of risk management, improve capability on risk monitoring and pre-warning to prevent and solve the possible risk in efficiency. The major types of risks facing by the Group include:

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

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

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

Employees

As at December 31, 2021, the Group had 3,791 employees (2020: 3,033). As of December 31, 2021, 2,431 of the Company's employees are primarily based at our headquarters in Shanghai, China, 156 of our employees are based in Hangzhou, China, 242 of our employees are primarily based in Beijing, China, 466 of our employees are primarily based in Shenzhen, China, 187 of our employees are primarily based in Hong Kong, China, and the remaining are primarily based in Dalian (147), Chengdu (7) and Chongqing (4), China. The following table sets forth the number of employees by function as of December 31, 2021:

Function	Number of Employees	% of Total
Management	639	16.9%
Technology	1,836	48.4%
Product Managers	870	22.9%
Operations	446	11.8%
Total	3,791	100.0%

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

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

We believe that we maintain a good working relationship with our employees and we had not experienced any material labor disputes or any difficulty in recruiting staff for our operations during the year ended December 31, 2021 and up to the Latest Practicable Date.

Major customers and suppliers

We define our customers as the insured under our insurance policies, including customers who choose to purchase our products, as well as customers who are allocated with our products by our ecosystem partners. For the year ended December 31, 2021, our top five policyholders combined accounted for approximately 3.3% of our GWP, while our top policyholder accounted for 1.0% of our GWP.

During the year ended December 31, 2021, our top five policyholders were independent third parties.

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

During the year ended December 31, 2021, the Group did not experience any significant disputes with its customers or suppliers.

Financial summary

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

Subsidiaries

Particulars of the Company's subsidiaries are set out in Note 6 to the consolidated financial statements.

Report of Directors

Share capital and Shares issued

Details of the share capital of the Company for the year ended December 31, 2021 is set out in Note 39 to the consolidated financial statements.

Dividends

In order to retain resources for the Group's business development, the Board does not recommend the payment of a final dividend for the year ended December 31, 2021 (2020: nil).

No shareholder has waived or agreed to waive any dividends for the year ended December 31, 2021.

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 December 31, 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 December 31, 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 December 31, 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.

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

As at December 31, 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%

Report of Directors

Name of Shareholder	Class of Shares	Nature of interest	Number of Shares[1]	Approximate percentage in Shares of the same class[2]	Approximate percentage of the Company's total issued share capital[2]
Unifront Holding Limited[7]	H Shares	Beneficial interest	90,000,000	6.34%	6.12%
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 December 31, 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 Invest-ments 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 approxi-mately 50.52%) of Ant Group's total issued Shares, respectively. Hangzhou Yunbo Investment Consulting Co., Ltd. (杭州雲鉑投資諮詢有限公司) ("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.

(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 December 31, 2021.

Directors' rights to acquire shares or debentures

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

Emolument policy and Director's remuneration

In compliance with the CG Code as set out in Appendix 14 to the Listing Rules, the Company has established the Remuneration and Nomination Committee of the Company to formulate remuneration policies. The remuneration is determined and recommended based on each Director's and senior management personnel's qualification, position and seniority. As for the independent non-executive Directors, their remuneration is determined by the Board upon recommendation from the Remuneration and Nomination Committee. Details of the remuneration of the Directors and the five highest paid individuals are set out in Notes 16 and 17 to the consolidated financial statements.

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

Report of Directors

The overall status of related transactions for the year according to industry regulations

In 2021, the Company strictly complied with various requirements issued by the CBIRC and the Company's related party transactions management system which we continue to perfect. The management structure of related party transactions operated effectively, with the Risk Management and Related Transaction Control Committee coordinating the management of related party transactions of the Company, and the Related Party Transaction Management Office handling the daily management and other specific affairs of the related party transactions. In terms of related party transactions process, the pricing of each related party transactions was fair and reasonable, and the identification, review, disclosure and reporting of related party transactions were all legal and compliant. During the Reporting Period, the types of related party transactions that the Company has entered into involve mainly the use of funds between the Company and related parties, insurance business, interest transfer and provision of goods or services.

Connected transactions and continuing connected transactions

During the year ended December 31, 2021, the Group engaged in certain transactions with the following persons that constituted connected transactions and continuing connected transactions ("**Continuing Connected Transactions**") under the Listing Rules.

- Our Directors and Supervisors and certain associates of our Directors and Supervisors: Pursuant to Rules 14A.07(1) and 14A.12 of the Listing Rules, Directors and Supervisors and their associates are connected persons of the Company.

- Mr. Yaping Ou is an executive Director and chairman of the Board. As at December 31, 2021, Mr. Ou is interested in approximately 51.54% of Sinolink Worldwide. Pursuant to Rule 14A.12 of the Listing Rules, Sinolink Worldwide is an associate of Mr. Yaping Ou. Pursuant to Rule 14A.07(4) of the Listing Rules, an "associate" of a director is a "connected person" of the Company. Any transaction between the Company and Sinolink Worldwide and its associates is accordingly a connected transaction.

- Ant Group is considered a "connected person" under the Listing Rules by virtue of it being a substantial Shareholder holding 13.54% of the Shares. Pursuant to Rules 14A.07(1), 14A.07(4) and 14A.12 of the Listing Rules, any transaction between the Company and Ant Group and its subsidiaries are considered as connected transactions.

- By virtue of its controlling the exercise of 10.21% of the voting power of the Company through Tencent Computer System, Tencent is considered a "connected person" and a substantial Shareholder under Rule 14A.07(1) of the Listing Rules. Pursuant to Rule 14A.12 of the Listing Rules, Tencent Computer System and their respective associates are considered as "connected persons" of the Company. Accordingly, any transaction between the Company and Tencent, Tencent Computer System and their respective associates are considered as connected transactions.

- Ping An Insurance is considered a "connected person" under the Listing Rules by virtue of it being a substantial Shareholder holding 10.21% of the Shares. Pursuant to Rules 14A.07(1) and 14A.12 of the Listing Rules, any transaction between the Company and Ping An Insurance and its subsidiaries are considered as connected transactions.

Connected Transactions

Set out below is a summary of the non-exempt connected transactions of the Group for the year ended December 31, 2021, which are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

(1) On April 29, 2021, ZATI, ZhongAn Technology and Sinolink Worldwide entered into a subscription agreement (the "**Sinolink Subscription Agreement**"), pursuant to which Sinolink Worldwide conditionally agreed to invest a total of RMB500 million payable in cash in consideration for 500,000,000 redeemable preference shares in the share capital of ZATI. Following completion of the Sinolink Subscription Agreement, ZATI will continue to be owned by ZhongAn Technology and Sinolink Worldwide as to 51% and 49%, respectively.

For further details of the Sinolink Subscription Agreement, please refer to the announcement of the Company dated April 29, 2021.

(2) On October 27, 2021, ZATI entered into a share purchase agreement (the "**Share Purchase Agreement**") with ZhongAn Technology, Sinolink Worldwide, Warrior Treasure Limited ("**Warrior**") and AIA VCC for a/c of AIA Opportunities Fund — Venture Capital 2021 (the "**Opportunities Fund**"), pursuant to which (i) ZhongAn Technology conditionally agreed to subscribe for 81,735,522 new voting ordinary shares in the share capital of ZATI (the "**ZATI Ordinary Shares**") for a subscription price of approximately US$54 million (the "**First ZhongAn Subscription**"); (ii) Sinolink Worldwide conditionally agreed to subscribe for 74,212,258 new ZATI Ordinary Shares for a subscription price of approximately US$49 million; (iii) Warrior conditionally agreed to subscribe for 15,145,358 new ZATI Ordinary

Shares for a subscription price of approximately US$10 million; and (iv) the Opportunities Fund conditionally agreed to subscribe for 75,726,794 new ZATI Ordinary Shares for a subscription price of approximately US$50 million. In addition, the Opportunities Fund conditionally agreed to subscribe for the a warrant to be issued by ZATI to the Opportunities Fund to, subject to any legal or regulatory consents/approvals required, purchase up to 75,726,794 new ZATI Ordinary Shares for a total exercise price of up to US$50 million.

During a period from the date of the Share Purchase Agreement to June 30, 2022, ZATI may also, at one or more Subsequent Closings and subject to any legal or regulatory consents/approvals required, consummate the issuance and sale of: (i) 105,088,530 new ZATI Ordinary Shares to ZhongAn Technology at the Purchase Price Per Share and for a subscription price of approximately US$69 million (the "**Second ZhongAn Subscription**"); and (ii) up to 227,180,382 new ZATI Ordinary Shares to any of its shareholders and/or new investors selected by ZATI in its sole and absolute direction at the purchase price per ZATI Ordinary Share of US$0.66 and on substantially the same terms and conditions as set forth in the Transaction Documents (as defined in the announcement of the Company dated October 27, 2021).

For further details of the Share Purchase Agreement, please refer to the announcement of the Company dated October 27, 2021.

Continuing Connected Transactions

Set out below is a summary of the non-exempt Continuing Connected Transactions of the Company for the year ended December 31, 2021, which are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

1. Continuing connected transactions with Sinolink Worldwide and its subsidiaries

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

We and Sinolink Worldwide entered into a framework agreement for the provision of corporate insurance products by us to Sinolink Worldwide ("**Previous Insurance Products Framework Agreement**"). The Previous Insurance Products Framework Agreement commenced on the Listing Date and was terminated with effect from April 20, 2020 when the Company and Sinolink Worldwide entered into a new framework agreement on April 21, 2020 (the "**New Insurance Products Framework Agreement**"). The term of the New Insurance Products Framework Agreement commenced on April 21, 2020 and will expire on December 31, 2022. Relevant subsidiaries which are subsidiaries of Sinolink Worldwide will enter into separate agreements with us which will set out the specific terms and conditions (including pricing) according to normal commercial terms.

Further details of the New Insurance Products Framework Agreement are set out in the announcement of the Company dated April 21, 2020.

Report of Directors

Reasons for the Transaction

The Company is one of only four companies with an online insurance license in China and it is in the ordinary course of the Company's business to provide innovative corporate insurance products to all types of organizations. Sinolink Worldwide and its subsidiaries conduct a variety of financial services that require the Company's insurance service. By entering into the New Insurance Products Framework Agreement, the Company can continue to utilize the resources and capabilities to expand its business into the financial industry.

Pricing Policies

The premiums received by us are comparable to those paid by independent third parties for similar types of insurance products or to the prevailing market prices. For pricing of the premiums, we take into account the risk portfolio of the product itself, the product expense ratio and market competitive prices. They are determined after careful examination and verification by our business management committee of the department. Members of the committee conduct market analysis and various other procedures to determine all aspects of the product including the pricing. These prices must conform with the terms and regulations set by our Company and be approved by other relevant departments such as the actuary department and the operations management center. Premium rates of these products are either approved by or filed with the CBIRC.

The below table sets out the comparison between the annual cap and actual transaction amount of the continuing connected transactions with Sinolink Worldwide and its subsidiaries for the year ended December 31, 2021:

Name	Type of transaction	Annual cap for the year ended December 31, 2021 (RMB thousand)	Transaction amount for the year ended December 31, 2021 (RMB thousand)
Sinolink Worldwide and its subsidiaries	Provision of insurance products to Sinolink Worldwide and its subsidiaries by us	52,000	105

2. Continuing connected transactions with Associates of Tencent

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

The following agreements we have entered into with associates of Tencent were in force during the Reporting Period:

(i) an agreement with Tencent Technology entered into on June 16, 2021, pursuant to which the Company agreed to provide comprehensive insurance services to employees of Tencent Technology; and

(ii) an agreement entered into on June 16, 2021 with Tencent Ruideming, which is a connected person of the Company, pursuant to which the Company agreed to provide medical healthcare, disease and accident insurance policy for employees of Tencent Ruideming and their immediate family members.

Each agreement has a duration of one year. The agreements provide different insurance plans for different levels of employees of these entities. Each plan has its specific premium calculations, and injury and disability assessment standards. We receive a premium from associates of Tencent according to the premium schedule under each plan. Further details of the agreements are set out in the announcement of the Company dated June 16, 2021.

Reasons for the Transaction

It is in the ordinary course of our business to provide different types of insurance products to a wide range of clients. This includes corporate clients that purchase insurance plans for their employees. It is beneficial to the Company to provide these insurance products to large corporations that have a large number of employees, such as Tencent and its associates.

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

Pricing Policies

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

(b) Insurance agent business with WeBank

On May 19, 2020, the Company entered into an insurance agent business agreement with WeBank, which is a connected person of the Company, to develop insurance agent business. On May 21, 2021, the Company entered into a supplemental agreement with WeBank to amend the terms of the insurance agent business agreement. Pursuant to the agreements, WeBank agreed to act as the Company's insurance agent for the (i) sale of the Company's various insurance products to the public; (ii) collection of premiums under the relevant insurance products; and (iii) provision of renewal service under the relevant insurance products, and the Company agreed to pay to WeBank commissions as determined according to specific insurance products entered into under the agreements. The agreement has a term of three years from May 23, 2020 to October 18, 2022.

Further details of the agreements are set out in the announcements of the Company dated May 21, 2021 and December 17, 2021.

Reasons for the Transaction

It is in the ordinary course of the Company's business to provide different types of insurance products to a wide range of clients. It is also in the normal course of business of the Company to enter into agency agreements with independent third parties for the promotion and sale of the Company's insurance products. The Company considers that the cooperation with WeBank is beneficial for the Company to reach a wider base of customers and provide insurance service for Internet customers through cooperation with Webank. The Company anticipates that the amount of insurance products sold by WeBank will continue to increase, and hence will bring more revenue for the Company engaging WeBank as an agent to sell the Company's insurance products.

Pricing Policies

Given the premiums to be collected by WeBank from its end customers on behalf of the Company differ according to particular insurance products under the agreements, the commissions payable to WeBank are therefore calculated with reference to the amount of insurance products sold by WeBank. The commission rate payable to WeBank is fair and reasonable and in normal commercial terms reflecting the industry norm as the rates are comparable to the market rates paid to other independent third parties that provide agency services for the Company, subject to particular insurance products and business scale.

Report of Directors

The below table sets out the comparison between the annual cap and annual transaction amount of the continuing connected transactions with Tencent's associates for the year ended December 31, 2021:

Name	Type of transaction	Annual cap for the year ended December 31, 2021 (RMB thousand)	Transaction amount for the year ended December 31, 2021 (RMB thousand)
Associates of Tencent	Provision of insurance products to associates of Tencent by us	30,000[1]	23,605
	Insurance agent business with WeBank	53,000[2]	48,914

Note:

1. The annual cap for the year ended December 31, 2021 was revised during the year ended December 31, 2021. Please refer to the announcement of the Company dated June 16, 2021 for further details.

2. The annual cap for the year ended December 31, 2021 was revised during the year ended December 31, 2021. Please refer to the announcement of the Company dated December 17, 2021 for further details.

3. Continuing connected transactions with Ping An Group

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

The asset management agreement we entered into with Ping An Asset Management, a subsidiary of Ping An Insurance, on January 13, 2014 (as amended by the supplemental agreement entered into on September 6, 2017) was in force during the Reporting Period, pursuant to which Ping An Asset Management agreed to provide asset management services to us.

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

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

Reasons for the Transaction

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

Pricing Policies

The pricing of the asset management services is determined at a market rate or as agreed by both parties after arm's length negotiations having regard to the amount of asset management services required by us and the prices for comparable services charged by other asset management service providers. We will only enter into these transactions when the management fees charged by Ping An Group are in line with or lower than the rates offered by other competent and independent third party service providers and the agreement is in the best interests of our Shareholders as a whole. Under arrangements in force during the year ended December 31, 2021, the annual management fees chargeable by Ping An Asset Management (inclusive of investment management fees and custodian fees) are less than 0.5% of the total value of our assets that we engage them to manage, which are comparable to or less than the fees charged by independent third parties for similar asset management services.

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

On January 25, 2015, we entered into a five years term of co-insurance agreement with Ping An P&C, a subsidiary of Ping An Insurance, to provide auto co-insurance to the public (the "**Auto Co-insurance Cooperation Agreement**"). The Company entered into an agreement dated January 1, 2018 with Ping An P&C to amend the Auto Co-insurance Cooperation Agreement (the "**Amendment Agreement**", and together with the Auto Co-insurance Cooperation Agreement, the "**Previous Auto Co-insurance Cooperation Agreement**"), pursuant to which the premiums and claim payments shared between us and Ping An P&C will be amended from a proportion of 30%: 70%, respectively, to a proportion of 50%: 50%, effective on January 1, 2018. The Previous Auto Co-insurance Cooperation Agreement was terminated with effect from January 1, 2020 when the Company and Ping An P&C entered into new agreements on November 8, 2019 (the "**New Auto Co-insurance Cooperation Agreements**"). The term of the New Auto Co-insurance Cooperation Agreements commenced on January 1, 2020 and will expire on December 31, 2022.

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

Further details of the New Auto Co-insurance Cooperation Agreements are set out in the announcement of the Company dated November 8, 2019.

Reasons for the Transaction

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

Pricing Policies

The auto insurance premiums are heavily regulated in the PRC and the premium charged under the cooperation agreement is determined at a market rate and approved by the CBIRC. They are determined after careful examination and verification by the business management committee of the department. Members of the committee conduct market analysis and various other procedures to determine all aspects of the product including the pricing. These prices must conform with the terms and regulations set by our Company and be approved by other relevant departments such as the actuary department and the operations management center. The premium and claim payment sharing ratio between us and Ping An Group is agreed by both parties after arm's length negotiations having regard to the fact that Ping An Group will be responsible for the daily operations of the agreement including receiving reports of claims, investigating the claims and maintaining customer records. Under the current agreement, the ratio in which premiums and claims are shared is 50% and 50% between Ping An P&C and us, respectively.

Report of Directors

The below table sets out the comparison between the annual cap and actual transaction amount of the continuing connected transactions with the Ping An Group for the year ended December 31, 2021:

Name	Type of transaction	Annual cap for the year ended December 31, 2021 (RMB thousand)	Transaction amount for the year ended December 31, 2021 (RMB thousand)
Ping An Group	Cooperation agreement for the provision of auto co-insurance	2,137,850	941,851
	Provision of asset management services provided by Ping An Asset Management to us	160,000	62,091

4. Continuing connected transaction with Ant Group and its associates

Online platform cooperation agreement between Ant Group and its associates and us

On September 11, 2017, we and Ant Group entered into an online platform cooperation framework agreement for the provision of insurance products to various parties ("**Previous Online Platform Cooperation Framework Agreement**"). As a provider of online insurance products, we use online platforms operated by Ant Group and its associates to sell various insurance products to end users of their online platforms in our ordinary course of business. The Previous Online Platform Cooperation Framework Agreement was terminated with effect from January 1, 2021 when the Company and Ant Group entered into a new agreement on November 27, 2020 (the "**New Online Platform Cooperation Framework Agreement**"). The New Online Platform Cooperation Framework Agreement was for a term of one year from January 1, 2021 to December 31, 2021.

Relevant subsidiaries of Ant Group will enter into separate agreements with us which will set out the specific terms and conditions (including pricing) according to normal commercial terms provided in the New Online Platform Cooperation Framework Agreement.

Further details of the New Online Platform Cooperation Framework Agreement are set out in the announcement of the Company dated November 27, 2020.

Reasons for the Transaction

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

Pricing Policies

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

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

Currently the platform service fees charged by Ant Group and its associates are comparable to fees charged by Ant Group to other independent third parties. The fees are calculated with reference to the total premium we receive from the insurance products sold through such platforms. The calculation is either based on (a) a fixed rate of the total premium; or (b) a formula based on the actual settlement claim in relation to the insurance products.

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

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

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

The below table sets out the comparison between the annual cap and actual transaction amount of the continuing connected transactions with Ant Group for the year ended December 31, 2021:

Name	Type of transaction	Annual cap for the year ended December 31, 2021 (RMB thousand)	Transaction amount for the year ended December 31, 2021 (RMB thousand)
Ant Group	Online platform cooperation agreement between Ant Group and its associates and us	3,050,000	1,300,842

Confirmation from Independent Non-executive Directors

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

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

(ii) on normal commercial terms or better; and

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

Confirmations from the Company's Independent Auditor

PricewaterhouseCoopers, the auditor of the Company, has confirmed in a letter to the Board that, with respect to the aforesaid Continuing Connected Transactions entered into in the year ended December 31, 2021:

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

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

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

(d) with respect to the aggregate amount of each of the Continuing Connected Transactions, nothing has come to their attention that causes PricewaterhouseCoopers to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

During the year ended December 31, 2021, save as disclosed in the sections headed "Connected Transactions" and "Continuing Connected Transactions" of this annual report, no related party transactions disclosed in Note 49 to the financial statements constituted a connected transaction or continuing connected transaction which should be disclosed pursuant to the Listing Rules. The Company has complied with the disclosure requirements prescribed in Chapter 14A of the Listing Rules with respect to the Continuing Connected Transactions entered into by the Group during the year under review.

Material litigation

The Group was not involved in any material litigation or arbitration during the year ended December 31, 2021. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group during the year ended December 31, 2021.

Report of Directors

Distributable reserves

Details of the movements in the reserves of the Company during the year ended December 31, 2021 are set out in Note 40 to the financial statements. There are no reserves available for distribution to Shareholders as at December 31, 2021.

Debentures

On July 9, 2020, the Company entered into a subscription agreement with various financial institutions in connection with the issue of USD600,000,000 3.125% Notes due 2025 (the "**2025 Notes**"). The 2025 Notes are listed on the Hong Kong Stock Exchange. For further details, please refer to the announcements of the Company dated July 10, 2020 and July 16, 2020 (the "**2025 Notes Announcements**").

On August 31, 2020, the Company entered into a subscription agreement with various financial institutions in connection with the issue of USD300,000,000 3.50% Notes due 2026 (the "**2026 Notes**"). The 2026 Notes are listed on the Hong Kong Stock Exchange. For further details, please refer to the announcements of the Company dated September 1, 2020, September 8, 2020 and October 9, 2020 (the "**2026 Notes Announcements**").

Save as disclosed in this annual report, the Company did not issue any debenture during the Reporting Period and up to the Latest Practicable Date.

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 2025 Notes. As at December 31, 2021, the Group had used approximately RMB6,281.58 million (equivalent to approximately USD912 million) of the proceeds from the 2025 Notes and 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 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 December 31, 2021, the Group had used approximately RMB6,281.58 million (equivalent to approximately USD912 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 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.

Charitable and other donations

Details of the charitable and other donations made by the Group during the year ended December 31, 2021 are set out in the section headed "Environmental, Social and Governance (ESG) Report" of this annual report.

Share options

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

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 referred to as "**Subsidiary Share Option Schemes**") 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 Schemes.

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 and/or subsidiaries of ZATI; (c) any consultants or service providers (whether professional or otherwise and whether on contractual, honorary basis or otherwise and whether paid or unpaid) who provide support to ZATI (where such consultants and service providers possess special skills or technical knowledge to fill the void currently experienced by ZATI 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 and/or subsidiaries of ZA Life; (c) any consultants or service providers (whether professional or otherwise and whether on contractual or honorary basis or otherwise and whether paid or unpaid) who provide support to ZA Life (where such consultants and service providers possess special skills or technical knowledge to fill the void currently experienced by ZA Life group and is beneficial to ZA Life's continuing development in the insurance sector); and (d) any full-time or part-time employees 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 and/or subsidiaries of ZA Tech; 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 the business development of ZATI, ZA Life and ZA Tech, respectively, and/or the Group. The board of directors of each 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.

Report of Directors

The maximum aggregate number of shares which may be issued upon exercise of share options granted and yet to be exercised under a Subsidiary Share Option Scheme must not exceed ten (10) percent 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 Latest Practicable Date, 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. No share options may be granted under the respective Subsidiary Share Option Scheme if this will result in such limit being exceeded.

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

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 (or 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 offer in respect of 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.

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. The remaining life of the respective Subsidiary Share Option Scheme is approximately 8 years and 9 months.

Details of the movements of the options granted under the Subsidiary Share Options Schemes during the year ended December 31, 2021 are as follows:

(i) ZATI Share Option Scheme

				Number of ZATI shares comprised in options						
Grantee	Date of grant	Exercise period	Exercise price	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 December 31, 2021	Closing price per share before the date of grant	
Employees	December 31, 2020	December 31, 2020 to December 30, 2030	HK$ 1.3418	109,951,100	—	127,050	8,029,600	101,794,450	N/A	Note
Employees	June 25, 2021	June 25, 2021 to June 24, 2031	HK$ 1.3418	—	41,615,370	—	400,000	41,215,370	N/A	Note
Other consultants who provided services to the ZATI group	June 25, 2021	June 25, 2021 to June 24, 2031	HK$ 1.3418	—	2,303,000	—	—	2,303,000	N/A	Note
Total				109,951,100	43,918,370	127,050	8,429,600	145,312,820		

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.

(ii) ZA Life Share Option Scheme

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	
				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 December 31, 2021		
Employees	December 31, 2020	December 31, 2020 to December 30, 2030	HK$ 1.171	27,484,500	—	—	2,475,000	25,009,500	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	—	2,475,000	25,849,500		

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

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	
				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 December 31, 2021		
Employees	December 31, 2020	December 31, 2020 to December 30, 2030	HK$ 9.3989	2,268,000	—	102,500	47,500	2,118,000	N/A	Note
Employees	June 25, 2021	June 25, 2021 to June 24, 2031	HK$ 9.3989	—	762,000	—	—	762,000	N/A	Note
Total				2,268,000	762,000	102,500	47,500	2,880,000		

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 for the year ended December 31, 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.

Report of Directors

Property, plant and equipment

Details of movements in the property, plant and equipment of the Company and the Group during the year ended December 31, 2021 are set out in Note 35 to the consolidated financial statements.

Pre-emptive rights

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

Tax relief

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

Purchase, sale or redemption of listed securities of the Company

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the year ended December 31, 2021.

Management contracts

No contract, concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended December 31, 2021.

Service contracts of Directors and Supervisors

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

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

The Company entered into service contracts with Directors of the third session of the Board in November 2019 and will enter into service contracts with new Directors when they are appointed. Terms, duties, renumeration packages, confidentiality duties of Directors and commencement and termination of contracts were detailed in the respective service contracts.

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

Save as disclosed in the section headed "Connected transactions and continuing connected transactions", none of the Directors and Supervisors nor any entity connected with the Directors and/or Supervisors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during or at the end of the year ended December 31, 2021.

Directors' and Supervisors' interests in competing business

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

Permitted indemnity

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

Environmental policies and performance

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

Compliance with the relevant laws and regulations

As far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended December 31, 2021, there was no material breach of, or non-compliance with, applicable laws and regulations by the Group.

Auditor

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

Sufficiency of public float

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the Latest Practicable Date, at all times during the year ended December 31, 2021, not less than 25% of the issued share capital of the Company (being the public float applicable to the shares of the Company) were held in public hands.

By the order of the Board
Yaping Ou
Chairman

March 23, 2022

Report of the Supervisory Committee

The work of the Supervisory Committee

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

No.	Class of Supervisors	Date of appointment	Name	Meetings required to attend	Meetings attended	Meetings attended by proxies	% of attendance
1	Shareholder Representative Supervisor	November 29, 2013	Yuping Wen	8	8	0	100%
2	Shareholder Representative Supervisor	November 14, 2014	Baoyan Gan	8	7	1	87.5%
3	Employee Representative Supervisor	May 14, 2018	Haijiao Liu	8	8	0	100%

Independent opinion on relevant issues from the Supervisory Committee

(1) Lawful operation

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

(2) Authenticity of the financial statements

PricewaterhouseCoopers has issued the standard unqualified auditor's reports in accordance with Hong Kong Standards on Auditing on the Company's financial statements for 2021. The consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2021. And of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standard ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

(3) Use of proceeds

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

(4) Connected-party transactions

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

(5) Internal control system

During the Reporting Period, management of the Company paid great attention to the establishment of internal control system. The Company has set up a relatively complete, rational and effective internal control system, and has continued to improve its internal control management. In 2021, the Supervisory Committee has heard and reviewed the Resolution on Management Letter of the Company for 2020 (《關於公司2020年度管理建議書的議案》) and the Resolution on "Internal Control Audit Report and Management Letter on Insurance Fund Application of the Company for 2020" (《關於<公司2020年度保險資金運用內控審計報告及管理建議書>的議案》) etc., and considered that the Company has set up a relatively complete, rational and effective internal control system.

(6) Assessment on the performance of duties by Directors

During the Reporting Period, all the Supervisors reviewed and approved the Resolution on "the Due Diligence Report of the Directors of the Company for 2020" and the Resolution on "the Due Diligence Report of the Independent Directors of the Company for 2020", and made an assessment on the composition of the Board and the professional committees of the Board, Directors' attendance at meetings, Directors' voting and opinions and participation in training, etc. The Supervisory Committee agreed that all the Directors of the Company in 2021 proactively participated in Board meetings and meetings of the professional committees and expressed their opinions, and members of the professional committees of the Board fully fulfilled their professional responsibilities and provided professional opinions and recommendations to the Board on its decisions.

(7) Implementation of the resolutions approved by the general meetings

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

(8) Annual supervisor investigation

In November and December 2021, the members of the Supervisory Committee participated in the annual director and supervisor investigation activity organized by the Company. Supervisors listened to reports including Report on the Comprehensive Risk Management for the First Three Quarters of 2021, the Report on Legal Compliance of 2021 (《2021年法律合規工作匯報》), the Report on IFRS 17 Project (《IFRS 17項目匯報》), the Report on Internal Audit (《內部審計工作情況》) and the Report on Related Transactions (《關聯交易情況》), and comprehensively reviewed the works including risk management, legal compliance, financial accounting and internal audit, which laid a solid foundation for the Supervisory Committee to actively perform its supervision duty in the future.

Environmental, Social and Governance (ESG) Report

Environmental, Social and Governance (ESG) Report

1. About this ESG Report

This environmental, social and governance report ("ESG report") is prepared by ZhongAn Online P & C Insurance Co., Ltd. and its subsidiaries ("ZhongAn" or the "Group") in accordance with the ESG Reporting Guide as set out in Appendix 27 of the Listing Rules. This ESG report outlines the principles and sustainability philosophy of the Group in fulfilling its corporate social responsibility ("CSR"), summarising the affairs between the Group and the majority of its stakeholders with the aim to provide them with a comprehensive picture of the Group's environmental, social and governance policies, initiatives and performance besides financial performance.

