眾安在綫財產保險股份有限公司

ZhongAn Online P & C Insurance Co., Ltd.*

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

(Stock Code : 6060)

INTERIM REPORT 2023

众安保险
ZhongAn Insurance

* For identification purposes only


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The Group has adopted HKFRS 17 *Insurance Contracts* to replace HKFRS 4 *Insurance Contracts* since January 1, 2023. Therefore, the financial data of the comparative period has been restated retrospectively. In this interim report, except for GWP-related disclosures, financial data are all disclosed in accordance with HKFRS 17 *Insurance Contracts*.

Opening Remarks

Our Mission

Empowering finance with technology and providing insurance service with a caring hand.

Overview

As the first Internet-based InsurTech company in China, ZhongAn aims to redefine insurance with cutting-edge technology and innovative business models. We embrace a dual-engine strategy of "Insurance + Technology" and adhere to integrating technologies into the entire insurance value chain. By empowering the insurance value chain with technologies and adopting an ecosystem-oriented approach, we focus on the Internet life scenarios of customers to provide innovative, inclusive and abundant insurance products and services through proprietary channels and ecosystem partners' platforms, in order to meet the diversified protection needs of customers and create an effective value proposition for them.

We continuously improve and upgrade technology strengths during the operation of insurance business, and we export InsurTech systems and functional modules to global insurance companies and industry chain clients in a productized way, so as to facilitate the digital transformation of the industry.

In addition, we also applied years of experience in Internet insurance and Internet finance operations in Hong Kong market. In March 2020, ZA Bank became the first virtual bank to officially commence operation in Hong Kong, and has maintained its position as the No.1 virtual bank in Hong Kong[1]. ZA Life obtained the virtual insurance license in Hong Kong and officially commenced operation in May 2020 and subsequently established a bancassurance partnership with ZA Bank. With the ZA Bank APP serving as the gateway, we jointly provided a convenient, inclusive and innovative one-stop financial service experience for retail customers and SMEs in the Hong Kong market under the "ZA" brand.

2023 Interim Results Review

The year 2023 marks the 10th anniversary of the establishment of ZhongAn. With a decade of dedicated cultivation, we have been committed to realizing our original aspirations with craftsmanship.

In the first half of 2023, ZhongAn Insurance recorded GWP of RMB14,463 million, representing a year-on-year increase of 37.5%, and issued 5,501 million policies and provided services to more than 500 million insureds accumulately. In the first half of 2023, ZhongAn Insurance continued to rank 9th in the P&C insurance industry of China as measured by GWP, our market share further increased and we remained as the fastest growing company among the top 10 P&C insurance companies in China.

In the 2023 China 500 list published by Fortune, a prominent international financial magazine, ZhongAn Insurance was included for the first time by virtue of its long-term technological advancement and excellent business performance in recent years, being the only InsurTech company selected.

Adhering to our strategy of "sustainable growth with quality" as well as technology-driven cost-efficiency, the underwriting combined ratio[2] for the first half 2023 was 95.8%, representing an improvement of 0.7 percentage point as compared with 96.5% for the corresponding period of last year, mainly attributable to the optimization of product structure, which led to an improvement of 0.6 percentage points in the loss ratio[3] to 57.1% from 57.7% for the corresponding period of last year, and an improvement of 0.1 percentage points in the expense ratio[4] to 38.7% from 38.8% for the corresponding period of last year. Benefiting from the domestic economic recovery and the ongoing digital transformation in the global financial industry, the technology segment recorded technology export revenue of RMB267 million for the period, representing a year-on-year increase of 22.0%.

ZA Bank is the No.1 virtual bank in Hong Kong. As of June 30, 2023, it had nearly 700,000 retail users, and recorded net revenue of HKD152 million for the Reporting Period, representing a year-on-year growth of 13.0%, and net loss margin[5] narrowed by 60 percentage points.

1 Ranking based on the total assets, deposit scale, net income and number of retail users of eight virtual banks in Hong Kong as of or for the year ended December 31, 2022.

2 Underwriting combined ratio is defined as the sum of insurance service expenses, net income/(expenses) from reinsurance contracts held, finance expenses from insurance contracts issued and finance income/(expenses) from reinsurance contracts held divided by insurance revenue. Underwriting combined ratio is calculated in accordance with HKFRS 17 *Insurance Contracts*, only takes into account the online P&C insurance business in the PRC, and is the result after inter-segment elimination.

3 Loss ratio is defined as the sum of incurred claims and claim expenses, changes in the fulfilment cash flows relating to the liability for incurred claims, finance expenses from insurance contracts issued, losses on onerous contracts and reversal of those losses, net income/(expenses) from reinsurance contracts held and finance income/(expenses) from reinsurance contracts held divided by insurance revenue.

4 Expense ratio is defined as the sum of insurance acquisition cash flows amortization and maintenance expenses divided by insurance revenue.

5 Net loss margin is defined as net loss divided by net revenue.

In the first half of 2023, benefiting from the recovery of the capital markets, the investment income improved significantly as compared to the corresponding period of last year. By reasons of the foregoing, in the first half of 2023, the Group recorded net profit attributable to owners of the parent of RMB221 million, representing an improvement of RMB858 million as compared with net loss attributable to owners of the parent of RMB636 million for the corresponding period of last year.