Reporting period and boundary

This ESG Report covers the Group's practices in sustainable development and its overall achievement in fulfilling CSR during the period from January 1, 2021 to December 31, 2021 (the "Year"). Unless otherwise specified, the scope of this ESG Report includes core businesses directly controlled by ZhongAn, and the "Group" stated in this ESG Report refers to ZhongAn and its subsidiaries.

Reporting principles

The Company prepares the ESG report based on the following three reporting principles:

Importance	The Company's ESG management principles are designed to focus on key areas that are deemed to have a significant impact on the Company. These key areas will be described in the section headed "Communications with stakeholders and assessment of the importance " in the ESG report.
Quantification	Where applicable, the disclosures are presented in a measurable format, with an explanation of the calculation method and the source of the conversion factors used when the key performance is disclosed.
Consistency	Using the same ESG reporting framework to count and calculate the key performance of the annual ESG report so that meaningful comparisons can be made.

Reporting language

This ESG Report is published in Traditional Chinese and English versions. If there is any ambiguity in their contents, the content in the Traditional Chinese version shall prevail.

Contact information

For more details of the Group's corporate governance, please refer to the section headed "Corporate Governance Report" set out in this annual report and the official website of ZhongAn at https://www.zhongan.com/. Your opinions on this ESG Report are very important to us. If you have any enquiries or recommendations, please contact us via e-mail at dongshihui@zhongan.com.

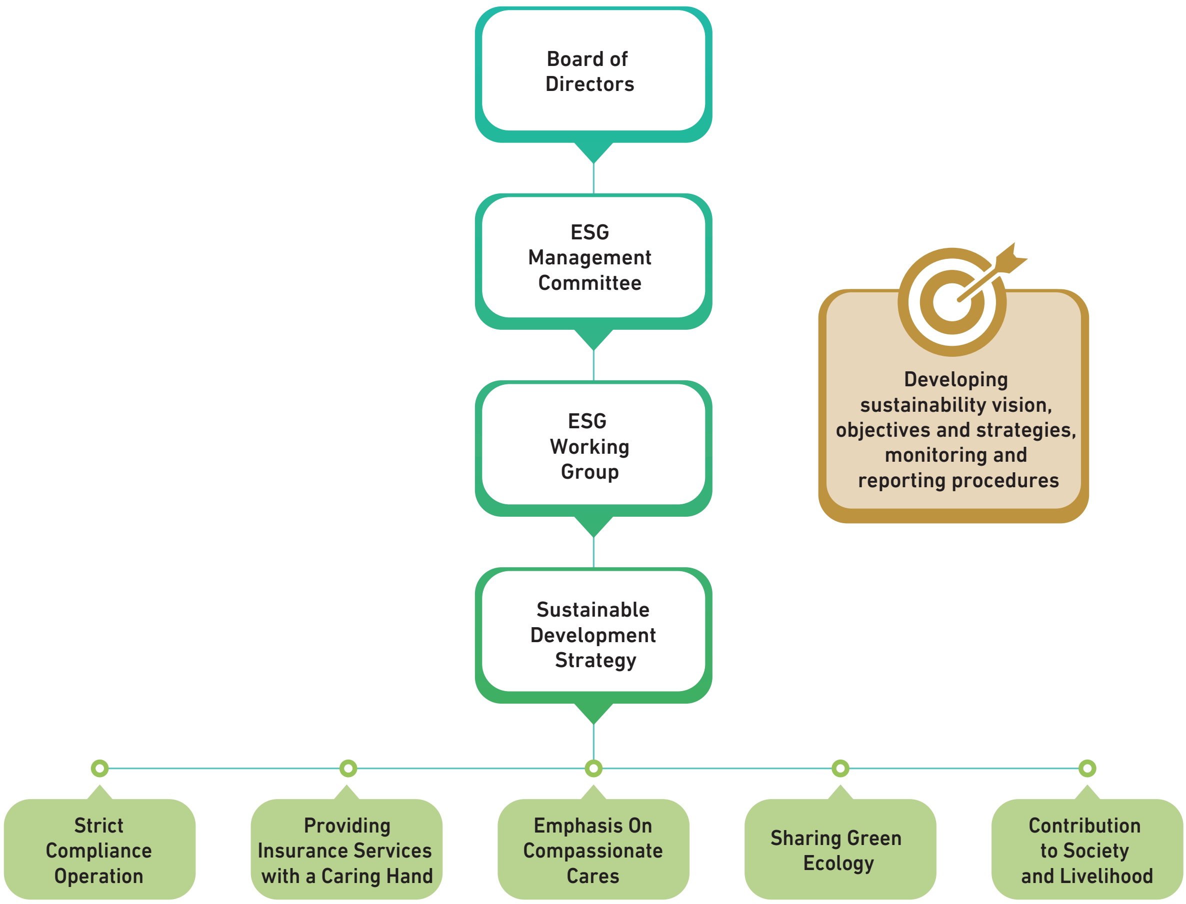
2. About ZhongAn Online

2.1 Company overview

We are the first Internet insurance company in China, which opened on 6 November 2013 and is headquartered in Shanghai. Our mission is "empowering the finance business with technologies and providing insurance services with a caring hand". Our strategy is driven by the dual engines of "insurance + technology", insisting on the deep integration of technology and insurance in the whole process, and using technology to empower the insurance value chain. We are guided by the ecosystem, through ecosystem partners and our own platform, meet the diversified security needs of users from the Internet life of users, and create value for users. At the same time, we verify and iterate our technological capabilities during the operation of insurance business, empower the Internet insurance industry with the output of insurance technology, and assist industry participants to achieve digital transformation.

2.2. The strategies and guidelines of ESG

ZhongAn appreciates that effective strategies of ESG are the foundation for the sustainable development of the Group. As such, the ESG Management Committee and ESG working group have been established with clear terms of reference to facilitate the Board's discussions on ESG approach and strategy, including the process of evaluating, prioritizing and managing material ESG-related issues (including risks to the issuer's businesses). The Company has established a clear target system for key performance indicators, and reviewed the progress according to the targets to achieve the benign development of ESG. The ESG Management Committee of the Company is chaired by Xing Jiang, who is the Chief Executive Officer of the Group. Yongbo Zhang is the vice-chairman of the ESG Management Committee, who is the vice general manager, chief legal officer, chief risk management officer, and compliance director of the Group. While there are also members of the ESG Management Committee comprising of persons-in-charge and representatives from various major departments. The working group includes staff from various functional departments to carry out specific ESG work.



Environmental, Social and Governance (ESG) Report

The ESG Management Committee's main responsibilities are as follows:

- ➢ Formulate and review ESG-related strategies and management approaches;
- ➢ Monitor and manage ESG issues and associated risks;
- ➢ Set targets and start to collect the appropriate and relevant data at regular interval in order to review their effectiveness;
- ➢ Ensure that the Group meets the relevant legal and regulatory requirements, observing and responding to the latest environmental, social and governance issues, and when appropriate, relevant recommendations will be made to the Board to enhance the Group's environmental, social and governance performance;
- ➢ Coordinate the development of ESG-related work.

The ESG Working Group's main responsibilities are as follows:

- ➢ Formulate and implement ESG-related policies and procedures;
- ➢ Monitor and track the progress of established goals and initiatives;
- ➢ Provide feedback to the ESG Management Committee.

The Group strictly complies with the environmental protection laws and regulations where it operates, while also proactively reduces its direct and indirect emissions of air pollutants, greenhouse gases and other ozone-depleting substances, and sets specific targets of emissions reduction, reviews its targets step by step, paying continuous attention to improvement process, in order to make great strides towards improvement of the environmental, social and governance measures and performance.

2.3. Assessment of the importance

Communication with each of the stakeholders is a matter of great importance to the Group. While developing our business, we are also committed to integrating environmental, social and governance strategies into all the Group's businesses, products and services, with the goal of creating green operations, co-building a harmonious society and responsible economic operations. During the Year, we had identified six major stakeholder types - namely shareholders and investors, regulatory authorities, customers, employees, business partners and non-governmental organizations. We listen with an openminded and proactive attitude towards the expectations and aspirations of stakeholders, and in response to their needs put into action our key ESG issues and set corresponding goals, thereby formulating the Group's sustainable development strategy.

Major stakeholders	Expectations and aspirations	Main communication methods
Shareholders and investors	➢ Operational compliance ➢ Return on investment ➢ Protection of shareholder's rights ➢ Correctness and timeliness of information disclosure	➢ General meetings ➢ Annual reports, announcements, etc. information in the public domain ➢ Shareholders attending live events ➢ Telephone/email enquiry through website ➢ "Investor relations" column ➢ Investor's resolution
Regulatory authorities	➢ Maintaining financial stability ➢ Promoting economic development ➢ Supporting community livelihood	➢ Compliance reports ➢ Responses to public consultation in writing ➢ Involvement in community activities
Customers	➢ Providing convenient, fast and quality insurance services ➢ Improving user satisfaction ➢ Product liability	➢ Website and emails of the Group ➢ Hotline ➢ Customer service centre ➢ Customer satisfaction survey and opinion form ➢ Online service platform ➢ Daily operation/exchange
Employees	➢ Stable employment ➢ Reasonable staff benefits ➢ Safe working environment ➢ Vocational training ➢ Career development and opportunities	➢ Performance assessment ➢ Staff activities ➢ Training and Seminar ➢ Employee research ➢ Employee representative conference
Business partners/ suppliers	➢ Integrity and mutual benefit ➢ Fair purchase	➢ Supplier evaluation system ➢ On-site visits Meetings
Community/Environment/ Non-governmental, organizations	➢ Job opportunities ➢ Promoting social harmony ➢ Supporting charity activities ➢ Reduce pollutants and greenhouse emissions	➢ Charity activities ➢ Seminars/lectures/workshops ➢ Environmental protection campaigns

Environmental, Social and Governance (ESG) Report

We communicate with these different types of stakeholders through a variety of channels to help us understand their opinions and expectations towards the Group, building the long-term relationships and mutual trust needed to determine the scope of this ESG Report. Furthermore, through this communication, we can understand in a timely manner the views and expectations of investors and the capital market towards the Group. We arrange for the management and staff of various departments of the Company to review their operation, identify relevant ESG issues in their functions and coordinate with ESG goals. After submitting to the Board and management for analysis and discussion, and assessing the importance and relevance of these ESG issues to the Company, the results of the materiality assessment are as follows:

Environment

1. Compliance operation
2. Greehouse gas emissions
3. Air pollution
4. Hazardous/ non-hazardous waste management
5. Energy use
6. Water resource
7. Sewage disposal

Employee

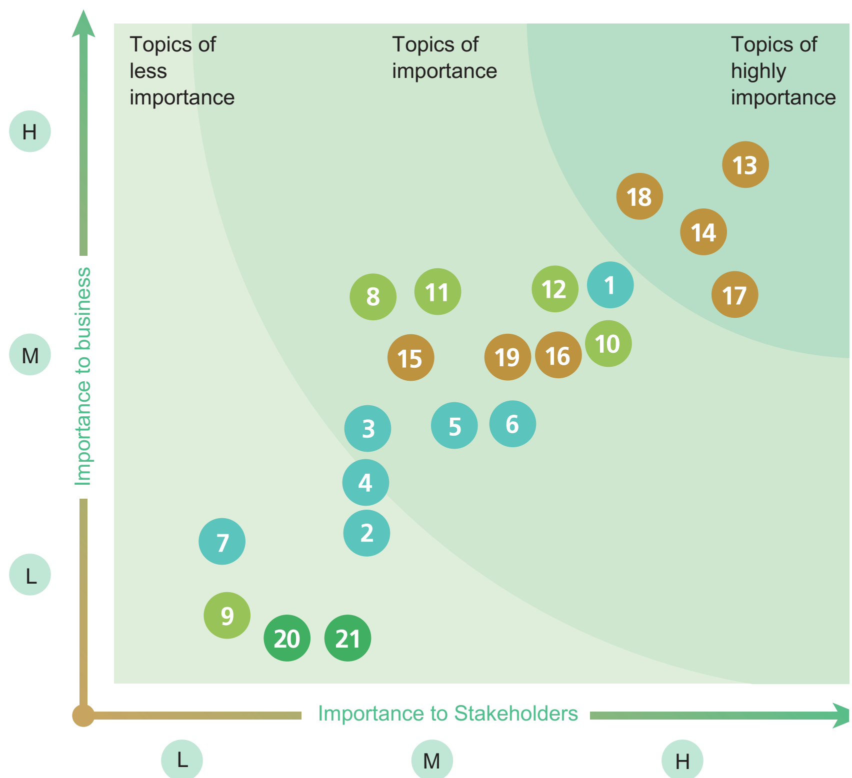
8. Salary and welfare
9. Health and safe
10. Training and development
11. Corporate culture
12. Career development

Business

13. Reasonable payout
14. Claim disposal
15. Intellectual property
16. Supplier chain management
17. Consumer Privacy
18. Anti-money laundering and anti-corruption
19. Brand reputation

Community

20. Community service
21. Charity



On the basis of these results, the Company will continuously improve its ESG performance to meet the expectations of stakeholders, and respond to corporate risks challenges. We have categorised the details of our ESG work and key performance indicators that are considered relevant to the Company as per the Guide into the five areas: "Strict Operational Compliance", "Technology Leader in the Insurance Industry—Providing Insurance Services with a Caring Hand", "Humanistic Care", "Sharing Green Ecology" and "Contribution to Society and Livelihood". These areas are integrated in the development of our business to attain a sustainable future in our operations.

3. Strict Compliance Operation

The Company's business purpose: to operate in an innovative and standardized manner, create the best economic benefits and corporate value in an efficient, pragmatic and steady manner, and create a satisfactory return on investment for all shareholders under the supervision and guidance of the relevant national supervision and management agencies in accordance with the provisions of national laws, regulations, relevant administrative rules and the modern enterprise system. At the same time, through fair competition and providing high-quality services, we will provide long-term, comprehensive, professional and reliable financial security and security plans for consumers and residents, serve the development of China's property insurance industry and the harmony and stability of the society.

3.1. Compliance operation

Contract management

In order to promote the standardized management of the Group's system, ensure the scientificity, systematicness and completeness of the system, and to establish a perfect management system, in accordance with the laws and regulations of the People's Republic of China, the relevant regulations of the China Insurance Regulatory Commission the actual situation of the Company, the "Administrative Measures for Insurance Contracts"(《保險合同管理辦法》) has been formulated.

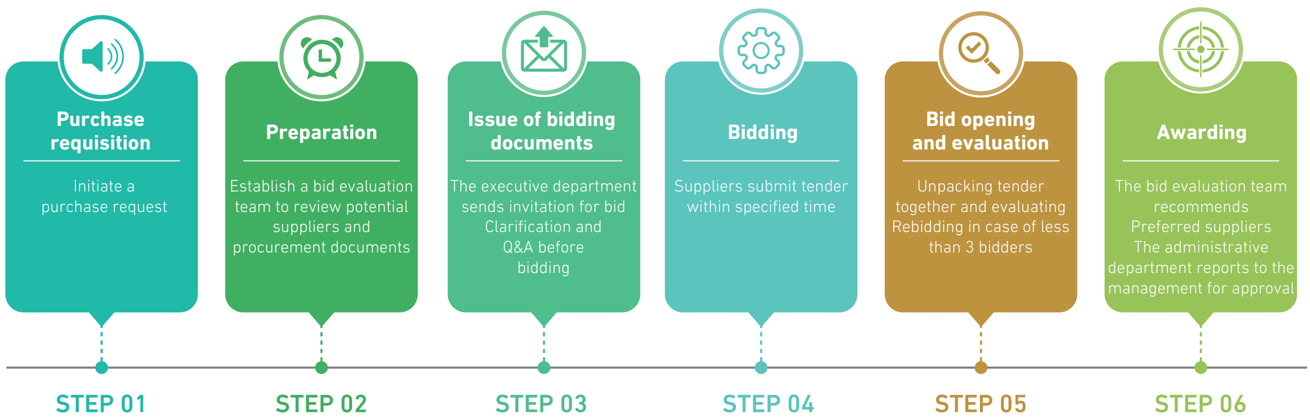
This regulation clarifies that the responsible department for contract management is the legal and compliance department. In order to prevent and control risks, before entering into a contract, the subject qualification, credit capability and contractual capacity of the contract party should be investigated, and determine whether it is a connected transaction. If it is a connected transaction, it shall be implemented in accordance with the relevant regulations of the China Insurance Regulatory Commission and the "Administrative Regulations of Connected Transactions" of the Company. If the other party needs the necessary administrative license or specific qualifications (such as insurance brokers, agents, etc.) to perform the contract, a copy of the qualification certificate stamped with the seal of the other party should be obtained. When entering into the contract, the handling personnel shall require the other party to provide a copy of the business license of the latest annual inspection with official seal and other necessary materials provided by the other party according to different situations. The handling personnel shall be responsible for checking whether the name of the enterprise on the copy of the business license is consistent with the name of the official seal, and checking the validity period of the business license. In terms of contract performance, the contract agreements should be strictly abided by. Contract performance should be actively followed up. For possible breaches of contract, the legal and compliance department should be consulted in a timely manner to take corresponding countermeasures.

Supply chain management

In order to promote standard management of procurement activities at ZhongAn, improve work efficiency and quality of procurement, reduce procurement costs effectively, and ensure that procurement workflows progress as expected, the Group formulated the "Procurement Management Policy" (《採購制度管理規定》) based on the actual situation of the Company. Procurement activities shall follow the basic principles of openness, transparency, fair competition, justice, efficiency and benefits. The routine procurement work and the execution of supplier management is the responsibility of ZhongAn's administrative management department, who is responsible for the establishment of a procurement governance structure, implementing supplier management procedures such as new-join review approval, classification by type and by their ratings, suppliers' assessment and supply monitoring, etc. In choosing suppliers, the Group take into consideration factors including their qualifications, quotations, service abilities, service timeliness and designs of their service plans. Furthermore, we proactively enquire and evaluate the social responsibility undertaking of suppliers, so as to enhance suppliers' awareness of responsibility. Since 2019, the Group has required each member of the procurement review panel to sign a "Commitment Letter for Evaluation Integrity" (《評審廉潔承諾書》), that requires the signees to make a promise to abide by the principles of "Professionalism, Independence, Objectivity and Fairness, Faithfulness and Integrity" while discharging their project tender evaluation duties.

Environmental, Social and Governance (ESG) Report

ZhongAn's Bidding Procedure



We regularly evaluate and supervise suppliers in terms of product and service quality, efficiency, customer service and service stability and strive to build a sustainable supply chain. ZhongAn manages a blacklist of suppliers who provided false information, failed to fulfil the stipulations in bidding or quotation documents and contracts, provided products or services with serious quality defects, or have other bad behaviours or evaluations. When choosing suppliers, we promote the use of environmentally friendly products and services. Different projects have different requirements for environmental protection products and services. For example, the materials of training tables and chairs in furniture decoration projects will be required to meet the national E0 environmental protection standard.

During the Year, there are more than 229 major suppliers (2020: 87) involved in the Group's business. Their regional distribution by product and service is as follows:

Type/Area	Beijing	Shanghai	Shenzhen	Hangzhou
Business	—	19	—	—
Administrative service	7	159	6	5
Administrative engineering	1	11	3	3
Lease	0	14	1	—

3.2. Risk management

To strengthen its compliance management and comprehensively control various risks, the Group has formulated "Regulations on Compliance Management" (《合規管理規定》) and "Regulations on Risk Management" (《風險管理規定》) pursuant to regulatory requirements including the Company Law of the People's Republic of China (《中華人民共和國公司法》), the Insurance Law of the People's Republic of China (《中華人民共和國保險法》), the Provisions on Administering Insurance Companies (《保險公司管理規定》), the Measures for Compliance Management of Insurance Companies (《保險公司合規管理辦法》), the Guidelines on Risk Management of Insurance Companies (《保險公司風險管理指引》) and the Regulatory Rules for Solvency of Insurance Companies (《保險公司償付能力監管規則》). The Board is ultimately responsible for the compliance and risk management of the Company. As the first line of defence for compliance and risk management, all functional departments and business departments of ZhongAn have direct and primary responsibilities for compliance and risk management within their scope of duties, and need to identify, analyse, evaluate, respond to, monitor and report risks at the front end of the Group's business. As the second line of defence for compliance and risk management, the legal and compliance department, Risk Management Committee and risk management department are responsible for organizing, coordinating and supervising the formulation of relevant management policies and systems by various departments. The Audit and Consumer Protection Committee of the Board, the Risk Management and Related Transaction Control Committee and the Internal Audit Department are the third line of defence for compliance and risk management, responsible for overseeing the compliance and risk management process and related activities.

Compliance and risk management system

Environmental, Social and Governance (ESG) Report

The Group's risk management measures are as follows:

➢ Establish and improve a modern risk management system with "pre-event risk identification and prevention, in-process risk monitoring and improvement, and post-event risk supervision and rectification" to provide a perfect guarantee for the Board and the management to achieve business objectives and strategy implementation;

➢ Adopt appropriate risk management methods to ensure that internal control is compliant, effective and meets management requirements, and that risks are effectively prevented;

➢ Integrate the construction of risk management culture into the whole process of corporate culture construction, create a risk management cultural atmosphere at all levels of the Company, enhance the risk management awareness of all employees, convert risk management awareness into the common understanding and conscious actions of employees, and promote the Company to establish a systematic, normative and efficient risk management mechanism.

3.3. Anti-corruption

The Group strictly abides by the Criminal Law of the People's Republic of China (《中華人民共和國刑法》), the Anti- Money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》), the Company Law of the People's Republic of China (《中華人民共和國公司法》), the Insurance Law of the People's Republic of China (《中華人民共和國保險法》), the Provisions on the Administration of Insurance Companies (《保險公司管理規定》), Measures for the Compliance Management of Insurance Companies (《保險公司合規管理辦法》), Guidelines for the Assessment of Money Laundering and Terrorism Financing Risks and Categorised Management of Customers of Financial Institutions (《金融機構洗錢和恐怖融資風險評估及客戶分類管理指引》), the Anti-Money Laundering Ordinance (《打擊洗錢條例》), Drug Trafficking (Recovery of Proceeds) Ordinance (《販毒(追討得益)條例》) and the Organised and Serious Crimes Ordinance (《有組織及嚴重罪行條例》) of the Hong Kong Special Administrative Region, and the United Nations (Anti-Terrorism Measures) Ordinance (《聯合國(反恐怖主義措施)條例》), and is proactive in pursuing measures to fight corruption.

We established a series of anti-money laundering policies such as "Normative Guidelines on Information Collection and Verification of Anti-Money Laundering Parties" (《反洗錢當事人信息採集與校驗規範性指引》), "Implementation Rules for Confidentiality of Anti-Money Laundering Information" (《反洗錢信息保密工作執行細則》), and "Anti-Money Laundering Risk Assessment and Customer Classification Management Regulations (Provisional)" (《反洗錢風險評估及客戶分類管理規定(試行)》), "Integrity Safety Management System" (《廉政安全管理制度》), "Measures for the Risk Management of Anti-Money Laundering and Anti-Terrorist Financing of Internet Insurance" (《互聯網保險反洗錢和反恐怖融資風險管理辦法》) and "Guidelines on Anti-Money Laundering Blacklist Practice and System Monitoring" (《反洗錢黑名單實務與系統監測指南》), etc.. The Group classifies money laundering risks into internal and external risks according to the source of the risk. Money laundering risks are prevented and controlled through our evaluation of internal and external risk assessment indicators. The Group manages its risks scientifically in accordance with four principles of comprehensive risk management: risk orientation, comprehensiveness, dynamic management and confidentiality. In addition, the Group takes anti-money laundering training as an important part of employee training to improve employees' understanding of anti-money laundering regulations and their ability to implement them. In 2021, we organised over 100 hours of anti-corruption and anti-money laundering training for our directors and staff. Furthermore, we organised a full staff examination on integrity governance to ensure that this was communicated to staff at all levels.

In order to strengthen the Group's unassailable integrity governance and internal control, reduce corporate risk, standardize management, safeguard its legitimate rights and interests, the Group has formulated the "ZhongAn Integrity Governance Management Policy" in accordance with business objectives, laws and regulations applicable to listed companies, and the requirements and provisions from the regulators governing the securities market. The Group has set up an integrity governance department as a standing body to cultivate good governance and work against corruption, while other departments support this department to work together in governance and anti-corruption work. Firstly, we start from the corporate environment, on the premise of taking precaution we build an appropriate organizational structure, conduct corrective guidance from the perspective of values, advocate the corporate culture of good faith, honesty, positivity and integrity. Secondly, we insist on "zero tolerance" for corruption. Thirdly, we have set up a frictionless channel for complaints and reporting to uncover any instances of corruption. During the Reporting Period, the Group was not aware of any litigation or any case involving corruption, bribery, extortion, fraud or money laundering brought against the Group or its employees.

Environmental, Social and Governance (ESG) Report

4. Technology Leader in the Insurance Industry—Providing Insurance Services with a Caring Hand

4.1. Industry recognition

ZhongAn has upheld the values of "simplicity, rapidness, breakthrough and win-win" since its establishment, and will continue to forge ahead and brave the wind and billows in the insurance technology industry. The following is a list of awards received by the Group during the Year (listed in order of the subsidiaries of the Group):

Recipient	Award product	Award	Awarding organizations/ institutions
ZhongAn Insurance	Enterprise award	CSR Awards 2021	Information Office of Shanghai Municipality, Huangpu District People's Government, Shanghai United Media Group
ZhongAn Insurance	Enterprise award	Classic Cases of Service Innovation	China Banking and Insurance News
ZhongAn Insurance	Enterprise award	Best New Economy Company (最佳新經濟公司)	Zhitongcaijing (智通財經)
ZhongAn Insurance	Product award	Outstanding Innovative Insurance Product of the Year- Hepatitis B Insurance (金理財年度創新型保險產品卓越獎-乙肝保)	Shanghai Securities Journal (上海證券報)
ZhongAn Insurance	Enterprise award	2021 China Leading Fintech 50 by KPMG	KPMG
ZhongAn Insurance	Enterprise award	Hurun China 500 Most Valuable Private Companies 2021	Hurun Report
ZhongAn Insurance	Enterprise award	Most Innovative Brand of the Year (最佳創新品牌獎)	International Finance News
ZhongAn Insurance	Enterprise award	Green Finance Pioneer Awards of the Year (年度綠色金融先鋒企業)	International Finance News
ZhongAn Insurance	Enterprise award	Innovative Life Insurer of Excellent Competitiveness 2021 (2021卓越競爭力創新服務保險公司)	China Business Journal

Recipient	Award product	Award	Awarding organizations/ institutions
ZhongAn Insurance	Enterprise award	Excellence Property Insurance Company of the Year (年度卓越財產保險公司)	National Business Daily
ZhongAn Insurance	Enterprise award	TOP20 of Smart Risk Control Pioneer Institute 2021 (2021智能風控先鋒機構TOP20)	01caijing (零壹財經)
ZhongAn Insurance	Enterprise award	TOP30 of Green Finance Pioneer 2021 (2021綠色金融先鋒機構TOP30)	01caijing (零壹財經)
ZhongAn Insurance	Enterprise award	Leading Insurtech Company of the Year (年度保險科技領軍企業)	Insurance Today
ZhongAn Insurance	Product award	Listed as 2021 Excellence Case in Digital Risk Management (2021年度數字化風控卓越案例) as a case of Three-Dimensional Dual Lifecycle Risk Management System (三體雙生命週期風險管理體系)	China Banking and Insurance News
ZhongAn Insurance	Product award	Listed as 2021 Excellence Case in Digital Risk Management (2021年度數字化風控卓越案例) as a case of Preventing Healthcare Fraud Through AI And Big Data Analytics (AI和大數據助力健康險理賠反欺詐)	China Banking and Insurance News
ZhongAn Insurance	Product award	Listed as 2021 Excellence Case in Digital Service (2021年度數字化服務卓越案例) as a case of Smart Health Insurance (Medical Insurance) Claims project (健康險(醫療)全智能理賠項目)	China Banking and Insurance News

Environmental, Social and Governance (ESG) Report

Recipient	Award product	Award	Awarding organizations/ institutions
ZhongAn Insurance	Product award	Top 10 Most Popular Health Management Services (十佳熱門健康管理服務) - "One-day Claim Payment" service of ZhongAn's health insurance	Insurance Today
ZhongAn Insurance	Product award	2022 Insurance Today, the White Elephant List of the Insurance in China – the Insurance Innovation Model Product of the Year (Insurance for Alzheimer's Disease and Dementia) (2022今日保·中國保險白象榜-年度保險創新模範產品(腦無憂認知症防護險))	Insurance Today
ZhongAn Insurance	Enterprise award	CSR Public Welfare Role Model 2021 (2021年度企業社會責任公益榜樣)	Beijing Business Today
ZhongAn Insurance	Enterprise award	CSR Contribution Award 2021 (2021企業社會責任貢獻獎)	Shanghai Daily
ZhongAn Insurance	Enterprise award	2021 Aiiwin Application Innovation Competition (2021Aiiwin應用創新大賽)	World Artificial Intelligence Conference
ZhongAn Insurance	Enterprise award	AI+Finance Digital Transformation Best Practice Award (AI+金融數科數字化轉型最佳實踐獎)	Shanghai Artificial Intelligence Conference
ZhongAn Insurance	Enterprise award	Best Growth to C Company/ Product (最佳成長力to C企業/產品)	iResearch
ZhongAn Insurance	Enterprise award	Gold Medal Risk Control Financial Institution for the Year (年度金牌風控力金融機構)	Each Finance
ZhongAn Insurance	Product award	List of Intelligent Risk Control Instruments (智能風控兵器譜)	01caijing

Recipient	Award product	Award	Awarding organizations/ institutions
ZhongAn Insurance	Enterprise award	Anti-fraud Contribution Award 2020 (2020年度反欺詐貢獻獎)	The Internet and Financial Anti-Fraud Coalition
ZhongAn Insurance	Enterprise award	2021 HREC Compensation & Benefits Solution Provider Value Awards-Selected Provider of Health Insurance (2021智享會薪酬與福利供應商價值大獎—健康保險臻選供應商)	HREC
ZhongAn Insurance	Product award	CWisdom (集智平台) (Product) Won Product Innovation Award of 2021 (集智平台(產品)獲評2021年度產品創新獎)	SCI-Tech Innovation Festival & Digital Service Conference
ZhongAn Technology	Enterprise award	TOP30 of 2021 Global Fintech Innovation (2021全球金融科技創新TOP30)	Equal Ocean
ZhongAn Technology	Enterprise award	Annual Benchmark Company for Technology Enabler of White Elephant Awards (中國保險白象榜年度科技賦能標杆)	Insurance Today
ZhongAn Technology	Enterprise award	2020 Most Practicable Cool Vendor (2020最具場景落地能力的Cool Vendor)	Suanli Think Tank (算力智庫)
ZhongAn Technology	Enterprise award	Leading Brand in New Industrial Economy (新產業經濟行業領軍品牌)	Zncaijing (鋅財經)
ZhongAn Technology	Product award	X-Man Intelligent Marketing Platform Listed on China's Top 100 Insurance Technology Companies In 2020 (智能營銷平台X-Man "2021中國保險科技100強")	INSLAB (分子實驗室)

Environmental, Social and Governance (ESG) Report

Recipient	Award product	Award	Awarding organizations/ institutions
ZhongAn Technology	Product award	Pass Advanced Assessment of Tools in The Capability Classification Requirements of DevOps Solution (研發運營(DevOps)解決方案分級能力要求工具類先進級評估)	China Academy of Information and Communication Technology
ZhongAn Technology	Enterprise award	2021 The Most Valuable Companies for Business Cooperation in Fintech Field (2021金融科技領域最具商業合作價值企業)	Data Yuan
ZhongAn Technology	Product award	The Most Influential Product in DevOps (DevOps領域極具影響力產品)	Great OPS Community
ZhongAn Insurance, ZhongAn Technology	Enterprise award	Honour Award – The Responsible Internet Company of 2021 (奧納獎-2021年度責任互聯網公司)	The (4th) Social Responsibility Conference 2021
ZhongAn Technology	Enterprise award	2020 Fintech Institutions Innovation Excellence Award (2020金融科技機構卓越創新獎)	China (Tianjin) Digital Finance Summit
ZhongAn Technology	Enterprise award	Fintech50	International Data Corporation (IDC) China
ZhongAn Technology	Enterprise award	2021 Outstanding Digital Service Provider (2021年度傑出數字化服務商)	SCI-Tech Innovation Festival & Digital Service Conference
ZhongAn Technology	Product award	Shortlisted on Marketing Analysis, Customer Data Platform and Marketing Automation of China Digital Marketing Landscape (Version 2021) (《2021年中國數字營銷生態圖》營銷效果分析、CDP (客戶數據平台)和營銷自動化三項能力入圍)	China Advertising Association of Commerce, Digital Marketing Committee (中國商務廣告協會數字營銷專業委員會)

4.2. Insurance Product with a Caring Hand

Personal Clinic Policy 2021 (尊享e生2021) is a new member of the "exclusive national medical insurance series" ("國民醫保"尊享系列) launched by ZhongAn. We are committed to providing medical insurance for 100 million people. Since its launch in 2016, with constant evolutions and updates, Personal Clinic Policy has formed a comprehensive health protection service system covering online and offline outpatient emergency treatment and drug delivery, truly shifting health services from "low frequency" to "high frequency". The continued upgrade of "Personal Clinic Policy" further interprets the connotation of the integrated Internet insurance, medical services and complete ecosystem closed loop of health technology that ZhongAn Insurance is striving to build. By integrating online consultation, online drug purchase, health management and drug delivery, ZhongAn Insurance will further improve the "one-stop" medical and health services and create a warm medical experience for users.

Additionally, "Personal Clinic Policy 2021" offers a dedicated medical plan for chronic patients with diabetes, hypertension, thyroid disease, breast disease, chronic liver disease and chronic kidney disease. Any relevant anamnesis is covered as long as insurance conditions are met. The compensation ratio for chronic patients can reach 90% in the first year and can be increased up to 100% by submitting a medical report when renewing or having no historical claims.

The upgraded product is characterized by:

Wider insurance coverage. ZhongAn Insurance is the first company in the industry to make deferred compensation for patients with pre-existing conditions, breaking the conventional model of rising premiums for chronic patients. People with pre-existing conditions and people in good health can also get protection, which benefit more people.

More comprehensive insurance coverage. ZhongAn Insurance took the lead in including the intrathecal drug delivery system therapy for the treatment of advanced cancer pain into commercial insurance products, and paid 100% of the compensation within the liability, with a maximum compensation of RMB1 million.

In addition, in order to improve the accessibility of the new treatment, ZhongAn Insurance included car-t therapy drugs in the reimbursement of millions of medical treatments in September 2021, expanded and upgraded the out-of-hospital special drug list of four core medical insurance products including "Personal Clinic Policy 2021 (Outpatient and Emergency version)" (尊享e生2021門急診版), and provide 100% compensation for patients.

Upgraded services. The product breaks through the limitations that medical insurance only covers serious illnesses in the past. Through the full coverage model of "online outpatient drug service + offline emergency reimbursement", "minor ailments" within the deductible of RMB10,000 of conventional medical insurance are also included in the coverage. ZhongAn Insurance has upgraded this model again to meet the more comprehensive medication needs of users, so that both seeing a doctor and taking medicines can be combined "online + offline", and the medication has the full benefits of "western medicine + traditional Chinese medicine + drugs for chronic diseases".

In terms of insurance experience, the product also provides a one-stop insurance page. For chronic patients, the ZhongAn Insurance Smart Underwriting 2.0 system can guide customers with six major chronic diseases to apply forexclusive medical plans. For family users, family insurance is more affordable and saving up to 15%. The whole family can also share a RMB10,000 deductible by choosing to share the deductible liability.

Environmental, Social and Governance (ESG) Report

4.3. Empowering finance business with technology

True to our mission of "empowering finance business with technology and providing insurance services with a caring hand", adhering to the values of "simplicity, speed, breakthrough and win-win", the Company will continue to brave the wind and the billows and forge ahead to open up a real new insurance era.

The Group is committed to redefining insurance through technology by offering personalized, customized and intelligent insurance services and products that create value for customers. We have continued to increase R&D investment in the Insurtech and fintech sectors, and leverage our technological capabilities in artificial intelligence, big data and cloud computing, etc., and our mature and rich range of online insurance products, through marketing, customer service and efforts in other areas to improve user experience. Empowering the insurance value chain with technology.

Practices of scientific and technological innovation:

1. During the reporting year, we had a technological breakthrough in service: building an intelligent service central control system; based on customer profile and scene grading, as well as the connection rate, comprehensively integrating all-channel customer service resources such as telephone, online and Enterprise WeChat, to achieve the forecast of demands for all lines and provide differentiated services; smoothly diverting customers to the optimal service mode according to their needs, effectively helping staff service respond quickly to customer demands, improving the ability to cope with telephone traffic peak and relieving the pressure of manual telephone traffic. For the elderly customer group, it can provide customer service with a fast channel at the first, directly reaching the advanced staff service with full skills, and provide service thoughtfully. Since the operation of the system, 31% of the services have been diverted to telephone self-service through the intelligent service central control service strategy, and 23,490 people per day have been effectively replaced by AI customer service robots to solve customer demands directly. Furthermore, 6% have been diverted to online service and the overall call completion rate of telephone service has increased by 3%.

2. ZhongAn Middleware has set up a search team since 2017. Over the past 4 years, ZhongAn search platform has launched three major services based on Elasticsearch, including log platform, real-time database snapshot, and search engine. It operates and maintains 30 clusters with PB-level data volume, and serves thousands of applications of ZhongAn, with an average of 10 billion calls/writes per day. The growth of ZhongAn's business is a recognition and affirmation of the middleware search team.

3. The DB acceleration launched by the ZhongAn Middleware team has multi-data source visualization and custom data lowcode mode access, and fully supports the access, cleaning, calculation and pre-aggregation of incremental and full data. The platform service cluster has strong elastic expansion capability and supports combined query and fuzzy query. In terms of performance, it has achieved the millisecond-level response of Join operations between tens of billions of data and the second-level update of tens of billions of data. At present, DB Acceleration has fully supported the daily average of millions of calls in OLAP scenarios of ZhongAn Finance and other business departments, and strongly supports the development and innovation of ZhongAn's business. This service application is entirely self-developed by the ZhongAn Middleware team and takes a leading position in the whole insurance industry.

4.4. Valuing client feedback

Customer opinion is an important source of feedback for the Group. Pursuant to the Measures for the Handling of Reports of Banking and Insurance Violations (《銀行保險違法行為舉報處理辦法》), the Notice of Opinions on Enhancing the Protection of Rights and Interests of Insurance Consumers (《關於加強保險消費者權益保護工作的意見的通知》), the Administrative Measures for Handling the Complaints of Insurance Consumption (《保險消費投訴處理管理辦法》), the Administrative Measures for Reporting Information about Emergency in the Insurance Industry (《銀行業保險業突發事件信息報告辦法》), the Financial Administrative Measures for the Response to Emergency in the Banking and Insurance Industry (《銀行保險機構應對突發事件金融服務管理辦法》) issued by the China Banking and Insurance Regulatory Commission (the "CBIRC"). We have formulated the "ZhongAn Customer Complaint Management Policy" (《眾安保險客戶投訴管理規定》) and the "ZhongAn Emergency Response Plan for Prevention and Treatment of Major Consumer Complaints and Group Complaints" (《眾安保險重大消費投訴、群訴風險事件預防及處理應急預案》). First of all, we clarify the scope of these major complaints and their risk levels, and handle them using a variety of measures according to the nature of these different complaints. The Group then set up an emergency response team and starts an after-the-fact investigation mechanism, then trace responsibility in accordance with the Regulations on the Accountability of Consumer Complaints (Provisional) (《眾安保險消費者投訴責任追究管理規定(暫行)》), In addition, the Group also organizes irregular emergency training to form a relatively complete and standardized working mechanism for resolving complaints. During the Year we had received a total of 3,252 complaints, a decrease of 7.69% from the same period in 2020 (3,523), which have all been properly handled. According to the CIRC, in the 2021 fourth quarter report, ZhongAn Insurance reported 426 complaints, 9.35 complaints per RMB100 millions of premiums, and 0.001 complaint per 10,000 policies, ranking 8th, 27th and 66th in the industry respectively. Meanwhile, with regard to types of insurance, complaints about health insurance, accident insurance, and guarantee insurance accounted for more than 80% of all complaints, accounting for 61.56%, 12.1% and 11.24%, respectively. In terms of business types, complaints about the claims settlement and insurance process accounted for more than 80% of all complaints, accounting for 66.37% and 17.65%, respectively. In terms of the regional distribution, the complaints from top ten regions accounted for more than half of all complaints, including 8.74% in Beijing, 7.17% in Shandong, 6.20% in Hunan, 6.16% in Hubei, 6.06% in Zhejiang, 4.77% in Guangdong, 4.66% in Jiangsu, and 4.21% in Hebei, 4.18% in Anhui, and 4.00% in Henan.

During the Year we also issued policies relevant to regulating consumer's complaints handling such as the "ZhongAn Regulations on the Protection of Consumer Rights" (《眾安保險消費者權益保護管理規定》), the "ZhongAn Administrative Measures for Complaint Settlement Payment" (《眾安保險投訴安撫金管理辦法》) and the "ZhongAn Administrative Measures for Assessment on Protection of Consumers' Rights and Interests" (《眾安保險消費者權益保護考核規定》). Our consumers' rights protection centers on the insurance consumers themselves, under the principle of striving together to act in accordance with the law and fairness, and to be transparent and act with openness, with the full respects and conscious protection of the basic rights of insurance consumers, such as the right to property safety, the right to know, the free right to choose, the right to fair trade, the right to claim compensation according to law, the right to education, the right to be respected, the right to information security, etc., and safeguarding the legitimate rights and interests of insurance consumers in accordance with the law.

In order to keep up with the Company's pace of focusing on user experience, we have done more practice, the customer service team explores a new service model - Enterprise WeChat Butler in traditional services (telephone/online), and builds a caring, professional and proactive butler team. Our service is not only passively solving problems, but also actively thinking about how to make the transition from phone to Enterprise WeChat smoother and more comfortable. For example, a customer wants to request an electronic insurance policy on the phone. After the customer adds the Enterprise WeChat Butler on WeChat, the butler obtains directly the user's intention and sends the policy with one click. Users can directly view the contents of the policy in pdf format on Enterprise WeChat.

Environmental, Social and Governance (ESG) Report

Highlights of user experience:

1. There is no need to queue for customer consultation, and timely responses are received within 90 seconds. Butlers are fixed and understand the needs of users best.
2. Collect information about customer claims, audit and supplement materials on behalf of users. If there is any objection to the claim settlement, experts will intervene in a timely manner to answer it.
3. Middle-aged and elderly users who are are not able to type can communicate by voice.
4. Once a car owner reports the case, the location can be locked within 5 seconds (it took 120 seconds or more by phone).
5. Actively reaching out to users, inform business progress, and let users know what to expect.

By the end of December 2021, 250,000 users were added, and 339,000 people have been served.

We attach great importance to the opinions of our customers. We have always stood by the users. Even during the pandemic, we communicate with users and members through regular Facebook live broadcasts and answer their questions in real time. Social media has become an important tool for us to communicate with users and collect their opinions.

4.5. Consumer information protection

The Group strictly complies with laws and regulations relating to information security, including the Regulation on the Implementation of the Law of the People's Republic of China on Guarding State Secrets (《中華人民共和國保密法》), and those requirements issued by the CBIRC, namely the Implementation Measures for the People's Republic of China on Guarding State Secrets (《中華人民共和國保密法實施辦法》), and industry regulatory requirements such as the Guidelines for the Management of Informatization of Insurance Companies (《保險公司信息化建設管理指引》) and Requirements for Information System Security Management (《信息系統安全管理要求》), putting business information security high on the agenda. The Group has formulated Regulations for Information Security and Compliance Management (《信息安全合規管理規定》), Regulations for Information Security Incident Management (《信息安全事件管理規定》), Regulations for Digitised Work Management (《信息化工作管理制度》) and Information Security Management Strategy (《信息安全管理策略》) to facilitate the Group to manage the collection, use and storage of all types of data, formalised the work of information security management, ensuring the availability, integrity and confidentiality of information, enabling the comprehensive protection customer privacy.

In 2021, the Data Security Law(《數據安全法》), the Personal Information Protection Law (《個人信息保護法》) and other laws and regulations were released one after another, all emphasising the importance of personal information protection and data compliance and governance. To the aforesaid the Company attaches great importance and actions have been taken to deepen and strengthen the work within the information security management system to enhance the protection of customer information and to ensure the security of business systems, mainly including:

Firstly, in accordance with the latest laws and regulations and regulatory requirements, the Personal Information Protection Policy (《個人信息保護政策》) and other important regulatory documents were updated and improved in a timely manner, effectively supplementing the content of important provisions relating to information sharing, disclosure of information to SDK service providers and time limits for complaint handling, and implementing regulatory requirements. At the same time, the Compliance Notice Letter (《合規通知函》) was issued on key matters concerning personal information to prevent, control and resolve legal compliance risks in the handling activities related to personal information with partners;

Secondly, the Company newly started the legal compliance review process for the introduction of external data source. Data sources will only be introduced after they have passed an independent legal compliance review process, so as to maximise the prevention of compliance risks in data introduction;

Thirdly, the Company has strengthened the system construction, carried out the annual level 3 retest on network security of ZhongAn Insurance's core business system, ZhongAn's official website and ZhongAn Insurance's APP system, as well as upgraded the anti-leakage system and fortress machine though the supervision and verification under ISO27001 system;

Fourthly, we actively processed functional optimisation. In conjunction with the updated Personal Information Protection Policy, the Company carried out functional optimisation of the legal compliance of the ZhongAn Insurance App in terms of personal information collection and authorisation, involving a total of eight key requirements, all of which were implemented and completed. The Company collects and uses specific customer information on the basis of explicit authorisation. The Personal Information Protection Policy is displayed to customers by clicking the read link when all products are sold, and the protection of customer information and the scope of authorised use by customers are also emphasised in the Insurance Instructions《投保須知》. Personal data is collected in accordance with the principle of minimum necessity, stored in an encrypted manner and desensitised as required. There is no illegal access to or misuse of customer information.

4.6. Respecting intellectual property rights

The Group complies with the Patent Law of the People's Republic of China (《中華人民共和國專利法》), the Detailed Rules for the Implementation of the Patent Law of the People's Republic of China (《中華人民共和國專利法實施細則》), the Trademark Law of the People's Republic of China (《中華人民共和國商標法》), the Regulation on the Customs Protection of Intellectual Property Rights (《知識產權海關保護條例》), the Advertisement Law of the People's Republic of China (《中華人民共和國廣告法》) and other relevant requirements. In order to strengthen the protection of the Group's intellectual property rights, regulate the work of intellectual property rights management in accordance with relevant laws and regulations, we have also formulated "Regulations on Intellectual Property Rights Management" (《知識產權管理規定》). The regulations specify that the Legal Compliance Department deals with intellectual property rights supervision. For the purpose of implementing the principle of unified management, the Legal Compliance Department has set up a special post to be responsible for the management of intellectual property rights and to guide and supervise the intellectual property rights protection work of the Company and all departments. The regulations clarify the need to have different management practices for different types of intellectual property rights, and the exercise of prudent principle, to protect the intellectual property rights, patents, copyrights and trademark rights and other lawful rights of the Group as well as the third parties. We also ensure that complete, true and accurate product information is delivered to the public in advertisements, and avoid using false or misleading product descriptions to deceive customers.

Environmental, Social and Governance (ESG) Report

5. Humanistic Cares

ZhongAn values talent development, and employees are our business's most valuable asset. To nurture these talents, the Group have a "Human Resources Management Policy" (《人力資源管理制度》) and "Employee Handbook" (《員工手冊》) that clearly describe the management procedures for recruitment, remuneration and welfare, vacation and attendance, performance, training and development, that strengthen the overall human resources management, effectively protect rights and interests of employees, continuously improve employee's welfare, and enhance their sense of belonging. As of December 31, 2021, the Group had a total of 3,791 employees.

5.1. Equal employment

ZhongAn complies strictly with laws and regulations relating to labour and employment, including the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), Labour Contract Law of the People's Republic of China (《勞動合同法》), Law of the People's Republic of China on the Protection of Minors (《未成年人保護法》) and Provisions on the Prohibition of Using Child Labour (《禁止使用童工的規定》). We provide a working environment characterized by harmony, inclusiveness, equality, non-discrimination and non-exploitation. We have formulated the "Human Resource Management Policy" (《人力資源管理制度》), included in the policy is the management of recruitment, probation periods, performance evaluation, ranks and promotions, remuneration and welfare, organization structure, internal transfers and leave and attendance management. The Group conducts recruitment based on principles of "openness, fair competition, position-oriented selection and merit". During recruitment, companies must check the identity card of the recruited person and will not employ child labour of less than 16 years old. Companies shall properly keep the recruitment registration and verification materials of recruited employees. In case child labour is uncovered, such irregularity will be addressed as stipulated by the laws, which includes the following measures: the relevant personnel shall be subject to heavy penalties, the child labour concerned should be sent to his/her original place of residence and handed to their parents or other guardians within the stipulated period and others. In addition, the Group has also made clear rules on employees' standard working hours to ensure that they enjoy sufficient rest time, which can avoid any incident of forced labour. During the Year, the Group had violated no laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, equal opportunity, diversity, anti-discrimination, and prevention of child or forced labour. The Group had no cases of child or forced labour during the Year.

5.2. Employee remuneration and benefits

The Group provides employees with competitive remuneration and benefits in order to attract and retain talent. Under our "Employee Performance Management System" (《員工績效管理制度》), it is oriented towards the improvement of employee performance and quantitative/qualitative targets, and by multi-dimension appraisals such as the performance of Company core values in the "Performance Management System" (《績效管理制度》). Meanwhile, to be truly fair, just, and open, we need continuous assessing, responding and tutoring. Through a comprehensive staff performance appraisal system, we have improved the quality and performance of employees, facilitating the implementation of the Group's overall development strategy. We have established a performance management system, which is guided by the high-quality achievement of strategic goals and the stimulation of employees' potential. Through multi-dimensional assessments such as performance indicators, core values of the Company and compliance operations, combined with continuous evaluation, feedback and counselling, we are committed to achieve fairness and openness. Through a comprehensive employee performance appraisal system, the Group's overall development strategy will be realised while improving the quality and performance of employees.

ZhongAn provides social insurance coverage such as the basic pension insurance, basic medical insurance, work injury insurance, unemployment insurance and maternity insurance, as well as housing fund contributions for employees in accordance with national and local regulations in China. We also use our advantage serving in the insurance industry to provide group medical insurance which includes supplementary medical insurance, accident insurance, etc. providing additional health benefits for employees. We also provide in-service benefits for staff include meals, communication subsidies, overtime work meals, Company transportation benefits and annual physical examinations. Staff also receive welfare benefits during important festivals such as Chinese New Year, Dragon Boat Festival, Mid-Autumn Festival and Women's Day on March 8, etc. and congratulations, gifts and monies on special occasions such as their birthdays, weddings and childbirths. To ensure the appropriateness of these policies, the Group maintains close communication with employees, holds workers and employees' congresses, regularly reviews matters related to employee remuneration and benefits, considers proposals related to employees' vital interests, and advocates employee welfare policies and other matters. The Group also provides an opportunity for employees to express their opinions to management, so as to improve the sense of belonging of employees.

5.3. Valuing talent development

In order to tie in with ZhongAn's development goals, improve performance and quality of our staff, we encourage employees to acquire more knowledge and skills from their daily work. At the same time, the Company combines the overall business with the needs of employees' own development to provide different kinds of classroom-style training. The chapter on development and training in the staff handbook standardizes the implementation and management of training for all levels of personnel, and continues to improve the talent training mechanism. The Group offers a wide variety of employee training schemes which can be broadly divided into orientation for new employees, professional training, management training, policy and regulatory training, and training for directors, supervisors and senior management. ZhongAn's human resources department prepares an annual training plan for employees according to training needs and various functional departments' annual work plans. Examinations will be arranged after the training to ensure its effectiveness, so as to truly help employees to develop their potential and maintain the Group's competitiveness. During the Year, the Group organized different types and levels of training sessions which amounted to more than 2600 training hours with more than 1,000 participants.

Environmental, Social and Governance (ESG) Report

Training	Description
Orientation for new employees	Different training for new recruits and recruits from school campus. The training takes various form such as development activities, internal communication, and discussion. We can help new employees quickly understand ZhongAn's strategy and business, deepens their experience and adaptation to ZhongAn's culture, strengthen the connection between new employees and the organization, and accelerate the integration and growth of new employees.
Professional	A combination of internal sharing, internal training, and appointment of external institutions which are provided for professional employees, including but not limited to professional and general skills.
Management	Mainly three types of activities: Simon class, "Tianxingqijian" ("天行七劍") class and management forum. The Simon class is developed specially for key people in management to cultivate high-potential business leaders, covering business strategy, organisational management, self-awareness and leadership to broaden managers' industry horizon, as well as compliance, innovation awareness and capability. As to the training format for the year, internal sharing, action learning and thematic workshops are used to fully discuss and express views in certain scenarios, with the aim of brainstorming and team cohesion. Tianxingqijian focuses on leadership development for leaders at director level and high-potential leaders at manager level, creating a learning and communication platform for ZhongAn's management growth. It also outlines seven fundamentals for managers and adopts experiential learning with accomplished internal executives as instructors, aiming to promote leadership consciousness, improve management skills and carry forward ZhongAn's management philosophy and methodology. Therefore, effective communications and coordination can be fostered between leaders at director level and those at manager level. The management forum focuses on the core topics of management and carries out special issues and experience exchanges.
Policy and regulatory	Internal training and online learning to help all employees understand industry compliance requirements
For directors, supervisors and senior management	Each director, supervisor and member of senior management shall complete online or offline training of 100 hours each year as required by the CBIRC.

5.4. Staff health and safety

ZhongAn strictly abides by laws and regulations including the Law of the People's Republic of China on Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》), the Work Safety Law of the People's Republic of China (《中華人民共和國安全生產法》), the Provisions on the Supervision and Administration of Occupational Health at Work Sites (《工作場所職業衛生監督管理規定》), Regulation on Work-Related Injury Insurance (《工傷保險條例》), and pays attention to the health and safety of employees.

The Group contributes to staff a safe, healthy and caring working environment. We arrange annual staff physical examinations, subsidised health clubs, and various activities organized and supported by staff themselves for balancing their work and life. During the Year, we did not violate any law or regulation relating the provision of a healthy and safe working environment, and the protection of employees from occupational hazards. During the reporting period, there were no serious accidents caused by work-related injuries or work-related deaths.

Given the ongoing impact of the COVID-19 pandemic, the Group has responded to the country's call for the integration of pandemic prevention and anti-pandemic management into its regular practice. Incorporating national pandemic prevention guidelines and local pandemic prevention policies and focusing on pandemic alerts, vaccinations and other related information, the Company resolutely implemented the requirements of the disease prevention and control policy on nucleic acid testing, facilitating our employees' access to nucleic acid testing, providing the latest news internally at the first instance, and proposing preventive and control measures. In addition, we also constantly guide co-workers to take care of their health and exercise to strengthen immunity, such as organising outdoor activities on the May 4th Movement and tug of war for all staff.

During the reporting period, the Company launched the "ZhongAn Mind-Body Programme", which focuses on employees' physical and mental well-being, and set up a service team with professional psychological counsellors, each of whom has Occupational Qualification Certificate Second Level, a master's degree in psychology or equivalent to those above. Case duration of 800 hours or more is the entry threshold and admission to the service team is subject to background check, mock counselling session, supervisory review and evaluation and other assessments. We are committed to addressing the physical and mental problems of our staff.

Environmental, Social and Governance (ESG) Report

6. Sharing Green Ecology

ZhongAn adheres to the concept of caring for the earth and protecting the environment while persisting in quality growth in order to establish and improve the environmental management system and measures, and conduct annual environmental reviews, assess environmental performance, make appropriate adjustments and amendments to environmental policies, and ensure a green ecology with employees and customers. We strictly abide by relevant environmental protection laws and regulations formulated by the country and operating regions, such as the Regulation of Shanghai Municipality Solid Waste Management (《上海市生活垃圾管理條例》), Regulations of Shanghai Municipality on Environmental Protection (《上海市環境保護條例》), and Regulations of Shanghai Municipality on the Management of Water Resources (《上海市水資源管理若干規定》), Regulations of Shanghai Municipality on the Prevention and Control of Atmospheric Pollution (《上海市大氣污染防治條例》). The Group had not violated any environmental laws or regulations during the Year.

6.1. Climate Change Solutions

Climate change is a current global challenge that affects everyone's lives. The famous Paris Agreement, adopted on 12 December 2015 at the 21st United Nations Climate Change Conference (Paris Climate Change Conference), kicked off a global focus on climate change.

Climate change has triggered a series of extreme weather and natural disasters. Confronted by nationwide natural disasters, ZhongAn has also made its own efforts to respond to climate change by providing timely emergency claims services. For example, in the face of the 6.0 magnitude earthquake in Luxian, Sichuan in September 2021 and the severe waterlogging, geological disasters and floods in Shanxi in October 2021, ZhongAn immediately activated its emergency response plan for major events, set up an emergency response team, actively searched for information of casualties, and continued to launch and implement seven emergency claims service initiatives: opening multiple reporting portals, proactively searching for covered casualties, providing a green channel for all types of insurance claims, offering emergency medical advance payments for health and accident insurance, cancelling partial restrictions on health and accident insurance, and granting appraisal exemption or on-site appraisal for accidental disability claims arising from such accidents according to the actual situation of the customer. For the last case, such people will be compensated at the earliest opportunity upon confirmation without the need for death certificates.

6.2. Practicing green operation

ZhongAn Insurance is an internet technology enterprise which mainly operates business in office setting, hence it is not a company that regularly emits environmental pollutants, and creates only a minimal impact on the environment and natural resources. Our operations' environmental impact mainly derives from electricity consumption in office and domestic water consumption, domestic waste, a small amount of exhaust gas generated by company vehicles, and carbon emissions associated with business flying. To reduce these, the Group has implemented a green office policy and adopted a series of measures for energy saving, water resources management, paperless office, waste management and air emissions reduction.

Energy saving

The Group is committed to using innovative technologies to reduce the greenhouse gases ("GHG") emissions and energy consumption of its routine operations. In order to monitor electricity usage, we produce monthly electricity statistics and use them to make appropriate improvements. In terms of lighting system, voice-controlled induction lights were installed in office corridor passages to automatically switch off when not in use. Currently, the Company has thoroughly implemented the measures to turn off lights in unmanned areas. We have replaced fluorescent lights in some offices with more energy-efficient LED lights to reduce overall power consumption. In terms of air-conditioning system, we shut down the air-conditioning heating and cooling systems from May to October, and only turn on the fresh air system mode to reduce air-conditioning energy consumption. For office equipment power control, we use timers and completely turn off the printer during non-working hours.

As a result of the Group's efforts to take energy-saving and efficiency-enhancing measures and strengthen the promotion of the concept of energy saving to employees, the total electricity consumption of the Shanghai headquarters office during the Year was 553,134 kWh, which was around 4.9 % less than that of last year. The energy efficiency target set by the Group is to maintain a density of 130 kWh/employee for the next three years.

Water resources management

The Group's business does not belong to a high water consumption industry, and its domestic water is supplied by the office building, thus there is no problem in obtaining a suitable water source. However, facing the crisis of global water shortage, we still actively encourage and monitor employees to use water wisely. We use water-saving sanitary wares to reduce water consumption, post reminders to save water in various toilets, and regularly check water meter readings for indications of excessive use or leakage.

Environmental, Social and Governance (ESG) Report

During the Year, total water consumption by the Group's head office in Shanghai was 17,475 m^3, and the absolute value increased by 4.9% compared to the previous year. But due to the increase in the number of employees, the water intensity has decreased. ZhongAn has begun to analyse its water consumption. In the future, we will continue to monitor the water consumption behaviour of our employees and hope to achieve continuous improvement for conservation of water resources. The water efficiency target set by the Group is to maintain a water consumption density of 4 cubic meters per employee for the next three years.

Paperless office

The Group has fully replaced paper-based office administration with the Office Automation System (OA System), such as electronic forms for handling administrative affairs, electronic accounting systems and e-procurement. All Company processes have adopted online reporting and system circulation. Individual requests, reports, summaries, various work reports and work plans within the Company are required in electronic circulation rather than paper form for approval in each aspect, which greatly reduced paper consumption. To raise employees' environmental awareness, the Group posts reminders in a prominent place next to the printer to remined employees to use double-sided photocopying, reuse paper, and use telecommunications technology to transmit information as much as possible, to reduce paper habit. We use various platforms to publish online promotional posters for various activities instead of paper posters. During the Year, total amount of paper usage by the Group's head office in Shanghai was 10.61 tons, which was 14% more compared to last Year. Due to the increase in the number of personnel, the actual paper use per capita has not changed.

Waste management

Our business involves operations mainly in office, and our daily office operation produce non-hazardous solid wastes like paper and general waste. We strictly follow the laws and regulations regarding waste, such as the Shanghai Municipality Domestic Waste Management Regulation (《上海市生活垃圾管理條例》). We have adopted the waste classification management in Shanghai to divide waste into wet, dry, recyclable and hazardous waste which are centralized handled and sent to recycling centres for reuse or disposal.

Non-hazardous waste

We reduce the consumption of natural resources through recycling. Waste paper recycling corners are provided in office printing areas for reuse by employees. We set the printers to automatically print on both sides and use less paper. To further reduce waste, employees are encouraged to reuse envelopes, binders, file and other stationery items, and to use refillable pens. For canteen, it uses reusable tableware rather than disposable tableware. Employees are encouraged to avoid food wastage by cleaning their plates (光盤行動) to reduce food waste. The reduction of non-hazardous waste entered into by the Group is to maintain a density of 0.03 metric ton/employee for the next three years.

The following are the harmless disposal management measures implemented by the Company:

(1) Continue to strictly implement the "Shanghai Municipality Domestic Waste Regulations" 《上海市生活垃圾管理條例》, and strictly classify the waste to facilitate subsequent secondary use;

(2) Increase online publicity channels and reduce printed materials such as posters. The practices in workplace are setting electronic bulletin boards and prioritize online administrative announcement pushes, etc;

(3) Supervise and urge canteens to implement the paid use of packing boxes;

(4) Sanitary worker will perform secondary sorting on the beverage bottles/cans and cartons in the dry trash to facilitate subsequent secondary recycling;

(5) Cancel the supply of disposable paper cups and chopsticks in office, and encourage employees to bring their own water cups and tableware.

Hazardous waste

Up to now, the Group has been implementing good environmental concepts, strengthening environmental protection, and reducing environmental pollution. For waste cartridges and toner cartridges, we work with qualified third-party recyclers to recycle these items. Apart from that, no other hazardous wastes are produced. Considering that the emission of hazardous waste is less important to the Group's business and stakeholders than other issues, the Group does not plan to set an emission target for emission of hazardous waste. If subsequent changes in the business model involve a significant increase in hazardous waste emissions, the need for setting targets for this purpose will be further assessed.

Reducing air emissions

The Group's air emissions are mainly generated from the use of the Company's vehicles and natural gas. Considering that the importance of air emissions to the Group's business and stakeholders is low compared to other issues, there is no plan to set targets for air emissions. However, in order to reduce the impact of air pollution on the environment, we have taken different measures as follows:

- We control the Company's vehicles' usage frequency and mileage, use vehicles when necessarily needed, we have a policy on using vehicles which need to obtain approval to use vehicles;
- In addition, we strictly implement vehicle maintenance standards and requirements to ensure that vehicles are operating properly and to control emissions;
- The Company purchases rechargeable fuel cards uniformly to avoid the increase in air emissions caused by the use of fuel that does not meet the standards.

During the Year, the air emission from vehicles at the Shanghai headquarters and the types and emission data are as follows:

Emissions type	Unit	2021	2020
Nitrogen oxides (NO_x)	kg	70.86	82.9
Sulphur oxides (SO_x)	kg	9.94	16.42
Particulate matter (PM)	kg	7.59	8.57

6.3. Promoting low-carbon culture

In 2020, China clearly stated at the UN General Assembly that China's carbon emissions will peak before 2030, and China will achieve carbon neutrality before 2060. In response to the national dual-carbon strategy, ZhongAn Insurance actively promotes energy conservation, emission reduction, and the development of insurance products in the low-carbon field, and helps companies achieve their carbon neutrality goals through insurance products. In terms of the design and development of insurance products, ZhongAn Insurance combines the Internet of Things, artificial intelligence and Digital Twin technology to develop carbon-neutral insurance products based on accurate carbon emission data. While providing risk protection, it promotes dynamic and accurate management of enterprises carbon emissions and the achievement of carbon reduction targets. In addition, in terms of green finance, ZhongAn is also committed to making easier access to green financing for low-carbon enterprises by insuring them, which helps reduce enterprise costs and urges efforts to promote the positive cycle of the economic system featuring green, low-carbon and circular development.

Greenhouse gas emissions from the Group's Shanghai headquarters include carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O) and can be classified as direct emissions (scope 1) and indirect emissions (scope 2 and scope 3). Greenhouse gas emissions in each scope is from the use of natural gas and fuel used by Group-owned vehicles (scope 1), electricity consumption during operation (scope 2) and paper consumption (scope 3). During the Year, our total greenhouse gas emissions were 589.96 tons of CO_2 e. The big gap from the previous year is due to the exclusion of greenhouse gas emissions from air business travel this year. The intensity is 0.03 metric tons of CO_2 e per square meter of floor area and 0.16 tons of CO_2 e per employee. We set a target for total GHG emissions, aiming to maintain a GHG density of 0.1 metric tons CO2e/employee for the next 3 years.

Environmental, Social and Governance (ESG) Report

7. Contribution to Society and Livelihood

ZhongAn's mission is "Providing insurance services with a caring hand". It represents the Group's willingness to improve the society and livelihood, it can be shown in our "empowering the finance business with technology" and professional service to our customers, and also in our contribution of corporate social responsibility. As such, ZhongAn is enthusiastic in social welfare activities and has held a variety of charitable activities over the years and continues to fulfil our corporate social responsibilities through making contributions for the care of children, environmental protection, developing talents and protecting health. During the Year, our contribution focus on "Protecting the ecosystem", "Popular science education", "Volunteer behavior" and "Caring community's need", running the insurance business and public welfare activities at the same time.

7.1. Ecosystem protection

Protecting black snub-nosed monkeys

The black snub-nosed monkey is a rare and endangered wild animal unique to the country, and it is also the flagship species and umbrella species living in the Three Parallel Rivers World Natural Heritage Site (三江並流世界自然遺產地). Adhering to the original intention of "the rangers guard the black snub-nosed monkey, and ZhongAn Insurance guards the rangers" of the Group, starting from 2021, in order to maintain biodiversity, ZhongAn Insurance will actively use the resources of "insurance + technology + service" to cooperate with the whole area protection network of the black snub-nosed monkey and carry out a series of actions: providing insurance protection for front-line protection workers, providing health care services, such as online consultations, offline physical examinations, etc.; with the help of the AI intelligent training tool "Zhonghui Tree", the rangers provided support for training tools and products; At the same time, they actively used the ZhongAn platform to publicize and popularize the knowledge of the protection of black snub-nosed monkey, and carry out offline public welfare practices, etc.

Note: The poster of ZhongAn Insurance APP to promote the theme of black snub-nosed monkey protection

Protecting water sources

In 2021, based on the experience and foundation of "protect the Qiandao Lake ", ZhongAn realized the inter-provincial relay, launched the second phase of the public welfare action for water source protection - a series of activities of "Guarding the Suzhou River" with the Shanghai Bund Street Party Working Committee and the Suzhou River Water Protection Team and carried out public welfare actions such as scientific and technological water protection, educational water protection, inter-provincial water protection, practical water protection and goodwill marketing. For example, ZhongAn started the "Protect Suzhou River" public welfare step donation by using the public welfare platform ZAction of ZhongAn to call on the public to pay attention to water source protection, learning through the online platform and changing from online charity step donors to offline charity water protectors.

Note: The launching ceremony of the inter-provincial water protection action and the "Protect Suzhou River" public welfare step donation were held at the Suzhou River Cherry Blossom Valley Station in Shanghai.

Note: "Protect Suzhou River" public welfare step donation interface

7.2. Popular science education

During the reporting year, the Company carried out popular science education activities for teenagers, parent-child families and community residents. ZhongAn Insurance has tailor-made children's courses of insurance technology for teenagers. Through practical exercises, analogy explanations, and interactive Q&A, the insurance science knowledge are vividly explained to children, and young people's safety awareness, risk awareness and innovation awareness are cultivated to let children understand insurance and fall in love with technology. In addition to insurance technology courses, ZhongAn has provided educational platforms for the harmonious development of man and nature, such as popularizing nature education classes and parent-child workshops for making insect models so that adults and children can respect and love nature while at the same time establishing a connection and interaction with nature.

Environmental, Social and Governance (ESG) Report

Note: Parent-child family participated in nature education workshop at ZhongAn Super Exhibition Hall

7.3. Volunteer behavior

During the reporting year, the Company maintained a rhythmic and sustainable volunteering action, and carried out a total of 20+ volunteer activities, covering 13w+ people online and offline, with an average of 2 periods per month. The Company actively cooperated with various parties, such as mutual visits with surrounding streets and neighbourhood committees, and carried out a series of annual volunteer activities, public welfare courses learning, anti-fraud training, etc.; the Company cooperated with public welfare organizations, such as donating idle clothes for stray cats and dogs, the "Bird Strike Prevention "plan, the Nature Conservancy's Water Source Forum, the "Vegetable Bookstore" project, the publicity on caring for autistic people, and the idle charity sale in exchange for learning tools for the mentally handicapped.

7.4. Caring community's need

On December 17, 2021, the ZhongAn Public Welfare Blood Donation Event was held as scheduled. A total of 66 employees of the Company donated a total of 13,200 ml of blood, contributing to the needs of the community and people's livelihood.

Note: ZhongAn employees participated in voluntary blood donation

8. Appendix 1: Sustainability Data Statements

Environmental Scope	Unit	2021	2020
Greenhouse Gases Emissions			
Direct greenhouse gases emissions (Scope 1)	tonnes CO_2e	80.88	106.46
Indirect greenhouse gases emissions (Scope 2)	tonnes CO_2e	447.26	470.39
Other indirect greenhouse gases emissions (Scope 3)	tonnes CO_2e	61.82 [note1]	434.93
Total greenhouse gases emissions (Scope 1, 2 & 3)	tonnes CO_2e	589.96 [note1]	1,011.77
Greenhouse Gases Intensity			
Per square meter of floor area (Scope 1, 2 & 3)	tonnes CO_2e/m^2	0.03	0.05
Per employee (Scope 1, 2 & 3)	tonnes CO_2e/employee	0.16	0.33
Energy Consumption			
Total electricity consumption	kWh	553,134.00	581,731.00
Total electricity consumption intensity (per square meter of floor area)	kWh/m^2	29.49	31.02
Total electricity consumption intensity (per employee)	kWh/employee	145.91	191.80
Natural gas consumption	m^3	17,551.00	29,500.00
Gasoline consumption	Litre	19,634.48	14,220.47
Water Consumption			
Total water consumption	m^3	17,475.00	16,662.00
Total water consumption intensity (per square meter of floor area	$m^{3/}m^2$	0.93	0.89
Total water consumption intensity (per employee)	m^3/employee	4.61	5.49
Non-hazardous waste			
Non-hazardous waste	tonnes	143.00	127.5
Non-hazardous waste intensity (per employee)	tonnes/employee	0.04	0.04
Non-hazardous waste intensity (batteries)[note 2]	pieces	5,693.00	15,300.00
Non-hazardous waste intensity (batteries) (per employee)	pieces/employee	1.50	5.04
Paper consumption	tonnes	10.61	9.3
Paper consumption intensity	tonnes/employee	0.003	0.003
Total Employees	no. of people	3,791	3,033
Total Employees (by Gender)			
Female	no. of people	1,527	1,270
Male	no. of people	2,264	1,763
Total Employees (by Employment Category)			
Junior staff	no. of people	3,438	2,768
Middle management	no. of people	323	244
Senior management	no. of people	30	21
Total Employees (by Age Group)			
Below 30	no. of people	1,220	1,025
30-50	no. of people	2,556	1,996
Above 50	no. of people	15	12

Environmental, Social and Governance (ESG) Report

Environmental Scope	Unit	2021	2020
Total Employees (by Geographical Region)			
Employees in North China	no. of people	248	176
Employees in Northeast China	no. of people	148	48
Employees in East China	no. of people	2,652	2,246
Employees in Central China	no. of people	24	14
Employees in South China	no. of people	487	389
Employees in Hong Kong	no. of people	232	160
Employee Turnover Rate (Total and by Gender)			
Total employees turnover [note 3]	%	30.22	28.65
Female turnovernote [note 4]	%	30.25	10.68
Male turnovernote [note 4]	%	30.20	17.97
Employee Turnover Rate (by Age Group) [note 4]			
Below 30	%	27.71	10.55
30-50	%	31.59	17.90
Above 50	%	7.41	0.2
Employee Turnover Rate (by Geographical Region) [note 4]			
Employees in North China	%	27.36	1.88
Employees in Northeast China	%	21.43	0.13
Employees in East China	%	30.54	21.43
Employees in Central China	%	10.53	0.065
Employees in South China	%	33.11	3.59
Employees in Hong Kong	%	29.08	1.56
Percentage of Employees Trained (by Gender) [note 5]			
Female	%	52	15
Male	%	48	16
Percentage of Employees Trained (by Employment Category) [note 5]			
Junior staff	%	77.5	28.4
Middle management	%	22	2.4
Senior management	%	0.5	0.2
Average Training Hours Per Employee (by Gender) [note 6]			
Female	hours	0.9	2.7
Male	hours	0.7	2.5
Average Training Hours Per Employee (by Employment Category) [note 6]			
Junior staff	hours	0.7	2.6
Middle management	hours	1.9	1.9
Senior management	hours	0.4	5.9
Occupational Health and Safety Work-related Injuries and Fatalities			
Lost days due to work injury	days	0	44
Number of work-related fatalities	No. of people	—	—

Note 1: This year's data excludes greenhouse gas emissions from air business travel.

Note 2: According to the "Nanjing Municipal Domestic Waste Classification and Disposal Guidelines" in November 2020, dry batteries are non-hazardous waste.

Note 3: Total employees turnover represents the number of employees leaving the company divided by average number of employees.

Note 4: Number of employees in the specified category leaving the company divided by average number of employees in the specified category.

Note 5: Number of employees in the specified category divided by number of trained employees.

Note 6: Training hours of employees in the specified category divided by average number of employees in the specified category at the beginning and end of the year.

9. Appendix 2: Hong Kong Stock Exchange ESG Reporting Guide Index

ESG indicator		Related Sections
A1: Emissions		
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Sharing Green Ecology-Practicing green operation
A1.1	The types of emissions and respective emissions data.	Sharing Green Ecology-Practicing green operation
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Appendix 1: Sustainability Data Statements
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Appendix 1: Sustainability Data Statements
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Appendix 1: Sustainability Data Statements
A1.5	Description of emissions target(s) set and steps taken to achieve them.	Sharing Green Ecology-Practicing green operation
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Sharing Green Ecology-Practicing green operation
A2: Use of Resources		
General disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Sharing Green Ecology-Practicing green operation
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Appendix 1: Sustainability Data Statements
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Appendix 1: Sustainability Data Statements
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Sharing Green Ecology-Practicing green operation
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Sharing Green Ecology-Practicing green operation
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not applicable

Environmental, Social and Governance (ESG) Report

ESG indicator		Related Sections
A3: The Environment and Natural Resources		
General disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	Sharing Green Ecology-Practicing green operation; Promoting low-carbon culture
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Sharing Green Ecology-Practicing green operation; Promoting low-carbon culture
A4: Climate Change		
General disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Response to climate change
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Response to climate change
B1: Employment		
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Humanistic Cares-Equal employment, Employee remuneration and benefits, Valuing talent development
B1.1	Total workforce by gender, employment type (for example, full- or parttime), age group and geographical region.	Appendix 1: Sustainability Data Statements
B1.2	Employee turnover rate by gender, age group and geographical region.	Appendix 1: Sustainability Data Statements
B2: Health and Safety		
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Humanistic Cares - Staff health and safety
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Appendix 1: Sustainability Data Statements
B2.2	Lost days due to work injury.	Appendix 1: Sustainability Data Statements
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Humanistic Cares - Staff health and safety

ESG indicator		Related Sections
B3: Development and Training		
General disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Humanistic Cares - Valuing talent development
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Appendix 1: Sustainability Data Statements
B3.2	The average training hours completed per employee by gender and employee category.	Appendix 1: Sustainability Data Statements
B4: Labour Standards		
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Humanistic Cares - Equal employment
B4.1	Description of measures to review employment practices to avoid child and forced labour.	Humanistic Cares - Equal employment
B4.2	Description of steps taken to eliminate such practices when discovered.	Humanistic Cares - Equal employment
B5: Supply Chain Management		
General disclosure	Policies on managing environmental and social risks of the supply chain.	Strict compliance operation
B5.1	Number of suppliers by geographical region.	Strict compliance operation
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Strict compliance operation
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Strict compliance operation
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Strict compliance operation

Environmental, Social and Governance (ESG) Report

ESG indicator		Related Sections
B6: Product Responsibility		
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Technology Leader in the Insurance Industry - Providing Insurance Services with a Caring Hand - Consumer Information Protection \ Respecting intellectual property rights
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not applicable
B6.2	Number of products and service related complaints received and how they are dealt with.	Technology Leader in the Insurance Industry - Providing Insurance Services with a Caring Hand - Valuing client feedback
B6.3	Description of practices relating to observing and protecting intellectual property rights.	Technology Leader in the Insurance Industry - Providing Insurance Services with a Caring Hand-Respecting intellectual property rights
B6.4	Description of quality assurance process and recall procedures.	Technology Leader in the Insurance Industry - Providing Insurance Services with a Caring Hand - Valuing client feedback
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Technology Leader in the Insurance Industry - Providing Insurance Services with a Caring Hand - Consumer Information Protection

ESG indicator		Related Sections
B7: Anti-corruption		
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Strict compliance Operation - Anti-corruption
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Strict compliance Operation - Anti-corruption
B7.2	Description of preventive measures and whistleblowing procedures, and how they are implemented and monitored.	Strict compliance Operation - Anti-corruption
B7.3	Description of anti-corruption training provided to directors and staff.	Strict compliance Operation - Anti-corruption
B8: Community Investment		
General disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Contribution to Society and Livelihood
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Contribution to Society and Livelihood
B8.2	Resources contributed (e.g. money or time) to the focus area.	Contribution to Society and Livelihood

Independent Auditor's Report

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

Opinion

What we have audited

The consolidated financial statements of ZhongAn Online P & C Insurance Co., Ltd. (the "Company") and its subsidiaries (the "Group"), which are set out on pages 122 to 218, comprise:

- the consolidated balance sheet as at 31 December 2021;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

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

Independence

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

Key Audit Matters

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

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of insurance contract liabilities Refer to note 2.22 Summary of significant accounting policies – Insurance contract liabilities and note 45 Insurance contract liabilities. Refer to note 3.2 Significant accounting judgements and estimates – Valuation of insurance contract liabilities. The Group had unearned premium reserves and claim reserves which were included in insurance contract liabilities stated at RMB 9,179,690 thousand at 31 December 2021, representing 28.12% of the Group's total liabilities. We focused on this area because the valuation of insurance contract liabilities involved a high degree of judgement by management in selecting the models and setting the assumptions including the claim development factors and expected ultimate loss ratios and the inherent risk in relation to the valuation of insurance contract liabilities is considered significant.	We (including our actuarial experts) performed the audit procedures listed below. We obtained an understanding of the management's assessment processes and internal controls of valuation of insurance contract liabilities and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity and susceptibility to management bias or fraud. We evaluated and tested the key controls over valuation of insurance contract liabilities including data collection and analysis and approval process for assumptions setting, etc. We performed independent modelling analysis for insurance contract liabilities as follows: • We compared the underlying data used in the valuation models to the source systems, including earned premiums to accounting records and reported claims to the claims system. • We set up independent actuarial assumptions such as claim development factors and expected loss ratios, by considering both the Group's historical data and applicable industry experiences. • We evaluated the overall reasonableness of the Group's valuation of insurance contract liabilities by comparing management's results to the results from our independent modelling analysis and calculation. Based on our audit work, we found management judgements in the valuation of insurance contract liabilities to be supportable by the audit evidence.

Independent Auditor's Report

Other Information

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

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

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

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
(continued)

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Cheng Sin Bun, Benson.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 March 2022

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021
(All amounts expressed in RMB'000 unless otherwise stated)

	Notes	2021	2020
Gross written premiums	7(a)	20,480,119	16,708,504
Less: Premiums ceded to reinsurers	7(b)	(1,154,276)	(522,683)
Net written premiums	7	19,325,843	16,185,821
Less: Net change in unearned premium reserves	7	(440,749)	29,383
Net premiums earned	7	18,885,094	16,215,204
Net investment income	8	2,067,920	1,527,498
Net fair value changes through profit or loss	9	126,760	(25,517)
Other income	10	860,586	775,978
Total income		21,940,360	18,493,163
Net claims incurred	11	(10,934,682)	(8,773,904)
Handling charges and commissions	12	(1,770,947)	(1,406,867)
Foreign exchange gains		147,490	200,874
Finance costs		(388,342)	(232,869)
General and administrative expenses	13	(7,292,692)	(7,168,487)
Other expenses	14	(834,435)	(931,668)
Total expenses		(21,073,608)	(18,312,921)
Share of net loss of associates and joint ventures accounted for using the equity method	33	(37,635)	(33,712)
Profit before income tax		829,117	146,530
Income tax	18	(72,018)	107,850
Net profit for the year		757,099	254,380
Attributable to:			
– Owners of the parent		1,164,590	553,786
– Non-controlling interests		(407,491)	(299,406)
		757,099	254,380

	Notes	2021	2020
Earnings per share			
– Basic earnings per share (RMB yuan)	19	**0.79**	0.38
– Diluted earnings per share (RMB yuan)	19	**0.79**	0.38
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
– Changes in fair value of available-for-sale financial assets	20	**(55,946)**	343,376
– Exchange differences on translation of foreign operations	20	**(101,450)**	(186,621)
Other comprehensive income/(loss) for the year, net of tax	20	**(157,396)**	156,755
Total comprehensive income for the year		**599,703**	411,135
Attributable to:			
– Owners of the parent		**1,065,636**	783,175
– Non-controlling interests	6(b)	**(465,933)**	(372,040)
		599,703	411,135

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

These consolidated financial statements and the accompanying notes starting from page 122 to page 218 are signed by:

Yaping Ou

(On behalf of the Board of Directors)

Hugo Jinyi Ou

(On behalf of the Board of Directors)

Consolidated Balance Sheet

As at 31 December 2021
(All amounts expressed in RMB'000 unless otherwise stated)

	Notes	31 December 2021	31 December 2020
ASSETS			
Cash and amounts due from banks and other financial institutions	21	4,300,693	8,418,374
Financial assets at fair value through profit or loss	22	11,812,588	6,120,366
Securities purchased under agreements to resell	23	9,900	93,000
Interest receivables	24	283,144	341,395
Premium receivables	25	5,014,317	4,477,914
Reinsurance receivables	26	746,982	319,525
Reinsurers' share of insurance contract liabilities	45	376,421	348,313
Available-for-sale financial assets	27	21,979,140	19,047,363
Loans and advances to customers	28	2,054,699	623,744
Investments classified as loans and receivables	29	930,600	1,146,493
Term deposits	30	330,000	330,090
Restricted statutory deposits	31	298,500	294,338
Held-to-maturity financial assets	32	665,736	686,690
Investments in associates and joint ventures	33	559,659	315,289
Right-of-use assets	34	178,226	277,749
Property and equipment	35	61,640	66,023
Intangible assets	36	477,493	481,477
Goodwill		3,189	3,189
Deferred income tax assets	37	—	—
Other assets	38	1,689,402	2,282,104
Total assets		51,772,329	45,673,436
EQUITY AND LIABILITIES			
Equity			
Share capital	39	1,469,813	1,469,813
Reserves	40	16,736,782	16,816,776
Accumulated losses		(1,458,193)	(2,581,239)
Equity attributable to owners of the parent		16,748,402	15,705,350
Non-controlling interests	6(b)	2,381,795	1,687,985
Total equity		19,130,197	17,393,335
Liabilities			
Borrowings		117,232	—
Customer deposits	42	5,696,792	5,061,122
Securities sold under agreements to repurchase	43	5,548,348	4,093,822
Premiums received in advance		173,513	126,714
Reinsurance payables	44	851,384	452,442
Income tax payable		7	4,995
Insurance contract liabilities	45	9,304,217	8,547,233
Bonds payable	46	6,325,021	6,467,591
Lease liabilities	34	203,100	318,556
Deferred income tax liabilities	37	61,946	1
Contract liabilities		80,596	74,893
Other liabilities	47	4,279,976	3,132,732
Total liabilities		32,642,132	28,280,101
Total equity and liabilities		51,772,329	45,673,436

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021
(All amounts expressed in RMB'000 unless otherwise stated)

	For the year ended 31 December 2021									
	Attributable to owners of the parent									
		Reserves								
	Share capital	Capital reserves	Surplus reserves	Other reserves due to share-based payments	Available-for-sale financial assets revaluation reserves	Foreign currency translation reserves	Accumulated losses	Sub-total	Non-controlling interests	Total equity
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	–	–	–	–	(41,496)	(57,458)	1,164,590	1,065,636	(465,933)	599,703
Surplus reserves	–	–	837	–	–	–	(837)	–	–	–
Contributions from non-controlling interests (Note 6(b))	–	–	–	–	–	–	–	–	1,605,186	1,605,186
Considerations paid to non-controlling interests (Note 6(b))	–	–	–	–	–	–	(40,707)	(40,707)	(452,955)	(493,662)
Share-based payments	–	–	–	6,712	–	–	–	6,712	7,512	14,224
Others	–	11,411	–	–	–	–	–	11,411	–	11,411
31 December 2021	1,469,813	16,607,830	1,314	46,614	233,815	(152,791)	(1,458,193)	16,748,402	2,381,795	19,130,197

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021
(All amounts expressed in RMB'000 unless otherwise stated)

	For the year ended 31 December 2020									
	Attributable to owners of the parent									
		Reserves								
	Share capital	Capital reserves	Surplus reserves	Other reserves due to share-based payments	Available-for-sale financial assets revaluation reserves	Foreign currency translation reserves	Accumulated losses	Sub-total	Non-controlling interests	Total equity
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	–	–	–	–	340,463	(111,074)	553,786	783,175	(372,040)	411,135
Surplus reserves	–	–	445	–	–	–	(445)	–	–	–
Contributions from non-controlling interests	–	–	–	–	–	–	–	–	955,534	955,534
Considerations paid to non-controlling interests	–	(16,915)	–	–	–	–	–	(16,915)	(496,479)	(513,394)
Non-controlling interests on acquisition of subsidiary	–	–	–	–	–	–	–	–	5,650	5,650
Share-based payments	–	–	–	1,502	–	–	–	1,502	1,444	2,946
Disposal of associates	–	(4,805)	–	–	–	–	–	(4,805)	–	(4,805)
Others	–	30,738	–	–	–	–	–	30,738	–	30,738
31 December 2020	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

Consolidated Statement of Cash Flows

For the year ended 31 December 2021
(All amounts expressed in RMB'000 unless otherwise stated)

	Notes	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from/(used in) operating activities	48(a)	(602,953)	4,858,856
Net cash flows generated from/(used in) operating activities		(602,953)	4,858,856
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment, intangible assets and other assets		(260,757)	(247,722)
Proceeds from sale of property and equipment, intangible assets and other assets		365	194
Purchases of investments, net		(7,598,095)	(7,389,692)
Acquisition of subsidiaries and other business entities, net		(270,930)	(130,107)
Deconsolidation of subsidiaries, net		(3,645)	(2,167)
Dividends and others received from investments		2,191,179	1,497,644
Net cash flows used in investing activities		(5,941,883)	(6,271,850)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of bonds		—	6,871,237
Proceeds from capital injection by non-controlling interests		1,105,022	955,534
Proceeds from issue of preference shares		500,164	—
Increase/(decrease) in securities sold under agreements to repurchase, net		1,338,895	(61,701)
Proceeds from/(repayment of) borrowings		100,000	(2,208)
Considerations paid for repurchase of non-controlling interests' shares		—	(1,500)
Considerations paid for redemption of preference shares		(467,235)	(511,894)
Interest paid		(238,045)	—
Principal elements of lease payments		(144,756)	(142,884)
Other cash received related to financing activities		904	—
Net cash flows generated from financing activities		2,194,949	7,106,584
Effects of exchange rate changes on cash and cash equivalents		(103,121)	(390,373)
Net increase/(decrease) in cash and cash equivalents		(4,453,008)	5,303,217
Cash and cash equivalents at the beginning of year		8,218,037	2,914,820
Cash and cash equivalents at the end of year	48(b)	3,765,029	8,218,037

Notes to the Financial Statements

For the year ended 31 December 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 subsidiary (collectively, the "Group") are principally engaged in Fintech business, which provides internet insurance services, insurance information technology services and online banking 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to the all the years presented unless otherwise stated.

2.1 Basis of preparation

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

(a) Changes in accounting policies

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

Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(b) New and revised standards not yet adopted

The Group has not applied the following key new and revised HKFRSs that have been issued but are not yet effective, in these consolidated financial statements:

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 intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. The Group estimates that the adoption of HKFRS 9 will reduce the total equity at the beginning of 2022. The Group makes additional disclosures as below.

Notes to the Financial Statements

For the year ended 31 December 2021
(All amounts expressed in RMB'000 unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

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

HKFRS 9 and HKFRS 4 Amendments (continued)

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

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

	31 December 2021 Fair value	2021 Change in the fair value
Financial assets held for trading (A)	11,812,588	126,760
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)	15,333,574	89,126
– Financial assets not meet SPPI	8,268,310	(131,592)
Total	35,414,472	84,294

Credit risk rating grades of financial assets meet SPPI(C)	31 December 2021 Carrying amounts
Domestic	
AAA	9,551,052
AA+	850,144
AA	137,537
Overseas	
A3(inclusive) or above	2,100,232
Baa1	861,075
Baa2	842,109
Baa3	782,032
Ba1	4,136
Ba2	11,711
B1	22,709
Not rated*	144,429
Total	15,307,166

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

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

HKFRS 9 and HKFRS 4 Amendments (continued)

	31 December 2021	
	Carrying amounts	Fair value
Financial assets not have low credit risk*	38,556	38,556

* 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 recognised as revenue over the coverage period.

In October 2020, the Amendments to HKFRS 17 were issued. The standard is 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.

2.2 Subsidiaries

2.2.1 Consolidation

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

Notes to the Financial Statements

For the year ended 31 December 2021
(All amounts expressed in RMB'000 unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(a) Business combinations

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Subsidiaries (continued)

2.2.2 Separate financial statements

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

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

2.2.3 Associates

An associate is an entity over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting.

Under the equity method of accounting, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

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

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2021
(All amounts expressed in RMB'000 unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Subsidiaries (continued)

2.2.4 Joint ventures

The Group has assessed the nature of its jointly controlled entities and determined them to be joint ventures. The Group has rights to the net assets of these jointly controlled entities. The Group's investments in its jointly controlled entities are accounted for using the equity method of accounting, less any impairment losses. Refer to Note 2.2.3 for details of the equity method of accounting.

2.3 Segment reporting

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

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

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

2.4 Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

Group entities

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Property and equipment

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

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

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

Category	Expected useful life	Estimated residual value rate	Annual depreciation rate
Electrical equipment	5-8 years	5%	12%-19%
Office furniture and equipment	5 years	5%	19%
Motor vehicles	5 years	5%	19%
Leasehold improvements	1.25-10 years	0%	10%-80%

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

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

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

2.6 Intangible assets

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

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

Notes to the Financial Statements

For the year ended 31 December 2021
(All amounts expressed in RMB'000 unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Intangible assets (continued)

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

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

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

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

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

The expected useful lives of intangible assets are as follows:

	Expected useful life
Patent	10 years
Trademark	10 years
Software	2-10 years
Chinese domain name registration	10 years

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

2.7 Goodwill

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Goodwill (continued)

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

2.8 Impairment of non-financial assets

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

2.9 Financial assets

(a) Classification

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

Financial assets at fair value through profit or loss

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

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

- Held in internal funds to match insurance and investment contracts liabilities that are linked to the changes in fair value of these assets. The designation of these assets to be at fair value through profit or loss eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; and

- Managed and whose performance is evaluated on a fair value basis. Information about these financial assets is provided internally on a fair value basis to the Group's key management personnel. The Group's investment strategy is to invest in equity and debt securities and to evaluate them with reference to their fair values. Assets that are part of theses portfolios are designated upon initial recognition at fair value through profit or loss.

Notes to the Financial Statements

For the year ended 31 December 2021
(All amounts expressed in RMB'000 unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Financial assets (continued)

(a) *Classification* (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables mainly comprise different kinds of account receivables, loans and advances to customers, investments classified as loans and receivables, term deposits, restricted statutory deposits and securities purchased under agreements to resell. After initial measurement, such assets are subsequently carried at amortized cost using the effective interest rate method less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. Gains or losses arising on derecognition are recognised in the statement of comprehensive income as "Net investment income".

Held-to-maturity financial assets

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

Available-for-sale financial assets

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

(b) *Recognition and measurement*

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

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

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

When securities classified as available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are included in the statement of comprehensive income as net realized gains/(losses) on financial assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Fair value measurement

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

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

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

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

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

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

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

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

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

2.11 Financial liabilities

Financial liabilities at amortised cost

At initial recognition, the Group measures a financial liability at its fair value plus transaction costs that are incremental and directly attributable to the acquisition or issue of the financial liability.

When a financial liability (or part of it) is extinguished, the Group derecognises the financial liability (or part of it). The difference between the carrying amount of the derecognised liability and the consideration is recognised in the statement of comprehensive income.

The Group measures financial liabilities subsequently at amortized cost, using the effective interest method. Financial liabilities of the Group mainly include securities sold under agreements to repurchase, customer deposits and bonds payable, etc.

Notes to the Financial Statements

For the year ended 31 December 2021
(All amounts expressed in RMB'000 unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Offsetting financial instruments

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

2.13 Impairment of financial assets

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

Assets carried at amortized cost

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

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

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

Assets classified as available for sale

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Securities purchased under agreements to resell

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

2.15 Reinsurance

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

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

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

2.16 Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash in hand, demand deposits, and short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

2.17 Share capital

Ordinary shares are classified as equity.

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

2.18 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

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

Notes to the Financial Statements

For the year ended 31 December 2021
(All amounts expressed in RMB'000 unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Non-controlling interest

Non-controlling interests are presented in the consolidated balance sheet with equity, separately from equity attributable to owners of the parent. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit and the shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate the cost on initial recognition of an investment in an associate or joint venture.

2.20 Insurance contracts

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

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

- If the insurance risk portion and other risk portion are distinct and separately measurable, the insurance risk portion and other risk portion should be unbundled. The portion with insurance risk should be treated as an insurance contract, while the portion with other risks should not be treated as an insurance contract.

- If the insurance risk portion and other risk portion cannot be distinct, or if they are distinct but cannot be separately measurable, the Group would test the significance of insurance risk at the initial recognition of such contracts. The whole contract should be treated as an insurance contract if the insurance risk is significant; the whole contract should not be treated as an insurance contract if the insurance risk is insignificant.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Testing the significance of insurance risk

The Group tests the significance of insurance risk at the initial recognition of such contracts signed with policyholders, based on a group of contracts with a similar nature, and conducts necessary review at the subsequent financial reporting date.

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

When determining whether the contracts (or policies) transfer significant insurance risk, the Group considers: (i) annuity contracts that transfer longevity risk are treated as insurance contracts; (ii) for non-annuity contracts, if the insurance risk ratio is greater than or equal to 5% at certain points of time during the duration of the contracts, they are treated as insurance contracts; the insurance risk ratio of direct insurance contracts = (the benefits paid when the insurance event occurs/the benefits paid in the absence of the insurance event -1) ×100%. For property and casualty and short-term life policies that obviously transfer significant risk, the Group recognises them as insurance contracts directly.

When determining whether reinsurance policies transfer significant insurance risk, the Group considers thoroughly the commercial substance and other relevant contracts and agreements, and if the insurance risk ratio of reinsurance policies is greater than 1%, they are treated as reinsurance contracts. The insurance risk ratio of reinsurance policies = (the present value of probability-weighted expected loss amount in the case of the net loss of the reinsurer/the present value of the reinsurer's expected premium income)×100%.If the reinsurance policies obviously transfer significant insurance risk, the Group directly recognises them as reinsurance contracts.

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

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

2.22 Insurance contract liabilities

The Group's insurance contract liabilities include unearned premium reserves, claim reserves and long-term life insurance contract reserves.

When measuring property and casualty and short-term life insurance contract liabilities, the Group uses a group of insurance contracts whose insurance risks are of a similar nature as a measurement unit. The Group's property and casualty and short-term life insurance contracts are classified into certain measurement units by type of insurance.

When measuring long-term life insurance contract reserves, the Group classifies insurance contracts whose insurance risks are of a similar nature as a measurement unit. The Group mainly considers product characteristics, effective year and risk profile of contracts in this regard.

Notes to the Financial Statements

For the year ended 31 December 2021
(All amounts expressed in RMB'000 unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Insurance contract liabilities (continued)

Insurance contract liabilities as at the balance sheet date are measured based on a reasonable estimate of the amount of payments when the Group fulfils relevant obligations under the insurance contracts, which represents the difference between expected future cash outflows and inflows under such contracts, that is, expected future net cash flow including:

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

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

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

- Risk margin represents provision for the uncertainty associated with the future net cash flows.
- Residual margin is provided to eliminate any gain at inception of the contract and is amortised over the life of the contract in a certain way. At inception of an insurance contract, any "day-one" gain is not recognised in the statement of comprehensive income, but included in the insurance contract liabilities as a residual margin. However, any "day-one" loss is recognised in the statement of comprehensive incomes at inception.

Acquisition costs in relation to the sale of new contracts such as commissions are recorded as expenses in the statement of comprehensive income, but the residual margin is calibrated to offset the impacts of the relevant acquisition costs incurred.

For non-life insurance contracts, the Group amortises the residual margin on a time basis during the whole insurance coverage period and records it in the statement of comprehensive income. For life insurance contracts, the Group amortises the residual margin on the basis of the sums insured, sums at risk or other appropriate carriers during the whole insurance coverage period.

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

Unearned premium reserves

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Insurance contract liabilities (continued)

Claim reserves

Claim reserves include incurred and reported claim reserves, incurred but not reported ("IBNR") claim reserves and claim expense reserves.

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

IBNR claim reserves represent insurance contract provisions for the claims incurred but not reported to the Group. After considering factors such as nature and distribution of insurance risks, historical claims developments, the latest available claim data, and industry benchmark, the Group adopts commonly accepted actuarial reserving methods such as the expected loss ratio method, chain ladder method and Bornhuetter-Ferguson method to measure IBNR claim reserves based on a reasonable estimate of the ultimate claims amount and the margin factor.

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

Liability adequacy test

At the end of each reporting period, liability adequacy tests are performed on the unearned premium reserves, claim reserves and long-term life insurance reserves. If the insurance contract liabilities re-calculated with the insurance actuarial methods exceeds their carrying amounts on date of the liability adequacy test, an additional provision is made for the respective insurance contract liabilities based on the difference and charged in the statement of comprehensive income. Otherwise, no adjustment is made for the respective insurance contract liabilities.

2.23 Securities sold under agreements to repurchase

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

2.24 Current and deferred income tax

The income tax expense or credit for the period comprises current and deferred income tax. Income tax relating to items recognised outside profit or loss is recognised in other comprehensive income or directly in equity.

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

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

Notes to the Financial Statements

For the year ended 31 December 2021
(All amounts expressed in RMB'000 unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.24 Current and deferred income tax (continued)

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

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

Deferred income tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority.

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

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

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

2.25 Employee benefits

(a) Pension schemes

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

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

(b) Housing benefits

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

(c) Medical benefits

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.26 Share-based payments

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

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

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

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

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

2.27 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.28 Revenue recognition

Revenue is recognised on the following bases:

(a) Premium revenue

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

Premiums from direct non-life insurance contracts are recognised as revenue based on the amount of total premiums stated in the contracts. Premiums from direct life insurance contracts with instalment or single payments are recognised as revenue when due.

Reinsurance premiums are recognised as revenue in accordance with the terms stated in the reinsurance contracts.

Notes to the Financial Statements

For the year ended 31 December 2021
(All amounts expressed in RMB'000 unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.28 Revenue recognition (continued)

(b) Investment and interest income

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

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

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

(c) Revenue from services

The Group provides services including IT system solution, design, implementation and support services under fixed-price contracts, insurance brokerage services under fixed-price and variable-price contracts, card processing services, and etc. Revenue from providing services is recognised in the accounting period in which the services are rendered. If the customer receives and uses the benefits simultaneously, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. This is determined based on the actual labour hours spent relative to the total expected labour hours. Otherwise, the Group recognises revenue when control of the promised services is transferred to the customer in the amount that best reflects the consideration to which the Group expects to be entitled in exchange for those services.

For IT related services, some contracts include multiple deliverables, such as the sale of software and related installation services. However, the installation is simple, does not include an integration service and could be performed by another party. It is therefore accounted for as a separate performance obligation. If contracts include the installation of software, revenue for the software is recognised at a point in time when the software is delivered, the legal title has passed and the customer has accepted the software.

For insurance brokerage services, payment of the price is due immediately from insurance companies at the completion of the insurance policy placement process once coverage is effective. Insurance companies may issue the insurance policy to the policyholder with a right of surrender, and the Group charges insurance brokerage services fee based on the actual premium income (net of surrender) recognised by insurance companies. Therefore, an estimated liability (included in other liabilities) and a right to the surrender cost (included in other assets) are recognised for the insurance policies expected for surrender. Accumulated experience is used to estimate such surrender at the time of providing insurance brokerage services. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.

For card processing services, the Group provides its customers with card processing services (i.e., authorisation and settlement of transactions executed with the bank cards issued by the Group) where it is entitled to an interchange fee for each transaction (i.e. when a cardholder purchases goods and services from merchants using the bank card). The fees vary based on the number of transactions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.28 Revenue recognition (continued)

(c) Revenue from services (continued)

Where the contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin.

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

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

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

(d) Sale of goods

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

2.29 Leases

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases.

Leases are recognised as a right-of-use asset and a corresponding liability at the date when the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate, initially measured using the index or rate at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Notes to the Financial Statements

For the year ended 31 December 2021
(All amounts expressed in RMB'000 unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.29 Leases (continued)

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk, which does not have recent third party financing, and
- makes adjustments specific to the lease (e.g., term, country, currency and security).

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and all leases of low-value assets are recognised on a straight-line basis as an expense in the statement of comprehensive income. Short-term leases are leases with a lease term of 12 months or less.

2.30 Government grants

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

3.1 Consolidation of entity with less than 50% ownership

The Company controls ZhongAn Technologies International Group Limited ("ZhongAn International") through ZhongAn Information Technology Services Limited Company ("ZhongAn Technology"), wholly owned by the Company, even though ZhongAn Technology holds less than half of the equity interests of ZhongAn International. The subscription agreement signed between the shareholders grants ZhongAn Technology the right to appoint a majority of the board of directors and management responsible for directing the relevant activities.

3.2 Valuation of insurance contract liabilities

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

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

Unearned premium reserves

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

(a) Discount rate

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

(b) Expense assumptions

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

The Group's expense assumption is determined based on industry analysis, industry standards and economic environment. The Group's expense assumption is affected by certain factors, such as inflation, market competition and other factors. The Group uses information currently available at the balance sheet date to determine expense assumption and a risk adjustment is considered.

(c) Loss ratios

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

Notes to the Financial Statements

For the year ended 31 December 2021
(All amounts expressed in RMB'000 unless otherwise stated)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

3.2 Valuation of insurance contract liabilities (continued)

Unearned premium reserves (continued)

(d) Risk margin

The risk margin represents provision for the uncertainty associated with the future cash flows. By referring to the industry benchmark, the risk adjustments are determined as 5.5 percent (insurance contracts other than guarantee insurance and credit insurance) and 15 percent (guarantee insurance and credit insurance contracts) to be applied on the present value of the unbiased estimate of future net cash flow.

Claim reserves

Claim reserves depend mainly on claim development factors and expected ultimate loss ratio which can be used to predict the future cost of claims. Claim developments factors and the expected ultimate loss ratio for various measurement units are based on past claims development experience and loss ratios, taking into consideration changes in the Group's policies such as the underwriting policy, expenses and claims handling, and changing trends in external environments such as economic conditions, regulations and legislation. The Group determines the risk margin assumptions for claim reserves based on the available information at the end of each reporting period. In assessing claim reserves, the risk margins are determined at 5 percent (insurance contracts other than bond insurance and credit insurance) and 7 percent (bond insurance and credit insurance contracts)

4. SEGEMENT REPORTING

The Groups operating segments are listed as follows:

- The insurance segment offers a wide range of online P&C insurance business;
- The technology segment provides IT related business 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 online life insurance business, insurance brokerage, medical services and etc.

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

97.5% of the Group's revenue is derived from its operations in the PRC. 81.0% of the Group's assets are located in PRC. In 2021, the income from transactions with the top five external customers amounted to 3.1% (2020: 4.2%) of the Group's total segment income.

4. SEGEMENT REPORTING (continued)

Segment statement of comprehensive income for the year ended 31 December 2021

	Insurance	Technology	Banking	Others	Eliminations	Total
Gross written premiums	20,373,607	—	—	108,959	(2,447)	20,480,119
Less: Premiums ceded to reinsurers	(1,150,600)	—	—	(3,676)	—	(1,154,276)
Net change in unearned premium reserves	(440,749)	—	—	—	—	(440,749)
Net premiums earned	18,782,258	—	—	105,283	(2,447)	18,885,094
Net Investment income	1,938,910	27,553	74,264	31,011	(3,818)	2,067,920
Net fair value changes through profit or loss	118,729	(18,750)	—	26,781	—	126,760
Other income	117,601	530,993	115,172	282,067	(185,247)	860,586
Segment income	20,957,498	539,796	189,436	445,142	(191,512)	21,940,360
Net claims incurred	(10,812,803)	—	—	(121,879)	—	(10,934,682)
Handling charges and commissions	(1,892,017)	—	—	(1,165)	122,235	(1,770,947)
Foreign exchange gains/(losses)	129,531	(1,271)	16,265	(14,526)	17,491	147,490
Finance costs	(384,392)	(7,170)	(14)	(658)	3,892	(388,342)
General and administrative expenses	(6,131,809)	(292,285)	(593,367)	(235,803)	(39,428)	(7,292,692)
Other expenses	(9,250)	(614,591)	(75,859)	(256,385)	121,650	(834,435)
Segment expenses	(19,100,740)	(915,317)	(652,975)	(630,416)	225,840	(21,073,608)
Share of net loss of associates and joint ventures accounted for using the equity method	—	(8,286)	—	(31,032)	1,683	(37,635)
Profit/(Loss) before income tax	1,856,758	(383,807)	(463,539)	(216,306)	36,011	829,117
Income tax	(70,443)	(813)	—	(762)	—	(72,018)
Net profit/(loss)	1,786,315	(384,620)	(463,539)	(217,068)	36,011	757,099

Notes to the Financial Statements

For the year ended 31 December 2021
(All amounts expressed in RMB'000 unless otherwise stated)

4. SEGEMENT REPORTING (continued)

Segment balance sheet at 31 December 2021

	Insurance	Technology	Banking	Others	Eliminations	Total
Cash and amounts due from banks and other financial institutions	1,609,009	177,286	1,894,257	697,852	(77,711)	4,300,693
Financial assets (a)	30,196,516	50,709	5,999,232	1,852,441	(17,735)	38,081,163
Insurance receivables (b)	6,132,505	—	—	5,215	—	6,137,720
Investment in associates, joint ventures and subsidiaries	4,516,951	2,025,519	—	3,113,661	(9,096,472)	559,659
Other assets	2,329,656	1,313,866	121,999	567,150	(1,639,577)	2,693,094
Segment assets	44,784,637	3,567,380	8,015,488	6,236,319	(10,831,495)	51,772,329
Insurance contract liabilities	9,178,440	—	—	125,777	—	9,304,217
Securities sold under agreements to repurchase	5,548,348	—	—	—	—	5,548,348
Customer deposits	—	—	5,774,503	—	(77,711)	5,696,792
Bonds payable	6,344,148	—	—	—	(19,127)	6,325,021
Other liabilities	4,733,716	1,026,379	214,585	1,429,043	(1,635,969)	5,767,754
Segment liabilities	25,804,652	1,026,379	5,989,088	1,554,820	(1,732,807)	32,642,132

(a) Financial assets comprise 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, loans and advances to customers, investments classified as loans and receivables, term deposits and restricted statutory deposits.

(b) Insurance receivables comprise premium receivables, reinsurance receivables and reinsurers' share of insurance contract liabilities.

Other segment information for the year ended 31 December 2021

	Insurance	Technology	Banking	Others	Eliminations	Total
Depreciation and amortization	180,743	101,901	6,457	17,504	—	306,605
Capital expenditure	184,917	64,475	2,599	9,341	—	261,332
Impairment loss charges	39,123	47,778	39,632	7,445	—	133,978
Interest income	(633,957)	(2,347)	(83,465)	(21,463)	3,890	(737,342)

4. SEGEMENT REPORTING (continued)

Segment statement of comprehensive income for the year ended 31 December 2020

	Insurance	Technology	Banking	Others	Eliminations	Total
Gross written premiums	16,709,376	—	—	2,607	(3,479)	16,708,504
Less: Premiums ceded to reinsurers	(522,096)	—	—	(587)	—	(522,683)
Net change in unearned premium reserves	29,383	—	—	—	—	29,383
Net premiums earned	16,216,663	—	—	2,020	(3,479)	16,215,204
Net Investment income	1,438,980	40,030	4,271	34,360	9,857	1,527,498
Net fair value changes through profit or loss	(37,779)	11,165	—	1,097	—	(25,517)
Other income	111,878	377,618	67,802	271,209	(52,529)	775,978
Segment income	17,729,742	428,813	72,073	308,686	(46,151)	18,493,163
Net claims incurred	(8,772,721)	—	—	(1,201)	18	(8,773,904)
Handling charges and commissions	(1,441,596)	—	—	—	34,729	(1,406,867)
Foreign exchange gains/(losses)	170,367	942	(1,081)	443	30,203	200,874
Finance costs	(216,261)	(14,007)	—	(2,899)	298	(232,869)
General and administrative expenses	(6,596,759)	(227,264)	(230,297)	(141,540)	27,373	(7,168,487)
Other expenses	(12,081)	(521,252)	(142,203)	(277,676)	21,544	(931,668)
Segment expenses	(16,869,051)	(761,581)	(373,581)	(422,873)	114,165	(18,312,921)
Share of net profit/(loss) of associates and joint ventures accounted for using the equity method	20,211	(35,027)	—	(20,656)	1,760	(33,712)
Profit/(Loss) before income tax	880,902	(367,795)	(301,508)	(134,843)	69,774	146,530
Income tax	112,205	(66)	—	(4,289)	—	107,850
Net profit/(loss)	993,107	(367,861)	(301,508)	(139,132)	69,774	254,380

Notes to the Financial Statements

For the year ended 31 December 2021
(All amounts expressed in RMB'000 unless otherwise stated)

4. SEGEMENT REPORTING (continued)

Segment balance sheet at 31 December 2020

	Insurance	Technology	Banking	Others	Eliminations	Total
Cash and amount due from banks and other financial institutions	5,680,057	296,732	2,044,536	417,217	(20,168)	8,418,374
Financial assets (a)	22,387,476	160,569	4,493,745	1,319,776	(19,482)	28,342,084
Insurance receivables (b)	5,143,782	—	—	1,970	—	5,145,752
Investment in associates, joint ventures and subsidiaries	3,663,952	1,439,284	—	1,909,024	(6,696,971)	315,289
Other assets	2,874,671	1,017,962	87,397	650,182	(1,178,275)	3,451,937
Segment assets	39,749,938	2,914,547	6,625,678	4,298,169	(7,914,896)	45,673,436
Insurance contract liabilities	8,544,219	—	—	3,090	(76)	8,547,233
Securities sold under agreements to repurchase	4,093,822	—	—	—	—	4,093,822
Customer deposits	—	—	5,081,291	—	(20,169)	5,061,122
Bonds payable	6,487,166	—	—	—	(19,575)	6,467,591
Other liabilities	3,405,641	872,371	219,746	787,442	(1,174,867)	4,110,333
Segment liabilities	22,530,848	872,371	5,301,037	790,532	(1,214,687)	28,280,101

(a) Financial assets comprise 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, loans and advances to customers, investments classified as loans and receivables, term deposits and restricted statutory deposits..

(b) Insurance receivables comprise premium receivables, reinsurance receivables and reinsurers' share of insurance contract liabilities.

Other segment information for the year ended 31 December 2020

	Insurance	Technology	Banking	Others	Eliminations	Total
Depreciation and amortization	191,139	102,841	3,465	17,567	—	315,012
Capital expenditure	169,319	81,489	6,608	30,133	—	287,549
Impairment loss charges	339,059	16,618	1,150	210	3,997	361,034
Interest income	(618,667)	(1,699)	—	(26,261)	1,511	(645,116)

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK

(a) Insurance risk

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

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

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

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

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

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

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

The Group's concentration of insurance risk is reflected by its major lines of business as analysed by gross written premiums in Note 7.

Key assumptions

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

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

Notes to the Financial Statements

For the year ended 31 December 2021
(All amounts expressed in RMB'000 unless otherwise stated)

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

(a) Insurance risk (continued)

Sensitivities

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

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

Changes in expected ultimate loss ratio	31 December 2021	
	Impact on profit before income tax	Impact on total equity before income tax
+1%	(208,650)	(208,650)
– 1%	208,650	208,650

Changes in expected ultimate loss ratio	31 December 2020	
	Impact on profit before income tax	Impact on total equity before income tax
+1%	(164,042)	(164,042)
– 1%	164,042	164,042

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

(a) Insurance risk (continued)

Claim development tables

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

Gross insurance claim reserves:

	Accident year					
	2017	**2018**	**2019**	**2020**	**2021**	**Total**
Estimate of ultimate claim cost as of:						
End of current year	2,698,058	5,396,412	8,774,976	9,181,662	**12,091,770**	
One year later	2,577,762	5,360,642	8,413,918	8,529,919		
Two years later	2,554,264	5,344,610	8,161,740			
Three years later	2,537,233	5,256,927				
Four years later	2,517,316					
Current estimate of cumulative claims	2,517,316	5,256,927	8,161,740	8,529,919	**12,091,770**	36,557,672
Cumulative payments to date	(2,494,929)	(5,078,726)	(7,741,276)	(7,907,749)	**(10,243,090)**	(33,465,770)
Liability in respect of prior years, unallocated loss adjustment expenses, discount and risk adjustment margin						202,820
Total gross claim reserves included in the consolidated balance sheet						3,294,722

Notes to the Financial Statements

For the year ended 31 December 2021
(All amounts expressed in RMB'000 unless otherwise stated)

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

(a) Insurance risk (continued)

Claim development tables (continued)

Net insurance claim reserves:

	Accident year					
	2017	2018	2019	2020	2021	Total
Estimate of ultimate claim cost as of:						
End of current year	2,638,157	5,161,833	8,558,688	8,865,990	11,420,106	
One year later	2,493,902	5,066,558	8,167,698	8,223,866		
Two years later	2,454,326	5,027,948	7,927,572			
Three years later	2,440,378	4,947,797				
Four years later	2,422,591					
Current estimate of cumulative claims	2,422,591	4,947,797	7,927,572	8,223,866	11,420,106	34,941,932
Cumulative payments to date	(2,409,144)	(4,793,597)	(7,533,331)	(7,622,261)	(9,635,439)	(31,993,772)
Liability in respect of prior years, unallocated loss adjustment expenses, discount and risk adjustment margin						190,972
Total net claim reserves included in the consolidated balance sheet						3,139,132

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

(b) Financial risk

Market risk

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

(i) Currency risk

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

The Group operates principally in the PRC with only limited exposure to foreign exchange rate risk arising primarily from certain foreign currency bank deposit in United States dollar ("USD"), Hong Kong dollar ("HKD"), Japanese yen ("JPY"), Singapore dollar ("SGD"), Euro ("EUR") or Indonesia Rupiah ("IDR").

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

	31 December 2021						
	HKD'000	USD'000	JPY'000	SGD'000	EUR'000	IDR'000	Equivalent to RMB'000
Cash and amounts due from bank and other financial institutions	2,319,678	164,203	968,060	5,963	1,885	14,010,519	3,046,237
Financial assets at fair value through profit or loss	17,742	20,119	—	—	—	—	142,822
Interest receivables	9,395	4,627	—	—	—	—	37,189
Premium receivables	71	—	—	—	—	—	58
Reinsurance receivables	168	—	—	—	—	—	137
Available-for-sale financial assets	1,054,496	549,645	—	—	—	—	4,367,723
Loans and advances to customers	2,507,116	741	—	—	—	—	2,054,699
Held-to-maturity financial assets	—	15,284	—	—	—	—	97,480
Other receivables	13,799	11,338	393,992	8,350	2,356	7,555,328	165,546
Total	5,922,465	765,957	1,362,052	14,313	4,241	21,565,847	9,911,891

	31 December 2021						
	HKD'000	USD'000	JPY'000	SGD'000	EUR'000	IDR'000	Equivalent to RMB'000
Customer deposits	6,777,948	14,183	—	—	—	—	5,632,523
Reinsurance payables	1,498	—	—	—	—	—	1,225
Bonds payable	—	991,731	—	—	—	—	6,325,021
Other liabilities	367,744	16,563	17,367	22	—	482,349	407,629
Total	7,147,190	1,022,477	17,367	22	—	482,349	12,366,398

Notes to the Financial Statements

For the year ended 31 December 2021
(All amounts expressed in RMB'000 unless otherwise stated)

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

(b) Financial risk (continued)

Market risk (continued)

(i) ***Currency risk*** (continued)

	31 December 2020					
	HKD'000	USD'000	JPY'000	SGD'000	EUR'000	Equivalent to RMB'000
Cash and amounts due from bank and other financial institutions	2,467,789	233,773	1,470,359	4,349	2,291	3,735,076
Financial assets at fair value through profit or loss	82,460	6,544	—	—	—	112,103
Interest receivables	18,356	3,177	—	—	—	36,175
Premium receivables	13	—	—	—	—	11
Available-for-sale financial assets	2,704,898	322,705	—	—	—	4,382,037
Loans and advances to customers	681,608	—	—	—	—	573,744
Held-to-maturity financial assets	133,335	—	—	—	—	112,235
Other receivables	34,175	—	168,603	10,139	181	90,890
Total	6,122,634	566,199	1,638,962	14,488	2,472	9,042,271

	31 December 2020					
	HKD'000	USD'000	JPY'000	SGD'000	EUR'000	Equivalent to RMB'000
Customer deposits	5,919,577	2,583	—	—	—	4,999,659
Bonds payable	-	991,419	—	—	—	6,467,591
Other liabilities	134,193	12,811	—	—	—	196,533
Total	6,053,770	1,006,813	—	—	—	11,663,783

The Group has no significant concentration of currency risk.

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

(b) Financial risk (continued)

Market risk (continued)

(i) ***Currency risk*** (continued)

Sensitivities

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

Changes in exchange rate	31 December 2021	
	Impact on profit before income tax	Impact on total equity before income tax
+5%	(341,111)	(122,725)
– 5%	341,111	122,725

Changes in exchange rate	31 December 2020	
	Impact on profit before income tax	Impact on total equity before income tax
+5%	(350,178)	(131,076)
– 5%	350,178	131,076

(ii) ***Interest rate risk***

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

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

Notes to the Financial Statements

For the year ended 31 December 2021
(All amounts expressed in RMB'000 unless otherwise stated)

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

(b) Financial risk (continued)

Market risk (continued)

(ii) Interest rate risk (continued)

Sensitivities

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

Changes in RMB interest rate	31 December 2021	
	Impact on profit before income tax	Impact on total equity before income tax
+50 basis points	(64,493)	(250,140)
– 50 basis points	67,751	259,090

Changes in RMB interest rate	31 December 2020	
	Impact on profit before income tax	Impact on total equity before income tax
+50 basis points	(30,718)	(140,993)
– 50 basis points	32,021	152,677

(iii) Price risk

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

Sensitivities

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

Changes in price	31 December 2021	
	Impact on profit before income tax	Impact on total equity before income tax
+5%	112,631	460,157
– 5%	(112,631)	(460,157)

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

(b) Financial risk (continued)

Market risk (continued)

(iii) Price risk (continued)

Changes in price	31 December 2020	
	Impact on profit before income tax	Impact on total equity before income tax
+5%	52,660	264,327
– 5%	(52,660)	(264,327)

Credit risk

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

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

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

As the Group's investment types are limited by the CBIRC, the Group's debt-based investments mainly include government bonds and corporate bonds, etc. At 31 December 2021, the majority of corporate bonds and short-term corporate financing bonds held by the Group had domestic credit rating AA+ or above. The credit rating of the bond is provided by a qualified assessment agency.

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

The Group has formulated a complete set of credit management processes and internal control mechanisms, so as to carry out whole process management of credit business. Credit management procedures for its loans to individual and corporate individuals comprise the processes of credit origination, credit review, credit approval, disbursement, post-disbursement monitoring and collection.

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

Notes to the Financial Statements

For the year ended 31 December 2021
(All amounts expressed in RMB'000 unless otherwise stated)

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

(b) Financial risk (continued)

Credit risk (continued)

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

	31 December 2021					
		Past due but not impaired				
	Neither past due nor impaired	Less than 1 year	More than 1 year	Total past due but not impaired	Impaired	Total
Cash and amounts due from banks and other financial institutions	4,300,693	—	—	—	—	4,300,693
Financial assets at fair value through profit or loss	3,328,355	—	—	—	—	3,328,355
Securities purchased under agreements to resell	9,900	—	—	—	—	9,900
Premium receivables	4,915,163	99,154	—	99,154	—	5,014,317
Reinsurance receivables	746,982	—	—	—	—	746,982
Interest receivables	283,144	—	—	—	—	283,144
Available-for-sale financial assets	13,697,352	—	—	—	13,478	13,710,830
Held-to-maturity financial assets	656,329	—	—	—	9,407	665,736
Investments classified as loans and receivables	930,600	—	—	—	—	930,600
Loans and advances to customers	2,054,186	—	—	—	513	2,054,699
Term deposits	330,000	—	—	—	—	330,000
Restricted statutory deposits	298,500	—	—	—	—	298,500
Others	807,004	—	—	—	—	807,004
Total	32,358,208	99,154	—	99,154	23,398	32,480,760

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

(b) Financial risk (continued)

Credit risk (continued)

	31 December 2020					
		Past due but not impaired				
	Neither past due nor impaired	Less than 1 year	More than 1 year	Total past due but not impaired	Impaired	Total
Cash and amounts due from banks and other financial institutions	8,418,374	—	—	—	—	8,418,374
Financial assets at fair value through profit or loss	2,887,391	—	—	—	—	2,887,391
Securities purchased under agreements to resell	93,000	—	—	—	—	93,000
Premium receivables	4,457,403	20,511	—	20,511	—	4,477,914
Reinsurance receivables	319,525	—	—	—	—	319,525
Interest receivables	341,395	—	—	—	—	341,395
Available-for-sale financial assets	12,818,260	—	—	—	52,593	12,870,853
Held-to-maturity financial assets	686,690	—	—	—	—	686,690
Investments classified as loans and receivables	1,035,800	—	—	—	110,693	1,146,493
Loans and advances to customers	623,744	—	—	—	—	623,744
Term deposits	330,090	—	—	—	—	330,090
Restricted statutory deposits	294,338	—	—	—	—	294,338
Others	812,864	—	—	—	—	812,864
Total	33,118,874	20,511	—	20,511	163,286	33,302,671

Liquidity risk

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2021
(All amounts expressed in RMB'000 unless otherwise stated)

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

(b) Financial risk (continued)

Liquidity risk (continued)

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

	31 December 2021					
	On demand	Within 1 year	1 to 5 years	Over 5 years	Undated	Total
Assets:						
Cash and amounts due from banks and other financial institutions	3,420,706	882,194	—	—	—	4,302,900
Financial assets at fair value through profit or loss	—	165,020	2,086,970	1,890,311	8,484,233	12,626,534
Securities purchased under agreements to resell	—	9,901	—	—	—	9,901
Premium receivables	—	5,014,317	—	—	—	5,014,317
Reinsurance receivables	—	746,982	—	—	—	746,982
Available-for-sale financial assets	—	3,361,902	7,390,686	5,104,546	8,268,310	24,125,444
Held-to-maturity financial assets	—	28,838	698,767	48,859	—	776,464
Investments classified as loans and receivables	—	223,283	879,567	—	—	1,102,850
Loans and advances to customers	7,254	1,137,416	974,751	15,525	—	2,134,946
Term deposits	—	—	414,090	—	—	414,090
Restricted statutory deposits	—	54,502	276,775	—	—	331,277
Other assets	—	707,725	99,279	—	—	807,004
Total	3,427,960	12,332,080	12,820,885	7,059,241	16,752,543	52,392,709
Liabilities:						
Borrowings	—	122,132	—	—	—	122,132
Customer deposits	4,113,003	1,584,264	—	—	—	5,697,267
Securities sold under agreements to repurchase	—	5,552,913	—	—	—	5,552,913
Reinsurance payables	—	851,384	—	—	—	851,384
Bonds payable	—	208,804	7,046,742	—	—	7,255,546
Lease liabilities	—	120,142	87,766	—	—	207,908
Other liabilities	—	2,975,064	—	—	466,260	3,441,324
Total	4,113,003	11,414,703	7,134,508	—	466,260	23,128,474

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

(b) Financial risk (continued)

Liquidity risk (continued)

	31 December 2020					
	On demand	Within 1 year	1 to 5 years	Over 5 years	Undated	Total
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
Lease liabilities	—	147,158	193,078	—	—	340,236
Other liabilities	—	2,089,957	—	—	419,585	2,509,542
Total	3,270,249	8,817,897	4,962,780	2,655,634	419,585	20,126,145

Notes to the Financial Statements

For the year ended 31 December 2021
(All amounts expressed in RMB'000 unless otherwise stated)

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

(b) Financial risk (continued)

Maximum exposure of structured entities

The Group uses structured entities in the normal course of business for a number of purposes, for example, structured transactions for institutions, to provide finance to public and private section infrastructure projects, and to generate fees from managing assets on behalf of third-party investors. These structured entities are financed through the contracts.

The following table shows the total assets of the various types of unconsolidated structured entities. The table also shows the Group's maximum exposure to the unconsolidated structured entities representing the Group's maximum possible risk exposure that could occur as a result of the Group's arrangements with structured entities. The maximum exposure is contingent in nature and approximates the sum of the total assets of unconsolidated structured entities.

At 31 December of 2021, Group's maximum exposure are shown below:

	31 December 2021			
	Total subscription	Carry amounts	Maximum exposure	Interest held by the Group
Funds investments managed by third parties*	8,293,376	8,457,645	8,457,645	Investment income
Wealth management products managed by third parties*	6,986,438	7,144,203	7,144,203	Investment income
Trust investment schemes managed by third parties*	930,600	930,600	932,039	Investment income
	16,210,414	16,532,448	16,533,887	

* The structured entities are sponsored by third party financial institutions and the information related to size of these structured entities were not publicly available.

The Group's interests in unconsolidated structured entities are included in funds investments and wealth management products under financial assets at fair value through profit or loss, funds investments and wealth management products under available-for-sale financial assets, trust investment schemes under investments classified as loans and receivables.

(c) Operational risk

Operational risk is the risk of loss arising from inadequacy or failure on business processes, human error, information system failure, and etc. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial losses.

The Group is exposed to many types of operational risks in the conduct of its business, from inadequate or failure to obtain proper authorizations or supporting documentation to comply with operational and informational security procedures that prevent frauds or errors by employees, payment security, system attack and Trojan virus such information risks based on the Internet.

The Group cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access controls, authorization and reconciliation procedures, staff education and assessment processes, including the use of compliance check and internal audit.

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

(d) Capital management risks

The capital demands of the Group is mainly based on the Company size, types of debt business, industry and geographic location. Further objectives are set by the Group to maintain a strong credit rating and healthy solvency margin capital ratios in order to support its business objectives and maximize shareholders' value.

The Group manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. The Group will adjust the capital level when the economic condition and risk characteristics of the operating activities changes.

At 31 December of 2021, the Group was fully in compliance with externally required capital requirement. The Group has formally implemented China Risk Oriented Solvency System since 1 January 2016 by reference to the "Notice on the Formal Implementation of China Risk Oriented Solvency System by CIRC".

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

	31 December 2021	31 December 2020
Core capital	16,780,589	15,525,335
Actual capital	16,780,589	15,525,335
Minimum required capital	3,552,560	2,770,002
Core solvency margin ratio	472%	560%
Comprehensive solvency margin ratio	472%	560%

According to the relevant regulations, if the actual solvency margin of an insurance company falls below the minimum solvency margin, the CIRC may take additional necessary measures depending on the circumstances, until the minimum solvency margin requirement is satisfied.

(e) Fair value measurement

Fair value estimates are made at a specific point in time based on relevant market information and information about financial instruments. When an active market exists, such as an authorized securities exchange, the market value is the best reflection of the fair values of financial instruments. For financial instruments where there is no active market, fair value is determined using valuation techniques.

The Group's financial assets mainly include cash and cash equivalents, financial assets at fair value through profit or loss, available-for-sale financial assets, restricted statutory deposits, and etc.

Notes to the Financial Statements

For the year ended 31 December 2021
(All amounts expressed in RMB'000 unless otherwise stated)

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

(e) Fair value measurement (continued)

Determination of fair value and fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchies. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

The levels of the fair value hierarchy are as follows:

(a) Fair value is based on quoted prices (unadjusted) in active markets for identical assets or liabilities ("Level 1");

(b) Fair value is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) ("Level 2"); and

(c) Fair value is based on inputs for the asset or liability that are not based on observable market data (unobservable inputs) ("Level 3").

The level of fair value calculation is determined by the lowest level input with material significant in the overall calculation. As such, the significance of the input should be considered from an overall perspective in the calculation of fair value.

For Level 2 financial instruments, valuations are generally obtained from third party pricing services for identical or comparable assets, or through the use of valuation methodologies using observable market inputs, or recent quoted market prices. Valuation service providers typically gather, analyse and interpret information related to market transactions and other key valuation model inputs from multiple sources, and through the use of widely accepted internal valuation models, provide a theoretical quote on various securities. Debt securities traded among Chinese interbank market are classified as Level 2 when they are valued at recent quoted price from Chinese interbank market or from valuation service providers. Substantially most financial instruments classified within Level 2 of the fair value hierarchy are debt investments denominated in RMB. Fair value of debt investments denominated in RMB is determined based upon the valuation results by the China Central Depository & Clearing Co., Ltd, China Securities Depository and Clearing Corporation Limited and Shanghai Clearing House. All significant inputs are observable in the market.

For Level 3 financial instruments, prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques. Determinations to classify fair value measures within Level 3 of the valuation hierarchy are generally based on the significance of the unobservable factors to the overall fair value measurement, and valuation methodologies such as discounted cash flow models and other similar techniques. The Group's valuation team may choose to apply internally developed valuation method to the assets or liabilities being measured, determine the main inputs for valuation, and analyse the change of the valuation and report it to management. Key inputs involved in internal valuation services are not based on observable market data. They reflect assumptions made by management based on judgements and experiences.

For assets and liabilities that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

(e) Fair value measurement (continued)

Determination of fair value and fair value hierarchy (continued)

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

	31 December 2021			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Financial assets at fair value through profit or loss				
– Fund investments	2,185,400	—	—	2,185,400
– Debt investments	924,214	2,404,141	—	3,328,355
– Wealth management products	5,093,448	774,136	—	5,867,584
– Equity investments	30,956	36,271	364,022	431,249
Available-for-sale financial assets				
– Debt investments	5,811,398	7,899,432	—	13,710,830
– Fund investments	6,272,245	—	—	6,272,245
– Wealth management products	1,276,619	—	—	1,276,619
– Equity investments	677,139	1,130	41,177	719,446
	22,271,419	11,115,110	405,199	33,791,728
Assets for which fair values are disclosed				
Investments classified as loans and receivables	—	—	953,716	953,716
Held-to-maturity financial assets	583,791	85,237	—	669,028
	583,791	85,237	953,716	1,622,744
Liabilities for which fair values are disclosed				
Bonds payable	—	—	6,147,812	6,147,812

Notes to the Financial Statements

For the year ended 31 December 2021
(All amounts expressed in RMB'000 unless otherwise stated)

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

(e) Fair value measurement (continued)

Determination of fair value and fair value hierarchy (continued)

	31 December 2020			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Financial assets at fair value through profit or loss				
– Fund investments	994,169	—	—	994,169
– Equity investments	59,022	—	267,310	326,332
– Debt investments	1,079,921	1,807,470	—	2,887,391
– Wealth management products	998,968	913,506	—	1,912,474
Available-for-sale financial assets				
– Debt investments	6,507,185	6,363,668	—	12,870,853
– Fund investments	2,566,216	—	—	2,566,216
– Wealth management products	1,416,712	500,838	—	1,917,550
– Equity investments	1,667,131	—	25,613	1,692,744
	15,289,324	9,585,482	292,923	25,167,729
Assets for which fair values are disclosed				
Investments classified as loans and receivables	—	—	1,146,493	1,146,493
Held-to-maturity financial assets	575,132	115,228	—	690,360
	575,132	115,228	1,146,493	1,836,853
Liabilities for which fair values are disclosed				
Bonds payable	—	—	6,474,719	6,474,719

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

(e) Fair value measurement (continued)

Determination of fair value and fair value hierarchy (continued)

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

	31 December 2021				
	Beginning of year	Increase	Decrease	Net unrealized gain recognised in total comprehensive income	End of year
Financial assets at fair value through profit or loss					
– Unlisted equity investments	267,310	85,328	(7,998)	19,382	364,022
Available-for-sale financial assets					
– Unlisted equity investments	25,613	10,000	—	5,564	41,177
	292,923	95,328	(7,998)	24,946	405,199

Valuation techniques

The fair value of the unquoted debt investments is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities, with appropriate adjustment where applicable.

The fair value of the unquoted equity investments has been determined using valuation techniques such as comparable company valuation multiples, recent transaction prices of the same or similar instruments, with appropriate adjustments have been made where applicable, for example, for lack of liquidity using option pricing models. The valuation requires management to make certain assumptions about unobservable inputs to the model, which mainly include historical volatility and estimated time period prior to the listing of the unquoted equity instruments, etc. The fair value of the unquoted equity investments is not significantly sensitive to a reasonable change in these unobservable inputs.

Notes to the Financial Statements

For the year ended 31 December 2021
(All amounts expressed in RMB'000 unless otherwise stated)

6. SUBSIDIARIES

(a) The Company's subsidiaries at 31 December 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") (a)	Shanghai, The PRC	Shenzhen, The PRC	Technology Development/ Technology Consulting	RMB 5,000,000	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
Shanghai Zhongyue Network Technology Co., Ltd. (formerly known as Hangzhou Qihui Internet Technology Limited Company) ("Shanghai Zhongyue")	Shanghai, The PRC	Shanghai, 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") (Note 6(b)(ii))	Ningbo, The PRC	Ningbo, The PRC	Bio Technology	RMB 36,600	100.00%	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 50,000	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 50,000	100.00%	Set-up
Shanghai Haoyaoshi ZhongAn Pharmacy Co., Ltd. (formerly known as Shanghai ZhongAn Pharmacy Co., Ltd.) ("ZhongAn Pharmacy") (b)	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
ZA Technology Services Ltd. ("ZA Technology")	British Virgin Islands	British Virgin Islands	Technology Development/ Technology Consulting	USD 0.001	100.00%	Set-up

6. SUBSIDIARIES (continued)

(a) The Company's subsidiaries at 31 December 2021 are as follows: (continued)

Name	Place of Operations	Place of incorporation/ registration	Nature of business	Registered capital (thousand)	Percentage of equity	Acquisition Mode
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") (Note 6(b)(i))	Hong Kong, The PRC	Hong Kong, The PRC	Technology Development/ Technology Consulting	RMB 3,488,445	45.15%	Set-up
ZA Tech Global Limited ("ZA Tech Global") (Note 6(b)(i))	Hong Kong, The PRC	Hong Kong, The PRC	Technology Development/ Technology Consulting	USD 40,000	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") (Note 52)	Tokyo, Japan	Tokyo, Japan	Technology Development/ Technology Consulting	JPY 20,000	100.00%	Set-up
ZA Tech Global (Singapore) Pte. Ltd. ("ZA Tech Singapore")	Singapore	Singapore	Technology Development/ Technology Consulting	HKD 1,000	100.00%	Set-up
ZA Tech Global (Ireland) Limited ("ZA Tech Ireland")	Dublin, Ireland	Dublin, Ireland	Technology Development/ Technology Consulting	EUR 1	100.00%	Set-up
Asia Fintech Center Pte. Ltd. ("Asia Fintech Center") (c)	Singapore	Singapore	Innovation Lab	SGD 2,400	100.00%	Set-up
PT ZATech Global Indonesia ("ZATech Indonesia") (d)	Djakarta, Indonesia	Djakarta, Indonesia	Technology Development/ Technology Consulting	IDR 10,000,000	100.00%	Set-up
ZATech Global Holding Pte. Ltd. ("ZATech") (e)	Singapore	Singapore	Investment Holding	SGD 10	100.00%	Set-up
Piculet Holding (Thailand) Co., Ltd. ("Piculet Holding") (f)	Bangkok, Thailand	Bangkok, Thailand	Investment Holding	THB 100	49.00%	Equity purchase
ZA Tech Brokers Thailand Co., Ltd. ("ZA Tech Brokers") (f)	Bangkok, Thailand	Bangkok, Thailand	Insurance Broker	THB 7,500	73.99%	Equity purchase
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") (g)	Hong Kong, The PRC	Hong Kong, The PRC	Investment Holding	HKD 3,600,000	100.00%	Set-up
ZA Bank Limited ("ZA Bank") (h)	Hong Kong, The PRC	Hong Kong, The PRC	Virtual Bank	HKD 3,600,000	100.00%	Set-up

Notes to the Financial Statements

For the year ended 31 December 2021
(All amounts expressed in RMB'000 unless otherwise stated)

6. SUBSIDIARIES (continued)

(a) The Company's subsidiaries at 31 December 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 Care Limited ("ZA Care")	Hong Kong, The PRC	Hong Kong, The PRC	Technology	–	100.00%	Set-up
ZhongAn Digital Asset Group Limited ("ZA Digital Asset")	British Virgin Islands	British Virgin Islands	Digital Asset	USD 50	100.00%	Set-up
ZAKC Limited ("ZAKC")	Hong Kong, The PRC	Hong Kong, The PRC	Technology Development	HKD 55,700.1	51.00%	Set-up
ZA 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") (i)	Hong Kong, The PRC	Hong Kong, The PRC	Rewards Programme	HKD 12,000.1	100.00%	Set-up
ZA International Insurance Broker Limited ("ZA International Insurance Broker") (j)	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.

(a) On 23 September 2021, the registered capital of ZhongAn Technology increased to RMB5,000,000 thousand. On 30 September 2021, the Company injected RMB800,000 thousand into ZhongAn Technology, and paid-in capital of ZhongAn Technology increased to RMB3,800,000 thousand.

(b) On 15 June 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.

(c) On 28 April 2021, ZA Tech Global injected SGD2,200 thousand into Asia Fintech Center, and the registered capital of Asia Fintech Center increased to SGD2,400 thousand. ZA Tech Global remains 100% of voting rights of Asia Fintech Center. ZhongAn International has control over Asia Fintech Center thourgh ZA Tech Global.

(d) On 1 April 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 International has control over ZATech Indonesia through ZA Tech Global.

(e) On 8 December 2021, ZA Tech Global set up ZATech, with registerd capital of SGD10 thousand. ZA Tech Global holds 100% of voting rights of ZATech. ZhongAn International has control over ZATech through ZA Tech Global.

(f) On 19 September 2021, ZA Tech Global acquired 49% of equity of ZA Tech Brokers and 49% of equity of Piculet Holding for consideration of USD 130 thousand in total pursuant to the equity transfer agreement with Woodpecker Asia Tech Pte. Ltd. After this transaction, ZA Tech Global holds 95.18% and 90.57% respectively of voting rights of ZA Tech Brokers and Piculet Holding. ZhongAn International has control over ZA Tech Brokers and Piculet Holding through ZA Tech Global.

(g) On 4 May 2021, 17 August 2021 and 20 December 2021, ZhongAn International injected HKD1,500,000 thousand in total into ZA Financial. After this transaction, the registered capital of ZA Financial increased to HKD3,600,000 thousand.

(h) On 4 May 2021, 17 August 2021 and 20 December 2021, ZA Financial injected HKD1,500,000 thousand in total into ZA Bank. After this transaction, the registered capital of ZA Bank increased to HKD3,600,000 thousand.

(i) On 29 September 2021, ZhongAn International injected HKD 12,000 thousand into Bloom Rewards. After this transaction, the registered capital of Bloom Rewards increased to HKD12,000.1 thousand.

(j) On 12 April 2021, ZhongAn International injected HKD3,000 thousand into ZA International Insurance Broker, After this transaction, the registered capital of ZA International Insurance Broker increased to HKD6,000 thousand.

(k) On 23 June 2021, ZhongAn Insurance Broker signed an equity tranfer agreement to tranfer 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 recognised due to this transaction.

6. SUBSIDIARIES (continued)

(b) Non-controlling interests

Set out below is summarised financial information for major subsidiaries that has non-controlling interests (NCI). The amounts disclosed for major subsidiaries are before inter-company eliminations.

	Percentage of equity attribute to the NCI	Total comprehensive income/(loss) attributable to NCI	Non-controlling interests
ZhongAn International	54.85%	(456,965)	2,390,493
ZhongAn Life Sciences	30.00%	(9,153)	(14,435)
Shanghai Dexu Investment Center (Limited Partnership) ("Shanghai Dexu")	1.23%	185	5,737

	31 December 2021		31 December 2020	
	Assets	Liabilities	Assets	Liabilities
ZhongAn International	9,933,176	7,020,596	7,990,727	5,739,972
ZhongAn Life Sciences	41,303	50,689	77,488	40,368
Shanghai Dexu	458,200	238	394,544	325

	Year ended 31 December 2021			Year ended 31 December 2020		
	Revenue	Net profit/(loss) for theyear	Total comprehensive income/(loss)	Revenue	Net loss for the year	Total comprehensive loss
ZhongAn International	557,929	(724,628)	(837,071)	249,122	(485,258)	(637,228)
ZhongAn Life Sciences	980	(20,174)	(20,174)	7,332	(17,004)	(17,004)
Shanghai Dexu	23,025	13,743	13,743	2,125	(6,874)	(6,874)

Changes in non-controlling interests:

	ZhongAn International	ZhongAn Life Sciences	Shanghai Dexu	Total
31 December 2020	1,669,814	12,619	5,552	1,687,985
Total comprehensive loss	(456,965)	(9,153)	185	(465,933)
Contributions from non-controlling interests (i)	1,605,186	—	—	1,605,186
Considerations paid to non-controlling interests (ii)	(435,054)	(17,901)	—	(452,955)
Share-based payments	7,512	—	—	7,512
31 December 2021	2,390,493	(14,435)	5,737	2,381,795

Notes to the Financial Statements

For the year ended 31 December 2021
(All amounts expressed in RMB'000 unless otherwise stated)

6. SUBSIDIARIES (continued)

(b) Non-controlling interests (continued)

(i) On 3 May 2021, Sinolink Worldwide subscribes 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.

On 4 August 2021, ZhongAn International and SVF Zen JVCO (Singapore) Pte. Ltd. injected USD10,000 thousand in total into ZA Tech Global, amongst which ZhongAn Interntional injected USD4,900 thousand and SVF Zen JVCO (Singapore) Pte. Ltd. injected USD5,100 thousand, equivalent to RMB32,855 thousand. After this trasaction, the registered capital of ZA Tech Global increased to USD40,000 thousand, and ZhongAn International remains 49% of voting rights of ZA Tech Global and has the right to appoint a majority of the board of the directors and management.

On 27 October 2021, ZhongAn Technology, Sinolink Worldwide Holdings Limited, Warrior Treasure Limited and AIA VCC for a/c of AIA Opportunities Fund – Venture Capital 2021 signed a share purchase agreement. As of 31 December 2021, injections from ZhongAn Technology, Sinolink Worldwide Holdings Limited, Warrior Treasure Limited and AIA VCC for a/c of AIA Opportunities Fund – Venture Capital 2021 are equivalent to RMB345,494 thousand, RMB313,076 thousand, RMB440,057 thousand and RMB319,034 thousand, respectively. After this transaction, the paid-in capital of ZhongAn International increased to RMB3,488,445 thousand. ZhongAn Technology holds 45.15% of voting rights of ZhongAn International. ZhongAn Technology acts as a shareholder with 3 out of 4 seats on the board of the directors of ZhongAn International and has control over ZhongAn International.

(ii) On 25 October 2021, ZhongAn International redeemed 404,135,750 redeemable preference shares from Warrior Treasure Limited at a total redemption price of HKD568,980 thousand, equivalent to RMB467,235 thousand and the non-controlling interesrs of ZhongAn International decreased by RMB435,054 thousand.

On 31 October 2021, Ningbo Haoyin, the subsidiary of ZhongAn Life Sciences, and Orig3n, Lnc. signed an equity purchase agreement, pursuant to which Ningbo Haoyin bought back 30,100 shares of Ningbo Haoyin from Orig3n, Lnc. at the price of RMB25,567 thousand. After this transaction, ZhongAn Life Sciences has 100% of voting rights of Ningbo Haoyin and the non-controlling interests of ZhongAn Life Sciences decreased by RMB17,901 thousand.

(c) At 31 December 2021, consolidated structured entities are as followings:

Name	Held by the Company (%)	Total Subscription	Principal activities
ZhongAn TaiKang Asset Management Plan	100.00%	3,188,473	Asset Management Product
ZhongAn LeXiang No.1 Asset Management Plan	100.00%	2,314,013	Asset Management Product
ICBC Credit Suisse Asset Management ZhongAn Insurance No.1 Asset Management Plan	100.00%	800,000	Asset Management Product
Shanghai Dexu	98.77%	400,000	Equity Investment

7. NET PREMIUMS EARNED

	Year ended 31 December 2021	Year ended 31 December 2020
Property and casualty insurance written premiums	11,011,100	8,392,571
Short-term life insurance written premiums	9,360,060	8,313,326
Long-term life insurance written premiums	108,959	2,607
Gross written premiums (a)	20,480,119	16,708,504
Less: Premiums ceded to reinsurers (b)	(1,154,276)	(522,683)
Net written premiums	19,325,843	16,185,821
Less: Net change in unearned premium reserves	(440,749)	29,383
	18,885,094	16,215,204

(a) Gross written premiums

This represents gross premium income from direct insurance business, and the breakdown by line of product is as follows:

	Year ended 31 December 2021	Year ended 31 December 2020
Health insurance	7,341,552	6,426,446
Bond insurance	4,084,174	1,839,208
Accident insurance	2,018,508	1,886,880
Motor insurance	941,851	1,328,248
Credit insurance	702,439	638,181
Household property insurance	452,129	256,922
Liability insurance	193,369	117,134
Cargo insurance	178,449	198,436
Long-term life insurance	108,959	2,607
Others	4,458,689	4,014,442
	20,480,119	16,708,504

Others primarily consist of shipping return insurance, which generated gross written premiums of RMB3,685,489 thousand and RMB3,834,418 thousand for the years ended 31 December 2021 and 2020, respectively.

(b) Premiums ceded to reinsurers

	Year ended 31 December 2021	Year ended 31 December 2020
Bond insurance	578,621	—
Health insurance	418,366	316,694
Credit insurance	132,285	172,102
Accident insurance	13,951	31,917
Others	11,053	1,970
	1,154,276	522,683

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021
(All amounts expressed in RMB'000 unless otherwise stated)

8. NET INVESTMENT INCOME

	Year ended 31 December 2021	Year ended 31 December 2020
Interest income		
– Debt investments	579,035	507,579
– Bank deposits	91,699	60,596
– Trust investment schemes	56,243	73,280
– Securities purchased under agreements to resell	10,365	3,661
Dividend income		
– Wealth management products	128,851	78,575
– Fund investments	71,057	105,197
– Equity investments	15,785	25,575
Realized gains, net	1,114,885	673,035
	2,067,920	1,527,498

9. NET FAIR VALUE CHANGES THROUGH PROFIT OR LOSS

	Year ended 31 December 2021	Year ended 31 December 2020
Financial assets at fair value through profit or loss		
– Wealth management products	58,669	13,583
– Equity investments	43,220	(204)
– Debt investments	27,554	(53,966)
– Fund investments	(2,683)	15,070
	126,760	(25,517)

10. OTHER INCOME

	Year ended 31 December 2021	Year ended 31 December 2020
Revenue from services (a)	604,561	534,247
Government grants (b)	127,284	124,096
Revenue from banking business (c)	111,630	60,430
Others	17,111	57,205
	860,586	775,978

(a) Revenue from services include information technology services, insurance brokerage 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.

11. NET CLAIMS INCURRED

	Year ended 31 December 2021	Year ended 31 December 2020
Property and casualty insurance claims paid	6,878,020	5,834,336
Short-term life insurance claims paid	4,410,318	2,347,962
Long-term life insurance claims paid	1,903	5
Gross claims paid (a)	11,290,241	8,182,303
Less: Claims paid ceded to reinsurers (b)	(645,503)	(369,254)
Net claims paid	10,644,738	7,813,049
Add: Net change in claim reserves and long-term life insurance reserves	289,944	960,855
	10,934,682	8,773,904

(a) Gross claims paid

	Year ended 31 December 2021	Year ended 31 December 2020
Health insurance	3,917,711	1,965,052
Bond insurance	1,321,437	1,564,462
Motor insurance	739,736	566,867
Credit insurance	587,314	201,045
Accident insurance	492,607	382,910
Household property insurance	236,971	47,153
Liability insurance	181,884	284,421
Cargo insurance	139,097	181,007
Others	3,673,484	2,989,386
	11,290,241	8,182,303

Others primarily consist of shipping return insurance, the insurance claims paid of which were RMB3,263,660 thousand and RMB2,920,588 thousand for the years ended 31 December 2021 and 2020, respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021
(All amounts expressed in RMB'000 unless otherwise stated)

11. NET CLAIMS INCURRED (continued)

(b) Claims paid ceded to reinsurers

	Year ended 31 December 2021	Year ended 31 December 2020
Health insurance	338,533	269,106
Credit insurance	145,310	28,487
Bond insurance	138,092	—
Accident insurance	20,809	66,156
Others	2,759	5,505
	645,503	369,254

12. HANDLING CHARGES AND COMMISSIONS

	Year ended 31 December 2021	Year ended 31 December 2020
Handling charges and commissions before reinsurance arrangement	2,158,987	1,390,722
Less: Reinsurance commission expenses/(income)	(388,040)	16,145
	1,770,947	1,406,867

13. GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended 31 December 2021	Year ended 31 December 2020
Consulting and technical fee(a)	2,312,967	3,074,255
Advertising and marketing expense	2,268,666	1,830,249
Employee benefit expense	1,486,809	984,853
Impairment loss	133,978	361,034
Amortisation of intangible assets	107,908	105,771
Depreciation of right-of-use assets	88,156	93,695
Taxes and surcharges	73,011	82,848
Rental fees	35,152	11,386
Depreciation of property and equipment	31,455	36,919
Auditors' remuneration	17,169	16,375
Other	737,421	571,102
	7,292,692	7,168,487

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

14. OTHER EXPENSES

	Year ended 31 December 2021	Year ended 31 December 2020
Cost of providing services	496,019	499,482
Expense of providing services	244,176	378,942
Cost of banking business	75,918	33,627
Others	18,322	19,617
	834,435	931,668

15. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' AND SUPERVISORS' REMUNERATION)

	Year ended 31 December 2021	Year ended 31 December 2020
Salaries, allowances and other short-term benefits	1,333,131	886,733
Contributions to defined contribution plans (a)	139,546	95,007
Share-based payments	14,132	3,113
	1,486,809	984,853

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

16. DIRECTORS' AND SUPERVISORS' REMUNERATION

	Year ended 31 December 2021	Year ended 31 December 2020
Fees	1,088	1,244
Wages and salaries	1,888	2,296
Bonuses	1,784	1,234
Pension costs - defined contribution plans	116	4
Other social security costs, housing benefits and other employee benefits	122	62
	4,998	4,840

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021
(All amounts expressed in RMB'000 unless otherwise stated)

16. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

(a) Independent non-executive directors

	Year ended 31 December 2021					
	Fees	Wages and salaries	Bonuses	Pension costs - defined contribution plans	Other social security costs, housing benefits and other employee benefits	Total
CHEN Hui (陳慧)	206	—	—	—	—	206
ZHANG Shuang (張爽)	206	—	—	—	—	206
WU Ying (吳鷹)	206	—	—	—	—	206
OU Wei (歐偉)	206	—	—	—	—	206
LI YIFAN [1]	121	—	—	—	—	121
	945	—	—	—	—	945

1. Resigned from independent non-executive directors in July 2021

	Year ended 31 December 2020					
	Fees	Wages and salaries	Bonuses	Pension costs - defined contribution plans	Other social security costs, housing benefits and other employee benefits	Total
CHEN Hui (陳慧)	210	—	—	—	—	210
ZHANG Shuang (張爽)	210	—	—	—	—	210
LI YIFAN	210	—	—	—	—	210
WU Ying (吳鷹)	203	—	—	—	—	203
OU Wei (歐偉)	210	—	—	—	—	210
	1,043	—	—	—	—	1,043

16. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

(b) Executive directors and non-executive directors

	Year ended 31 December 2021					
	Fees	Wages and salaries	Bonuses	Pension costs - defined contribution plans	Other social security costs, housing benefits and other employee benefits	Total
Executive directors						
OU Yaping (歐亞平)	—	—	—	—	—	—
OU Jinyi (歐晉羿)	—	756	1,184	58	61	2,059
CHEN Jin (陳勁) [1]	5	—	—	—	—	5
Non-executive directors						
SHI Liangxun (史良洵)	63	—	—	—	—	63
ZHAN Weibiao (湛煒標)[2]	—	—	—	—	—	—
YIN Ming (尹銘)[3]	—	—	—	—	—	—
HAN Xinyi (韓歆毅)[4]	—	—	—	—	—	—
	68	756	1,184	58	61	2,127

1. Resigned from executive directors in January 2021
2. Appointed as non-executive directors in May 2021
3. Resigned from non-executive directors in April 2021
4. Resigned from non-executive directors in October 2021

	Year ended 31 December 2020					
	Fees	Wages and salaries	Bonuses	Pension costs - defined contribution plans	Other social security costs, housing benefits and other employee benefits	Total
Executive directors						
OU Yaping (歐亞平)	—	—	—	—	—	—
CHEN Jin (陳勁)	63	103	—	—	—	166
OU Jinyi (歐晉羿)	—	933	684	—	14	1,631
Non-executive directors						
HAN Xinyi (韓歆毅)	—	—	—	—	—	—
LAI Chi Ming, Jimmy (賴智明)[1]	—	—	—	—	—	—
SHI Liangxun (史良洵)	63	—	—	—	—	63
HU Xiaoming (胡曉明)[2]	—	—	—	—	—	—
YIN Ming (尹銘)	—	—	—	—	—	—
	126	1,036	684	—	14	1,860

1. Resigned from non-executive directors in March 2020
2. Resigned from non-executive directors in August 2020

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021
(All amounts expressed in RMB'000 unless otherwise stated)

16. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

(c) Supervisors

	Year ended 31 December 2021					
	Fees	Wages and salaries	Bonuses	Pension costs - defined contribution plans	Other social security costs, housing benefits and other employee benefits	Total
WEN Yuping (溫玉萍)	25	—	—	—	—	25
Liu Haijiao (劉海姣)	25	1,132	600	58	61	1,876
GAN Baoyan (干寶雁)	25	—	—	—	—	25
	75	1,132	600	58	61	1,926

	Year ended 31 December 2020					
	Fees	Wages and salaries	Bonuses	Pension costs - defined contribution plans	Other social security costs, housing benefits and other employee benefits	Total
GAN Baoyan (干寶雁)	25	—	—	—	—	25
WEN Yuping (溫玉萍)	25	—	—	—	—	25
Liu Haijiao (劉海姣)	25	1,260	550	4	48	1,887
	75	1,260	550	4	48	1,937

There was no payment of their other services in connection with the management of the affairs of the Company or its subsidiaries undertaking for the years ended 31 December 2021 and 2020, respectively.

17. FIVE HIGHEST PAID INDIVIDUALS

The number of highest paid non-director individuals whose remuneration fell within the following bands is set out below:

	Year ended 31 December 2021	Year ended 31 December 2020
Nil to RMB1,000,000	—	—
RMB1,000,001 to RMB2,000,000	—	—
RMB2,000,001 to RMB3,000,000	3	5
RMB3,000,001 to RMB4,000,000	2	—
RMB4,000,001 to RMB5,000,000	—	—
Total	5	5

Details of the remuneration of the highest paid non-director individuals are as follows:

	Year ended 31 December 2021	Year ended 31 December 2020
Wages and salaries	7,790	7,960
Bonuses	7,033	4,503
Pension costs — defined contribution plans	264	19
Other social security costs, housing benefits and other employee benefits	330	267
	15,417	12,749

18. INCOME TAX

(a) Income tax

	Year ended 31 December 2021	Year ended 31 December 2020
Current income tax	815	5,136
Deferred income tax (note 37)	71,203	(112,986)
	72,018	(107,850)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021
(All amounts expressed in RMB'000 unless otherwise stated)

18. INCOME TAX (continued)

(b) Reconciliation of income tax

A reconciliation of income tax 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:

	Year ended 31 December 2021	Year ended 31 December 2020
Profit before income tax	829,117	146,530
Tax computed at the applicable tax rate	290,473	93,033
Income not subject to tax	(18,155)	(29,287)
Expenses not deductible for tax	2,165	1,464
Extra tax deductions for research and development costs	(42,910)	(36,732)
Tax losses for which no deferred income tax assets were recognised	265,151	255,431
Adjustments to income tax in respect of previous periods	7,547	492
Utilization of previously unrecognised tax losses	(432,253)	(392,251)
Income tax at the Group's effective rate	72,018	(107,850)

19. EARNINGS PER SHARE

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

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

	Year ended 31 December 2021	Year ended 31 December 2020
Net profit for the year attributable to owners of the parent	1,164,590	553,786
Weighted average number of shares in issue (in thousand)	1,469,813	1,469,813
Basic earnings per share (RMB yuan)	0.79	0.38
Diluted earnings per share (RMB yuan)	0.79	0.38

The Company had no dilutive potential shares at 31 December 2021 and 2020, respectively.

20. OTHER COMPREHENSIVE INCOME/(LOSS)

	Year ended 31 December 2021	Year ended 31 December 2020
– Reclassification adjustments for amounts transferred to profit or loss	(202,894)	156,171
– Gains/(losses) from changes in the fair value of available-for-sale financial assets, before tax	137,690	300,150
	(65,204)	456,321
– Income tax relating to available-for-sale financial assets	9,258	(112,945)
Available-for-sale financial assets	(55,946)	343,376
Exchange differences on translation of foreign operations	(101,450)	(186,621)
	(157,396)	156,755

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

	31 December 2021	31 December 2020
Cash in hand	97	56
Deposits with original maturity of no more than three months	1,961,144	6,023,043
Placements with banks	879,987	1,401,509
Due from banks and other financial institutions	1,014,198	643,026
Other monetary assets (i)	445,267	350,740
	4,300,693	8,418,374

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021
(All amounts expressed in RMB'000 unless otherwise stated)

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2021	31 December 2020
Listed		
– Debt investments	1,036,081	1,108,625
– Equity investments	67,227	59,022
Unlisted		
– Wealth management products	5,867,584	1,912,474
– Debt investments	2,292,274	1,778,766
– Fund investments	2,185,400	994,169
– Equity investments	364,022	267,310
	11,812,588	6,120,366

23. SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL

	31 December 2021	31 December 2020
Securities - bonds		
– Inter-bank market	9,900	—
– Stock exchange	—	93,000
	9,900	93,000

24. INTEREST RECEIVABLES

	31 December 2021	31 December 2020
Debt investments	260,347	306,173
Bank deposits	18,661	36,765
Loans	2,792	2,488
Trust investment schemes	1,439	2,147
Securities purchased under agreements to resell	1	2
Less: Impairment provisions	(96)	(6,180)
	283,144	341,395

25. PREMIUM RECEIVABLES

	31 December 2021	31 December 2020
Premium receivables	5,247,044	4,781,317
Less: Provision for impairment of premium receivables	(232,727)	(303,403)
	5,014,317	4,477,914

Aging analysis of the premium receivables is as follows:

	31 December 2021	31 December 2020
Within 3 months (including 3 months)	4,915,163	4,457,403
Over 3 months and within 1 year (including 1 year)	99,154	20,511
	5,014,317	4,477,914

26. REINSURANCE RECEIVABLES

	31 December 2021	31 December 2020
Reinsurance receivables	746,982	319,525
Less: Provision for impairment of reinsurance receivables	—	—
	746,982	319,525

Aging analysis of reinsurance receivables is as follows:

	31 December 2021	31 December 2020
Within 1 year (including 1 year)	742,132	305,860
Over 1 year	4,850	13,665
	746,982	319,525

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021
(All amounts expressed in RMB'000 unless otherwise stated)

27. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

	31 December 2021	31 December 2020
Listed		
– Debt investments	6,243,820	6,994,783
– Equity investments	678,269	1,667,131
– Fund investments	240,441	343,604
Unlisted		
– Debt investments	7,476,241	5,985,060
– Fund investments	6,031,804	2,222,612
– Wealth management products	1,276,619	1,917,550
– Equity investments	41,177	25,613
Less: Impairment provisions	(9,231)	(108,990)
	21,979,140	19,047,363

28. LOANS AND ADVANCES TO CUSTOMERS

(a) Analyzed by corporate and individual

	31 December 2021	31 December 2020
Individual customers	1,645,563	549,580
Corporate customers	437,951	75,253
Less: Loan loss provisions	(28,815)	(1,089)
	2,054,699	623,744

(b) Analyzed by type of collateral held or other credit enhancements

	31 December 2021	31 December 2020
Unsecured	1,885,713	624,833
Secured by collateral	197,801	—
Less: Loan loss provisions	(28,815)	(1,089)
	2,054,699	623,744

28. LOANS AND ADVANCES TO CUSTOMERS (continued)

(c) Loan loss provisions

1 January 2021	(1,089)
Provision for the year	(33,993)
Reversal during the year	4,702
Write-off and transfer during the year	1,565
31 December 2021	(28,815)

(d) Loan commitments

	31 December 2021	31 December 2020
Credit commitments with an original maturity of:		
– 1 year or over	61,420	—
– unconditionally cancellable	93,231	25,253
	154,651	25,253

29. INVESTMENTS CLASSIFIED AS LOANS AND RECEIVABLES

	31 December 2021	31 December 2020
Trust investment schemes	930,600	1,219,133
Less: Impairment provisions	—	(72,640)
	930,600	1,146,493

The Group's maximum exposure to loss in the trust investment schemes is limited to their carrying amounts and interest receivable, see Note 5(b).

30. TERM DEPOSITS

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021
(All amounts expressed in RMB'000 unless otherwise stated)

31. RESTRICTED STATUTORY DEPOSITS

	31 December 2021	31 December 2020
At the beginning of the year	294,338	294,338
Increase	250,000	—
Decrease	(245,838)	—
At the end of the year	298,500	294,338

	31 December 2021		
	Amount	Storage	Period
China Minsheng Bank	200,000	Term deposit	3 years
Industrial and Commercial Bank of China	50,000	Term deposit	3 years
China Everbright Bank	48,500	Term deposit	3 years
Total	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
Total	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.

32. HELD-TO-MATURITY FINANCIAL ASSETS

	31 December 2021	31 December 2020
Listed		
– Corporate bonds	83,669	35,785
– Government bonds	30,262	30,416
– Finance bonds	16,115	76,450
Unlisted		
– Government bonds	542,985	544,039
Less: Impairment provisions	(7,295)	—
	665,736	686,690

33. INVESTMENT IN ASSOCIATES AND JOINT VENTURES

	1 January 2021	Additions	Share of profits / (losses)	Impairment	Other changes in capital reserves	Foreign exchange in capital reserves	31 December 2021
ZA-CP Network Technology (Shanghai) Co., Ltd. (the "ZA-CP") (a)	711	3,184	(2,962)	—	—	—	933
Shanghai Nuanwa Technology Co., Ltd. (the"Shanghai Nuanwa")	33,876	—	—	—	—	—	33,876
Shanghai Xiaojia Financial Technology Service Co., Ltd. (the "Shanghai Xiaojia")	2,282	—	15	(252)	—	—	2,045
Chongqing ZhongAn Microloan Limited Company ("ZhongAn Microloan") (b)	211,744	210,000	12,662	—	—	—	434,406
Shanghai Dingzuan Ltd. ("Dingzuan")	—	—	—	—	—	—	—
Shanghai Zhongzhirong Digital Technology Ltd. ("Zhongzhirong")	2,911	—	192	—	—	—	3,103
Shanghai Ju'A Technology Ltd. ("Shanghai Ju'A") (c)	3,546	—	(6,792)	—	7,000	—	3,754
Baibao (Shanghai) Technology Co., Ltd. ("Shanghai Baibao") (d)	—	3,006	(6,840)	—	4,200	—	366
Shanghai Nuan'an Private Investment Fund Partnership (Limited Partnership) ("Shanghai Nuan'an") (e)	—	6,000	—	—	—	—	6,000
Nova Technology Ltd. ("Nova Technology")	21,218	—	(21,429)	—	211	—	—
A3 Holdings Inc. ("A3 Holdings") (f) (Note 52)	14,394	3,224	(6,591)	—	—	(370)	10,657
Data Enlighten (Asia) Limited ("Data Enlighten")	12,972	—	(786)	—	—	(360)	11,826
RD International Holdings Limited ("RD International Holdings") (g)	11,635	25,917	(6,639)	—	—	(680)	30,233
PT Visionet Internasional Proteksi ("PT Visionet") (h)	—	22,605	(148)	—	—	3	22,460
	315,289	273,936	(39,318)	(252)	11,411	(1,407)	559,659

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021
(All amounts expressed in RMB'000 unless otherwise stated)

33. INVESTMENT 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 27 October 2021, ZhongAn Technology, China Telecom BestPay Co., Ltd. and Sinolink Worldwide (HK) Company Limited respectively injected RMB210,000 thousand, RMB210,000 thousand and RMB90,000 thousand into ZhongAn Microloan, in accordance with their 41.18%, 41.18% and 17.64% shareholding of ZhongAn Microloan. After this transaction, the registered capital and paid-in capital of ZhongAn Microloan increased to RMB1,020,000 thousand. ZhongAn Technology remains 41.18% of voting rights of ZhongAn Microloan.

(c) On 7 January 2021, Shanghai Minhang Venture Capital Partnership for Transfer and Transformation of Scientific and Technological Achievements (Limited Partnership) ("Minhang Chuangtou"), Shanghai Wanlian Investment Center (Limited Partnership) ("Wanlian Investment") and Guohong Jiaxin (Shenzhen) Angel Venture Capital (Limited Partnership) injected RMB20,000 thousand into Shanghai Ju'A pursuant to the capital injection agreement. On 10 December 2021, Hangzhou Qulian Technology Co., Ltd., Guangdong Yifang Keda Equity Investment Partnership (Limited Partnership), Minhang Chuangtou and Wanlian Investment injected RMB34,091 thousand into Shanghai Ju'A pursuant to the capital injection agreement. After aforesaid two transactions, ZhongAn Technology decreased its percentage of equity of Shanghai Ju'A from 50% to 34.17%.

(d) On 14 April 2021, ZhongAn Technology together with natural person Weihong 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) ("Volcanic Stone"), Shanghai Qingyuanshu Enterprise Management (Limited Partnership) and Shanghai Qingchenglu Enterprise Management (Limited Partnership) ("Qingchenglu") injected RMB30,000 thousand into Shanghai Baibao pursuant to the capital injection agreement. On 2 September 2021, Fuzhou Jiebao Rongan Venture Capital Center (Limited Partnership), Chengdu Jiebao Tiantou Venture Capital Center (Limited Partnership), Volcanic Stone and Qingchenglu injected RMB12,294 thousand into Shanghai Baibao pursuant to the capital injection agreement. After aforesaid two transactions, ZhongAn Technology decreased its percentage of equity of Shanghai Baibao from 37.5% to 28.16%.

(e) On 23 November 2021, the Company together wtih ZhongAn Insurance Broker, Shenzhen Jiefang Information Consulting Co., Ltd., Shanghai Hechen Enterprise Management Partnership (Limited Partnership) and Shanghai Fengxin Equity Investment Management Co., Ltd. signed a limited partnership agreement. The Company and ZhongAn Insurance Broker both subscribe RMB180,000 thousand and hold 29.9% voting rights respectively as the limited partner. As a result, the Group holds 59.8% voting rights in total. As of 31 December 2021, the Company and ZhongAn Insurance Broker injected RMB3,000 thousand to Shanghai Nuan'an respectively. Pursuant to the limited partnership agreement, the Company and ZhongAn Insurance Broker, as limited partner, cannot control Shanghai Nuan'an.

(f) On 22 March 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.

(g) 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 31 December 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.

(h) On 29 April 2021, ZA Tech Global and PT Visionet Internasional Inovasi set up PT Visionet with registered capital of USD3,000 thousand. As of 31 December 2021, ZA Tech Global injected USD1,000 thousand and non-cash service valued at USD2,550 thousand, equivalent to RMB22,605 thousand into PT Visionet for a subscription of 120 ordinary shares (class B) and holds 40% of voting rights of PT Visionet. ZA Tech Global acts as a shareholder with 2 out of 5 seats of the board of directors of PT Visionet.

33. INVESTMENT IN ASSOCIATES AND JOINT VENTURES (continued)

Nature of investment in associates and joint ventures at 31 December 2021

Name	Place of incorporation	Percentage of ownership interest	Percentage of voting power	Registered capital (thousand)	Paid-in capital (thousand)	Principal activity
ZA-CP	Shanghai, The PRC	50.00%	50.00%	USD 4,000	USD 4,000	Technology consulting
Shanghai Nuanwa	Shanghai, The PRC	44.00%	44.00%	RMB 11,000	RMB 11,000	Technology consulting
Shanghai Xiaojia	Shanghai, The PRC	8.00%	20.00%	RMB 30,000	RMB 30,000	Financial technology services
ZhongAn Microloan	Chongqing, The PRC	41.18%	41.18%	RMB 1,020,000	RMB 1,020,000	Micro finance
Dingzuan	Shanghai, The PRC	49.00%	49.00%	RMB 2,000	RMB 2,000	Technology consulting
Zhongzhirong	Shanghai, The PRC	30.00%	30.00%	RMB 10,000	RMB 8,000	Technology consulting
Shanghai Ju'A	Shanghai, The PRC	34.17%	34.17%	RMB 12,500	RMB 12,500	Technology consulting
Shanghai Baibao	Shanghai, The PRC	28.16%	28.16%	RMB 10,655	RMB 10,655	Technology consulting
Shanghai Nuan'an	Shanghai, The PRC	59.80%	59.80%	RMB 602,000	RMB 602,000	Investment management
Nova Technology	Cayman Islands	30.04%	30.04%	USD 50	USD 50	Investment Holding
A3 Holdings	Cayman Islands	40.00%	40.00%	USD 50	USD 50	Technology Development/ Insurance Broker
Data Enlighten	Hong Kong, The PRC	14.00%	14.00%	USD 2,000, HKD 10	USD 2,000, HKD 10	Technology
RD International Holdings	Cayman Islands	19.996%	19.996%	USD 50,000	USD 30,000	Investment Holding
PT Visionet	Jakarta, Indonesia	40.00%	40.00%	USD 3,000	USD 3,000	Insurtech

Notes to the Financial Statements

For the year ended 31 December 2021
(All amounts expressed in RMB'000 unless otherwise stated)

34. Leases

(a) Amounts recognised in the consolidated balance sheet

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

	31 December 2021	31 December 2020
Right-of-use assets		
Buildings	177,097	276,079
Equipment	1,129	1,670
	178,226	277,749
Lease liabilities	203,100	318,556

Additions to the right-of-use assets during the year ended 31 December 2021 and 2020 were RMB18,421 thousand and RMB40,152 thousand respectively.

(b) Amounts recognised in the consolidated statement of comprehensive income

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

	31 December 2021	31 December 2020
Depreciation charge of right-of-use assets		
Buildings	(116,361)	(124,444)
Equipment	(1,583)	(1,594)
	(117,944)	(126,038)
Expense relating to short-term leases	35,152	11,386
Interest expense	10,581	22,922

The total cash outflow relating to leases during the year ended 31 December 2021 and 2020 was RMB144,756 thousand and RMB142,884 thousand respectively.

(c) The Group's leasing activities and how these are accounted for

The Group leases various offices and equipment. Rental contracts are typically made for fixed periods of 1 month to 6.5 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

35. PROPERTY AND EQUIPMENT

	Motor vehicles	Electrical equipment	Office furniture and equipment	Leasehold improvements	Total
Cost					
1 January 2020	4,475	59,767	9,816	132,877	206,935
Additions	—	9,141	861	3,668	13,670
Disposals	(863)	(1,487)	—	—	(2,350)
31 December 2020	3,612	67,421	10,677	136,545	218,255
Additions	2,443	15,460	2,115	11,744	31,762
Disposals	(505)	(5,738)	(224)	—	(6,467)
31 December 2021	**5,550**	**77,143**	**12,568**	**148,289**	**243,550**
Accumulated depreciation and impairment					
1 January 2020	(3,394)	(27,476)	(5,101)	(79,996)	(115,967)
Depreciation	(135)	(11,504)	(1,997)	(24,736)	(38,372)
Disposals	820	1,287	—	—	2,107
31 December 2020	(2,709)	(37,693)	(7,098)	(104,732)	(152,232)
Depreciation	(1,149)	(10,869)	(2,554)	(21,138)	(35,710)
Disposals	479	5,364	189	—	6,032
31 December 2021	**(3,379)**	**(43,198)**	**(9,463)**	**(125,870)**	**(181,910)**
Net book value					
31 December 2021	**2,171**	**33,945**	**3,105**	**22,419**	**61,640**
31 December 2020	903	29,728	3,579	31,813	66,023

Notes to the Financial Statements

For the year ended 31 December 2021
(All amounts expressed in RMB'000 unless otherwise stated)

36. INTANGIBLE ASSETS

	Software	Patent	Other	Total
Cost				
1 January 2020	804,704	30,100	1,826	836,630
Additions	232,139	—	1,588	233,727
31 December 2020	1,036,843	30,100	3,414	1,070,357
Additions	228,995	—	—	228,995
Disposals	(13,257)	(30,100)	—	(43,357)
31 December 2021	**1,252,581**	**—**	**3,414**	**1,255,995**
Accumulated amortisation and impairment				
1 January 2020	(343,465)	(4,013)	(373)	(347,851)
Amortization	(147,409)	(3,010)	(183)	(150,602)
Impairment	(90,427)	—	—	(90,427)
31 December 2020	(581,301)	(7,023)	(556)	(588,880)
Amortization	(149,758)	(3,010)	(183)	(152,951)
Disposals	10,673	10,033	—	20,706
Impairment	(57,377)	—	—	(57,377)
31 December 2021	**(777,763)**	**—**	**(739)**	**(778,502)**
Net book value				
31 December 2021	**474,818**	**—**	**2,675**	**477,493**
31 December 2020	455,542	23,077	2,858	481,477

37. DEFERRED INCOME TAX ASSETS AND LIABILITIES

	31 December 2021	31 December 2020
Net deferred income tax liabilities, at the beginning of year	(1)	(42)
Recognised in profit or loss	(71,203)	112,986
Recognised in other comprehensive income	9,258	(112,945)
Net deferred income tax liabilities, at the end of year	(61,946)	(1)

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

	31 December 2021	31 December 2020
Deferred income tax assets/(liabilities)		
Insurance contract liabilities	266,645	341,621
Accumulated taxable losses	110,047	203,601
Impairment loss provisions	95,012	157,164
Amortisation of intangible assets	15,973	43,489
Estimated liabilities	10,629	—
Employee stock ownership plan	9,600	9,600
Employee benefits	2,381	—
Net estimated liabilities for sales return	307	793
Unrealized gains of structured entities	(420,711)	(622,292)
Net fair value adjustment on available-for-sale financial assets	(81,969)	(91,227)
Net fair value adjustment on financial assets at fair value through profit or loss	(60,395)	(33,285)
Share of net profit of associates and joint ventures accounted for using the equity method	(9,465)	(9,465)
Net deferred income tax liabilities	(61,946)	(1)
Represented by		
Deferred income tax assets	510,594	756,268
Deferred income tax liabilities	(572,540)	(756,269)

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. At 31 December 2021, the Group did not recognise deferred income tax assets of RMB550,881 thousand in respect of losses amounting to RMB3,430,587 thousand that can be carried forward against future taxable income.

Notes to the Financial Statements

For the year ended 31 December 2021
(All amounts expressed in RMB'000 unless otherwise stated)

38. OTHER ASSETS

	31 December 2021	31 December 2020
Advanced payment	550,227	555,668
Coinsurance expense to be reimbursed	367,868	205,606
Receivable from securities clearing	138,000	729,309
Deposits	99,279	37,148
Subrogation receivables	88,646	275,718
Right to surrender cost	70,609	49,406
Estimate of input tax	42,195	25,716
Assets recognised from costs to fulfil a contract	31,863	33,183
Others	303,831	373,498
Less: Provisions for other assets	(3,116)	(3,148)
	1,689,402	2,282,104

39. SHARE CAPITAL

	31 December 2021	31 December 2020
Number of shares issued and fully paid at RMB1 yuan each	1,469,813	1,469,813

40. RESERVES

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

(a) Capital reserves

Capital reserves mainly represents share premiums from issuance of shares.

(b) Surplus reserves

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

(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 the Accounting Standard for Business Enterprises - Basic Standard, the specific accounting standards and other relevant regulations issued by the Ministry of Finance on 15 February 2006 and in subsequent periods ("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.

40. RESERVES (continued)

(b) Surplus reserves (continued)

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

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

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

(c) Other reserves

The investment revaluation reserve records the fair value changes of available-for-sale financial assets. The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of the subsidiaries incorporated outside the PRC. Other reserves due to share-based payments records the fair value of share options granted to the directors and employees of the Company.

41. SHARE-BASED PAYMENTS

(a) Revised 2014 Share Option Plan

On 4 December 2014, the general meeting of shareholders of the Company approved the establishment of an equity-settled share-based compensation plan (the "2014 Share Option Plan") that provides the granting options to eligible directors and employees (collectively, the "Grantees") to acquire shares of the Company at an exercise price of RMB1.5 yuan per share. Pursuant to "Bao Jian Fa [2015] No.56 – Notice on Relevant Matters Concerning the Insurance Companies to Carry Out Employee Stock Plan" issued by CIRC on 2 July 2015, the Company modified the terms and conditions of 2014 Share Option Plan. Such revised 2014 Share Option Plan ("Share Ownership Plan") has been approved by the general meeting of shareholders of the Company on 18 December 2015.

On 9 January 2015, the Company granted 60,000,000 share options to its directors and employees. Subject to the Grantee continuing to be a service provider, 100% of these options were vested upon fulfilling the condition in the share option agreement. Since then, these options were vested over 4 years.

Under the Share Ownership Plan, Unifront Holding transferred 60,000,000 shares to two holding vehicles ("Holding Vehicles"), namely Shanghai Haoguan Investment Management Partnership (Limited Partnership) ("Shanghai Haoguan") and Shanghai Qianguo Investment Management Partnership (Limited Partnership) ("Shanghai Qianguo"). Aggregate considerations amounting to RMB90,000 thousand for such shares transfer have been paid by the two Holding Vehicles to Unifront Holding, after the Holding Vehicles received the cash paid in by the Grantees at the exercise price of RMB1.5 yuan per share.

Holding Vehicles	Number of shares of the Company held by the Holding Vehicles	Exercise price per share	Aggregate cash paid in by the Grantees
Shanghai Haoguan	28,570,000	RMB1.5 yuan	42,855
Shanghai Qianguo	31,430,000	RMB1.5 yuan	47,145

The Grantees can dispose their interests in the Holding Vehicles after the Company successfully complete an initial public offering and the Company's shares get listed in the stock exchange ("IPO and listing") and a three-year locking period ("Locking Period") after the IPO and listing. The Grantees will be entitled to a disposal of 25% of such interests in the Holding Vehicles each year after the Locking Period.

The remaining contractual life of share options outstanding as at 31 December 2021 and 31 December 2020 are 2.9 years and 3.9 years, respectively.

Notes to the Financial Statements

For the year ended 31 December 2021
(All amounts expressed in RMB'000 unless otherwise stated)

41. SHARE-BASED PAYMENTS (continued)

(a) Revised 2014 Share Option Plan (continued)

Based on fair value of the underlying shares, the directors have used Binominal pricing model to determine the fair value of the share options as of the grant date, which amounted to RMB0.64 yuan per share option. Key assumptions are set out as below:

Dividend rate (%)	0.00
Volatility (%)	44.00
Risk-free interest rate (%)	3.427
Life of options (in years)	9.4
Estimate share price at grant date according to income approach (in RMB yuan)	1.4
Exercise price (in RMB yuan)	1.5

The expenses recognized in the consolidated statement of comprehensive income for employee ownership plan are nil for the years ended 31 December 2021 and 2020, respectively.

(b Subsidiary Share Option Schemes

The subsidiaries of the Company, being ZhongAn International, ZA Life and ZA Tech Global, each adopted a subsidiary share option scheme (each and collectively referred to as "Subsidiary Share Option Schemes") on 29 December 2020. The purpose for each of the Subsidiary Share Option Scheme is to enable ZhongAn International, ZA Life and ZA Tech Global to grant share options of ZhongAn International, ZA Life and ZA Tech Global, respectively, to their respective eligible participants (the "Grantees") 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 Schemes.

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

The vesting of the share options under each subsidiary share option scheme shall be subject to the fulfillment of all terms and conditions for the grant of such share options made to the Grantees as set out in the relevant offer letter (i) provided the grantee shall be continuously employed 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 respective board of directors of ZhongAn International, ZA Life and ZA Tech Global in its absolute discretion.

The maximum aggregate number of shares which may be issued upon exercise of share options granted and yet to be exercised under a Subsidiary Share Option Scheme must not exceed 10% of the issued share capital of ZhongAn International, ZA Life and ZA Tech Global, respectively, as at the adoption date of the respective Subsidiary Share Option Scheme, subject to adjustment in the event of specified capitalization events from time to time as described in Subsidiary Share Option Schemes.

Each of the Subsidiary Share Option Scheme is valid and effective for a period of 10 years commencing from the respective adoption date.

As at the date of this report, options representing the right to subscribe for a total of 145,312,820, 25,849,500 and 2,880,000 shares of ZhongAn International, ZA Life and ZA Tech Global respectively were still outstanding under Subsidiary Share Option Schemes which represents approximately 6.92%, 2.58% and 9.60% of the issued ordinary shares of ZhongAn International, ZA Life and ZA Tech Global on the adoption date of Subsidiary Share Option Schemes respectively.

On 31 December 2020, ZhongAn International, ZA Life and ZA Tech Global granted 109,951,100, 27,484,500 and 2,268,000 share options respectively to the Grantees ("First batch"). On 25 June 2021, ZhongAn International, ZA Life and ZA Tech Global granted 43,918,370, 840,000 and 762,000 share options respectively to the Grantees ("Second batch").

41. SHARE-BASED PAYMENTS (continued)

(b) ZATI Share Option Scheme (continued)

Set out below are summaries of options granted under the plan and outstanding:

	For the year ended 31 December 2021		
Number of options	**ZhongAn International**	**ZA Life**	**ZA Tech Global**
1 January 2021	109,951,100	27,484,500	2,268,000
Granted	43,918,370	840,000	762,000
Exercised	(127,050)	—	(102,500)
Lapsed	(8,429,600)	(2,475,000)	(47,500)
31 December 2021	**145,312,820**	**25,849,500**	**2,880,000**
Granted and exercisable at 31 December 2021	37,475,575	10,386,563	719,250
Weighted average remaining contractual life of share options outstanding at 31 December 2021 (in years)	9.14	9.01	9.13

	For the year ended 31 December 2020		
Number of options	**ZhongAn International**	**ZA Life**	**ZA Tech Global**
1 January 2020	—	—	—
Granted	109,951,100	27,484,500	2,268,000
31 December 2020	**109,951,100**	**27,484,500**	**2,268,000**
Granted and exercisable at 31 December 2020	20,301,400	5,512,250	561,000
Weighted average remaining contractual life of share options outstanding at 31 December 2020 (in years)	10	10	10

There are no expiry of options for the year ended 31 December 2021 and 2020.

Based on fair value of the underlying shares, the directors have used binominal pricing model to determine the fair value of the share options as of the grant date.

First batch key assumptions of ZhongAn International and its subsidiaries are set out as below:

	ZhongAn International	**ZA Life**	**ZA Tech Global**
Dividend rate (%)	0.00	0.00	0.00
Volatility (%)	26.81	30.00	50.00
Risk free interest rate (%)	0.54	0.54	0.54
Life of options (in years)	10	10	10
Estimate share price at grant date according to sum-of-the-parts approach (in HKD)	0.71	0.81	9.74
Exercise price (in HKD)	1.34	1.17	9.40

Notes to the Financial Statements

For the year ended 31 December 2021
(All amounts expressed in RMB'000 unless otherwise stated)

41. SHARE-BASED PAYMENTS (continued)

(b) ZATI Share Option Scheme (continued)

Second batch key assumptions of ZhongAn International and its subsidiaries are set out as below:

	ZhongAn International	ZA Life	ZA Tech Global
Dividend rate (%)	0.00	0.00	0.00
Volatility (%)	39.62	30.00	50.00
Risk free interest rate (%)	1.12	1.12	1.12
Life of options (in years)	10	10	10
Estimate share price at grant date according to sum-of-the-parts approach (in HKD)	1.53	0.77	10.96
Exercise price (in HKD)	1.34	1.17	9.40

The total expenses recognised in the consolidated statement of comprehensive income for Subsidiary Share Option Schemes are is disclosed in Note 15.

42. CUSTOMER DEPOSITS

	31 December 2021	31 December 2020
Current and savings accounts		
– Individual customers	4,000,481	3,269,294
– Corporate customers	112,522	955
Term deposits		
– Individual customers	1,582,971	1,790,031
– Corporate customers	818	842
	5,696,792	5,061,122

43. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

	31 December 2021	31 December 2020
Securities - bonds		
– Inter-bank market	4,871,777	2,831,022
– Stock exchange	676,571	1,262,800
	5,548,348	4,093,822

At 31 December 2021 and 31 December 2020, bond investments of approximately RMB5,924,605 thousand and RMB4,583,733 thousand were respectively 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.

44. REINSURANCE PAYABLES

	31 December 2021	31 December 2020
Within one year	847,042	448,730
Over one year	4,342	3,712
	851,384	452,442

45. INSURANCE CONTRACT LIABILITIES

	31 December 2021		
	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	Net
Insurance contracts liabilities			
– Unearned premium reserves	5,884,968	(216,804)	5,668,164
– Claim reserves	3,294,722	(155,590)	3,139,132
– Long-term life insurance reserves	124,527	(4,027)	120,500
	9,304,217	(376,421)	8,927,796
Incurred but not reported claim reserves	1,919,773	(78,656)	1,841,117

	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
	8,547,233	(348,313)	8,198,920
Incurred but not reported claim reserves	2,005,410	(81,271)	1,924,139

Notes to the Financial Statements

For the year ended 31 December 2021
(All amounts expressed in RMB'000 unless otherwise stated)

45. INSURANCE CONTRACT LIABILITIES (continued)

Movements of unearned premium reserves

	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	Net
1 January 2020	5,368,632	(111,834)	5,256,798
Premium written	16,705,897	(522,096)	16,183,801
Premium earned	(16,658,854)	445,670	(16,213,184)
31 December 2020	5,415,675	(188,260)	5,227,415
Premium written	20,371,160	(1,150,600)	19,220,560
Premium earned	(19,901,867)	1,122,056	(18,779,811)
31 December 2021	5,884,968	(216,804)	5,668,164

Movements of claim reserves

	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	Net
1 January 2020	2,174,008	(163,293)	2,010,715
Claims incurred	9,136,758	(364,055)	8,772,703
Claims paid	(8,182,298)	369,254	(7,813,044)
31 December 2020	3,128,468	(158,094)	2,970,374
Claims incurred	11,454,592	(641,532)	10,813,060
Claims paid	(11,288,338)	644,036	(10,644,302)
31 December 2021	3,294,722	(155,590)	3,139,132

45. INSURANCE CONTRACT LIABILITIES (continued)

Movements of long-term life insurance reserves

	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	Net
1 January 2020	—	—	—
Increase	3,095	(1,959)	1,136
Decrease			
– Claims paid	(5)	—	(5)
31 December 2020	**3,090**	**(1,959)**	**1,131**
Increase	123,340	(3,535)	119,805
Decrease			
– Claims paid	(1,903)	1,467	(436)
31 December 2021	**124,527**	**(4,027)**	**120,500**

46. 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	31 December 2021
6,467,591	—	5,853	—	(148,423)	**6,325,021**

Notes to the Financial Statements

For the year ended 31 December 2021
(All amounts expressed in RMB'000 unless otherwise stated)

47. OTHER LIABILITIES

	31 December 2021	31 December 2020
Payables to service suppliers	1,543,284	989,825
Commission and brokerage payable	614,006	567,809
Salary and staff welfare payable	478,959	331,247
Deposit payable	466,260	419,585
Tax payable other than income tax	263,127	192,011
Estimated liabilities	108,676	63,698
Payables for asset management fee	69,372	98,266
Claims payable	68,204	69,695
Coinsurance payable	65,546	9,907
Insurance guarantee fund	62,723	45,877
Payables for surrender brokerage	57,068	2,537
Payables for securities purchased but not settled	1,276	8,262
Others	481,475	334,013
	4,279,976	3,132,732

48. NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

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

	Year ended 31 December 2021	Year ended 31 December 2020
Profit before income tax	829,117	146,530
Current income tax	(815)	(5,136)
Provision for impairment loss	133,978	361,034
Net investment income	(2,067,920)	(1,527,498)
Net fair value changes through profit or loss	(126,760)	25,517
Depreciation of property and equipment	35,710	38,372
Amortization of intangible assets	152,951	150,602
Depreciation of right-of-use assets	117,944	126,038
Gains on disposal of fixed assets, intangible assets and other long-term assets	(365)	(194)
Foreign exchange gains	(147,490)	(200,874)
Finance costs	388,342	232,869
Expense recognised for share-based payments	14,224	2,946
Increase in premium receivables	(465,727)	(1,068,500)
Increase in reinsurance receivables	(427,457)	(81,497)
Increase in placements with banks with original maturity of more than three months	(345,227)	(200,337)
Amortisation of deferred income	(1,548)	(631)
Share of net loss of associates and joint ventures	37,635	33,712
Change in customer deposits	635,670	5,037,281
Change in insurance contract liabilities	730,693	931,407
Increase in other operating assets	(1,600,448)	(497,749)
Increase in other operating liabilities	1,504,540	1,354,964
Cash generated from/(used in) operating activities	(602,953)	4,858,856

48. NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Cash and cash equivalents

	31 December 2021	31 December 2020
Cash in hand	97	56
Deposits with original maturity of no more than three months	1,961,143	6,023,043
Investments with original maturity of no more than three months	344,324	1,201,172
Due from banks and other financial institutions	1,014,198	643,026
Other monetary assets	445,267	350,740
	3,765,029	8,218,037

49. 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 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. Key management personnel and the entity controlled or jointly controlled by a person was identified as key management personnel ("key management personnel") are considered as related parties of the Group as well. The Group's transactions with related parties were conducted under the ordinary course of business.

The Group had the following major transactions with related parties:

(a) Sale of insurance contracts

	Year ended 31 December 2021	Year ended 31 December 2020
Tencent and its subsidiaries	31,741	16,948
Alibaba and its subsidiaries	22,058	1,730
Nova Technology and its subsidiaries	1,024	1,169
Sinolink Worldwide and its subsidiaries	105	13
Ant Group and its subsidiaries	68	304
	54,996	20,164

(b) Claim from insurance contracts

	Year ended 31 December 2021	Year ended 31 December 2020
Tencent and its subsidiaries	20,341	9,951
Alibaba and its subsidiaries	1,265	3,503
Nova Technology and its subsidiaries	1,094	632
Sinolink Worldwide and its subsidiaries	52	162
	22,752	14,248

Notes to the Financial Statements

For the year ended 31 December 2021
(All amounts expressed in RMB'000 unless otherwise stated)

49. RELATED PARTY TRANSACTIONS (continued)

(c) Handling charges and commissions

	Year ended 31 December 2021	Year ended 31 December 2020
Ant Group and its subsidiaries	1,030,253	462,788
Nova Technology and its subsidiaries	107,615	6,332
Tencent and its subsidiaries	48,914	11,302
	1,186,782	480,422

(d) Technical service fees

	Year ended 31 December 2021	Year ended 31 December 2020
Ant Group and its subsidiaries	270,589	1,619,861

(e) Asset management fees

	Year ended 31 December 2021	Year ended 31 December 2020
Ping An Insurance and its subsidiaries	62,091	108,594

(f) Fees for purchasing goods and other services

	Year ended 31 December 2021	Year ended 31 December 2020
Nova Technology and its subsidiaries	100,675	48,533
Alibaba and its subsidiaries	84,925	71,172
Ant Group and its subsidiaries	40,344	20,361
Tencent and its subsidiaries	30,199	27,316
Ping An Insurance and its subsidiaries	29,751	8,562
Ju'A	1,527	2,152
	287,421	178,096

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

49. RELATED PARTY TRANSACTIONS (continued)

(g) 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.

On 27 October 2021, ZhongAn Technology, Sinolink Worldwide Holdings Limited, Warrior Treasure Limited and AIA VCC for a/c of AIA Opportunities Fund – Venture Capital 2021 signed a share purchase agreement. As of 31 December 2021, injections from ZhongAn Technology, Sinolink Worldwide Holdings Limited, Warrior Treasure Limited and AIA VCC for a/c of AIA Opportunities Fund – Venture Capital 2021 are equivalent to RMB345,494 thousand, RMB313,076 thousand, RMB440,057 thousand and RMB319,033 thousand, respectively.

(h) Receivables from related parties

	31 December 2021	31 December 2020
Nova Technology and its subsidiaries	279,074	36,909
Ping An Insurance and its subsidiaries (i)	202,700	188,033
Tencent and its subsidiaries	8,678	1,560
Ju'A	4,845	5,726
Ant Group and its subsidiaries	—	28,675
	495,297	260,903

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

(i) Prepayments to related parties

	31 December 2021	31 December 2020
Nova Technology and its subsidiaries	43,880	20,585
Ant Group and its subsidiaries	21,170	—
Alibaba and its subsidiaries	7,643	16,094
	72,693	36,679

(j) Payables to related parties

	31 December 2021	31 December 2020
Ant Group and its subsidiaries	285,478	338,376
Nova Technology and its subsidiaries	144,416	16,117
Ping An Insurance and its subsidiaries	52,528	99,604
Tencent and its subsidiaries	7,437	347
Alibaba and its subsidiaries	6,748	9,930
Ju'A	1,109	—
	497,716	464,374

Notes to the Financial Statements

For the year ended 31 December 2021
(All amounts expressed in RMB'000 unless otherwise stated)

49. RELATED PARTY TRANSACTIONS (continued)

(k) Compensations of key management personnel

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

	Year ended 31 December 2021	Year ended 31 December 2020
Wages, salaries and bonuses	22,964	21,902
Pension costs – defined contribution plans	534	54
Other social security costs, housing benefits and other employee benefits	564	517
	24,062	22,473

50. CONTINGENT LIABILITIES

Owing to the nature of the insurance business, the Group is involved in the making 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 contract, at 31 December 2021 and 2020, the Group has no major pending litigation that may have a material adverse effect on the financial position or operating results of the Group.

51. BALANCE SHEET AND STATEMENT OF CHANGES IN EQUITY OF THE COMPANY

	31 December 2021	31 December 2020
ASSETS		
Cash and cash equivalents	1,362,853	5,580,448
Financial assets at fair value through profit or loss	6,092,752	1,371,384
Securities purchased under agreements to resell	—	70,000
Interest receivables	158,701	112,933
Premium receivables	5,014,259	4,477,903
Reinsurance receivables	746,845	319,525
Reinsurers' share of insurance contract liabilities	371,402	346,355
Available-for-sale financial assets	13,060,356	7,826,132
Restricted statutory deposits	298,500	294,338
Held-to-maturity financial assets	573,247	574,455
Investments in subsidiaries	10,816,437	11,525,611
Investments in associates and joint ventures	3,000	—
Right-of-use assets	70,373	135,574
Property and equipment	39,718	35,308
Intangible assets	330,512	275,795
Deferred income tax assets	422,902	—
Other assets	1,799,874	2,098,980
Total assets	41,161,731	35,044,741
EQUITY AND LIABILITIES		
Equity		
Share capital	1,469,813	1,469,813
Reserves	16,808,102	16,765,626
Accumulated losses	(734,535)	(3,539,173)
Total equity	17,543,380	14,696,266
Liabilities		
Securities sold under agreements to repurchase	3,498,179	2,077,837
Premium received in advance	173,513	126,714
Reinsurance payables	850,159	452,164
Insurance contract liabilities	9,178,440	8,544,221
Bonds payables	6,344,148	6,487,166
Lease liabilities	85,164	157,511
Deferred income tax liabilities	—	—
Other liabilities	3,488,748	2,502,862
Total liabilities	23,618,351	20,348,475
Total equity and liabilities	41,161,731	35,044,741

Notes to the Financial Statements

For the year ended 31 December 2021
(All amounts expressed in RMB'000 unless otherwise stated)

51. BALANCE SHEET AND STATEMENT OF CHANGES IN EQUITY OF THE COMPANY (continued)

The movements in reserves and accumulated losses of the Company are set out below:

	Share capital	Capital reserves	Other reserves due to share-based payment	Available-for-sale financial assets revaluation reserves	Accumulated losses	Total equity
1 January 2020	1,469,813	16,585,468	38,400	(250,740)	(4,065,949)	13,776,992
Total comprehensive income	—	—	—	392,498	526,776	919,274
31 December 2020	1,469,813	16,585,468	38,400	141,758	(3,539,173)	14,696,266
Total comprehensive income	—	—	—	42,476	2,804,638	2,847,114
31 December 2021	1,469,813	16,585,468	38,400	184,234	(734,535)	17,543,380

52. SUBSEQUENT EVENTS

On 26 January 2022, ZA Tech Global entered into the Share Purchase Agreement with SoftBank Corp. ("SoftBank"), to sell 400 ordinary shares of ZA Japan, representing 100% of the issued and outstanding shares of ZA Japan to Softbank with a total consideration of JPY1,731,370 thousand.

On 28 January 2022, ZA Tech Global Cayman entered into the Swap-Up Agreement with Grab Holdings Limited ("Grab"), a company listed on Nasdaq, to transfer 3,400,000 ordinary shares of A3 Holdings to Grab, representing 40% of the issued and outstanding shares of A3 Holdings, in exchange for the issuance and allotment to ZA Tech Global Cayman of 8,800,000 Class A ordinary shares in the capital of Grab. As at 28 January 2022, the stock price of Grab was USD5.51 per share, representing a total consideration of USD48,488 thousand.

On 4 March 2022, ZhongAn International redeemed 404,135,750 redeemable preference shares from a third party at a total redemption price of RMB462,835 thousand.

53. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements have been approved and authorized for issue by the Company's board of the directors on 23 March 2022.

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 Cayman Islands, with its American Depositary shares listed on 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 joint stock limited company incorporated in the PRC (established on October 19, 2000, its name was Zhejiang Alibaba E-commerce Co., Ltd. (浙江阿里巴巴電子商務有限公司) back then) and one of our substantial shareholders
"APIs"	application programming interfaces
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Bestpay"	China Telecom Bestpay E-commerce Ltd. (天翼電子商務有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of China Telecom
"Board" or "Board of Directors"	the board of directors of our Company
"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', "ZhongAn Online", "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 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
"GDP"	gross domestic product
"Global Offering"	has the meaning ascribed to it in the Prospectus
"Grab"	Grab Holdings Limited, a leading O2O platform in Southeast Asia, with which ZATI has formed a joint venture company, GrabInsure, and listed on the NASDAQ Stock Market (stock code: GRAB)

Definitions

"Group", "we", "our" or "us"	the Company and its subsidiaries, or where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, such subsidiaries could be viewed as if they were the subsidiaries of the Company at the time
"H Shares"	the overseas listed foreign invested ordinary shares in the ordinary share capital of the Company, with a nominal value of RMB1 each, which are to be subscribed for and traded in Hong Kong dollars, and a "H Share" means any of them
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Financial Reporting Standard"	the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"iQIYI"	iQIYI, Inc. (formerly known as "Ding Xin, Inc." and "Qiyi.com, Inc."), a company incorporated in 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
"Latest Practicable Date"	March 23, 2022, being the latest practicable date for ascertaining certain information in this annual report before its publication
"Lexin"	LexinFintech Holdings Ltd., a Cayman Islands company, and listed on the NASDAQ Stock Market (stock code: LX)
"Listing"	the listing of the H shares on the Main Board of the Hong Kong Stock Exchange
"Listing Date"	September 28, 2017, the date on which the H Shares are listed and from which dealings in the H Shares take place on the Main Board of the Hong Kong Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended or supplemented 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
"NYSE"	New York Stock Exchange
"Ping An Asset Management"	Ping An Asset Management Co., Ltd. (平安資產管理有限責任公司), a company established in May 2005 in the PRC with a registered capital of RMB500 million and a subsidiary of Ping An Insurance
"Ping An Group"	Ping An Insurance and its subsidiaries
"Ping An Insurance"	Ping An Insurance (Group) Company of China, Ltd. (中國平安保險(集團)股份有限公司), a joint stock limited company incorporated in the PRC on March 21, 1988 listed on the Main Board of the Hong Kong Stock Exchange (stock code: 02318) and the Shanghai Stock Exchange (SSE: 301318), and one of our substantial shareholders
"Ping An P&C"	Ping An Property and Casualty Insurance Company of China, Ltd. (中國平安財產保險股份有限公司), a subsidiary of Ping An Insurance

"PRC" or "China"	the People's Republic of China, but for the purposes of this annual report only, except where the context requires, references in this annual report to the PRC or China exclude Hong Kong, Macau and Taiwan
"Prospectus"	the prospectus of the Company dated September 18, 2017
"R&D"	research and development
"RMB" or "Renminbi"	the lawful currency of PRC
"ROI"	return on investment
"Reporting Period"	the year ended December 31, 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, a company incorporated in Bermuda as an exempted company and listed on the Mai Board of the Hong Kong Stock Exchange (stock code: 1168), and our connected person
"SOMPO"	Sompo Japan Insurance Inc., one of the top three property and casualty insurance companies in Japan
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Supervisor(s)"	members of the Supervisory Committee
"Supervisory Committee"	the supervisory committee of our Company
"SZSE"	Shenzhen Stock Exchange
"Taobao Marketplace"	an e-commerce platform of Alibaba
"Tencent"	Tencent Holdings Limited, a company incorporated in the Cayman Islands and listed on the Main Board of the Hong Kong Stock Exchange (stock code: 00700)
"Tencent Computer System"	Shenzhen Tencent Computer Systems Company Limited (深圳市騰訊計算機系統有限公司) is a limited liability company incorporated in the PRC on November 11, 1998, one of our substantial shareholders and s subsidiary of Tencent
"Tencent Ruideming"	Tencent Ruideming (Chongqing) Technology Development Company Limited (騰訊瑞德銘(重慶)科技發展有限公司) (formerly known as Chongqing Ruideming Technology Development Company Limited (重慶市瑞德銘科技發展有限公司)), a company established under the laws of the PRC, an associate of Tencent and a connected person of the Company
"Tencent Technology"	Tencent Technology (Shenzhen) Company Limited (騰訊科技(深圳)有限公司), a company incorporated in the PRC on February 24, 2000 and a wholly-owned subsidiary of Tencent
"Tmall"	Tmall.com (天貓), an online platform created by Alibaba
"U.S."	United States of America

Definitions

"USD" or "US$"	United State dollars, the lawful currency of the United States of America
"WeBank"	WeBank Co., Ltd (深圳前海微眾銀行股份有限公司), a company established under the laws of the PRC, an associate of Tencent and a connected person of the Company
"X Financial"	a Cayman Islands company, and listed on the NYSE (stock code: XYF)
"ZA Bank"	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"	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 subsidiary of our Company, incorporated in Hong Kong on September 22, 2017
"ZATI Share Option Scheme"	a share option scheme of ZATI adopted by the Shareholders on December 29, 2020
"ZhongAn Microloan"	Chongqing ZhongAn Microloan Limited Company, a subsidiary of our Company, incorporated in the PRC on November 9, 2017
"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

"AI"	artificial intelligence
"big data analytics"	the use of advanced analytic techniques against very large, diverse data sets to uncover hidden patterns, unknown correlations, market trends, customer preferences and other useful information that can help organizations make more-informed business decisions
"cede"	the transfer of all or part of a risk written by an insurer to a reinsurer
"claim"	an occurrence that is the basis for submission and/or payment of a benefit under an insurance policy. Depending on the terms of the insurance policy, a claim may be covered, limited or excluded from coverage
"commission"	a fee paid to an agent or broker by an insurance company for services rendered in connection with the sale or maintenance of an insurance product
"customer"	unless otherwise indicated, the insured under our insurance policies. The number of our customers was calculated based on unique identifiers and contact information available to us
"gross written premiums" or "GWP"	total premiums (whether or not earned) for insurance contracts written or assumed during a specific period, without deduction for premiums ceded
"handling charges and commissions"	fees paid to insurance agents for the distribution of our products
"insured"	the insured person as specified in the insurance product
"Insurtech"	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
"O2O"	online to offline business model
"premium"	payment and consideration received on insurance policies issued or reissued by an insurance company
"P&C"	property and casualty
"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 policyholder's net of liability ceded to reinsurance companies
"SaaS model"	software as a service model
"unearned premium reserves"	portions of written premiums relating to unexpired risk of insurance coverage

Corporate Information

Board of Directors

Executive Directors:

Yaping Ou *(Chairman)*
Hugo Jin Yi Ou

Non-executive Directors:

Xinyi Han *(resigned on October 24, 2021)*
Liangxun Shi
Ming Yin *(resigned on April 1, 2021)*
Weibiao Zhan *(resigned on March 2, 2022)*
Gang Ji *(appointed on January 28, 2022)*

Independent Non-executive Directors:

Shuang Zhang
Hui Chen
Ying Wu *(resigned on March 23, 2022)*
Wei Ou
Vena Wei Yan Cheng *(appointed on January 28, 2022)*

Supervisors

Yuping Wen
Baoyan Gan *(resigned on January 28, 2022)*
Haijiao Liu
Limin Guo *(appointed on January 28, 2022)*

Audit and Consumer Rights Protection Committee

Hui Chen *(Chairman)*
Gang Ji
Wei Ou

Nomination and Remuneration Management Committee

Shuang Zhang *(Chairman)*
Yaping Ou
Vena Wei Yan Cheng

Strategy and Investment Decision Committee

Yaping Ou *(Chairman)*
Hugo Jin Yi Ou
Liangxun Shi

Risk Management and Related Transactions Control Committee

Wei Ou *(Chairman)*
Vena Wei Yan Cheng
Hui Chen

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
Ella Wai Yee Wong

Legal Advisors

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

As to PRC law:
CM Law Firm

Auditors

PricewaterhouseCoopers
Certified Public Accountants and Registered PIE Auditor

Principal Banks

ICBC Shanghai Branch Sales Department
China Merchants Bank Shanghai Branch, Nanjingxilu Sub-branch

Listing Information

Stock Code: 6060

Company Website

www.zhongan.com