Segment Financial Highlights

The following table sets forth the key items of the segment statement of income or loss for the six months ended June 30, 2023 and 2022, respectively. Specifically, the insurance segment offers a wide range of online property and casualty insurance and services in the PRC; the technology segment provides InsurTech and Fintech export related services to global insurance companies and industry chain clients; the banking segment offers virtual banking services in Hong Kong; and the other segment includes entities other than the aforesaid segments, such as ZA Life and ZhongAn Insurance Broker.

Key items of the segment statement of income or loss for the six months ended June 30, 2023

RMB'000	Insurance	Technology	Banking	Others	Eliminations	Total
Insurance revenue	12,684,655	—	—	10,229	(2,592)	12,692,292
Underwriting profit[1]	480,802	—	—	(12,998)	54,818	522,622
Net investment income	146,450	(27,222)	85,743	26,162	(721)	230,412
Net fair value changes through profit or loss	572,502	43,539	—	65,478	—	681,519
Other income	75,451	288,441	187,062	352,601	(260,308)	643,247
Foreign exchange gains/(losses)	(246,237)	(2,346)	20,105	33,504	—	(194,974)
Other finance costs	(215,933)	(6,205)	(61)	(1,864)	328	(223,735)
Net profit/(loss)	447,101	(247,191)	(176,754)	(1,697)	4,572	26,031
Attributable to:						
– Owners of the parent						221,471

Key items of the segment statement of income or loss for the six months ended June 30, 2022 (restated)

RMB'000	Insurance	Technology	Banking	Others	Eliminations	Total
Insurance revenue	10,242,144	—	—	10,394	(3,207)	10,249,331
Underwriting profit	328,771	—	—	(15,774)	34,228	347,225
Net investment income	274,478	390,275	52,987	14,986	(737)	731,989
Net fair value changes through profit or loss	(165,068)	(171,468)	—	(17,103)	—	(353,639)
Other income	63,491	236,357	100,089	177,907	(112,248)	465,596
Foreign exchange gains/(losses)	(315,890)	(6,271)	16,244	31,440	(38,287)	(312,764)
Other finance costs	(207,339)	(3,308)	(8)	(762)	737	(210,680)
Net loss	(312,276)	(16,426)	(212,832)	(108,866)	(34,954)	(685,354)
Attributable to:						
– Owners of the parent						(636,044)

1 Underwriting profit is defined as the sum of insurance service result, finance expenses from insurance contracts issued and finance income/(expenses) from reinsurance contracts held.

Management Discussion and Analysis

The Group recorded net profit attributable to owners of the parent of RMB221 million in the first half of 2023, representing an improvement of RMB858 million as compared with net loss attributable to owners of the parent of RMB636 million for the corresponding period of last year, which was mainly driven by the improvement in investment income, and to a lesser extent, the increase in underwriting profit. The specific performance of each segment is as follows:

Insurance segment: benefiting from our strategy of "sustainable growth with quality" as well as technology-driven cost-efficiency, the underwriting combined ratio of the domestic P&C Insurance for the first half of 2023 further improved to 95.8%, representing an improvement of 0.7 percentage point as compared with 96.5% for the corresponding period of last year. In terms of investment, the domestic P&C Insurance recorded total investment income[1] of RMB723 million in the first half of 2023, representing a significant improvement from RMB110 million in the corresponding period of last year. As a result of the above, net profit of the insurance segment for the first half of 2023 improved by RMB759 million from the corresponding period of last year.

Technology segment: in the first half of 2023, revenue from technology export amounted to RMB267 million, representing a year-on-year growth of 22.0%. In particular, revenue from domestic technology export grew by 35.5% year-on-year, benefiting from recovery of the industry in the PRC.

Banking segment: ZA Bank, our virtual bank in Hong Kong, is currently in the early stage of business development. With the continuous enrichment of product functions, its user monetization ability has further improved. In the first half of 2023, ZA Bank recorded net revenue of HKD152 million, representing a year-on-year increase of 13.0%, and its net interest margin further increased to 1.87% in the interest rate hike cycle. At the same time, as ZA Bank focused on improving business quality and operating efficiency, it gradually showed scale effect, with the net loss narrowed by HKD57 million and the net loss margin narrowed by approximately 60 percentage points as compared to the corresponding period of last year.

Others segment: mainly include ZhongAn Insurance Broker and ZA Life, the virtual insurance business in Hong Kong. In the first half of 2023, ZhongAn Insurance Broker recorded revenue of RMB207 million, representing a year-on-year increase of 92.5%. ZA Life focused on improving business quality and operating efficiency, and recorded significant improvement in insurance service result as compared to the corresponding period of last year. Meanwhile, benefiting from the recovery of the capital markets, its investment income has improved and net loss significantly narrowed from the corresponding period of last year.

Our Ecosystems

The following table sets forth GWP in absolute amounts and as percentages of total GWP by ecosystem for the six months ended June 30, 2023 and 2022, respectively:

	For the six months ended June 30				
	2023		2022		
Ecosystems	RMB'000	Percentage %	RMB'000	Percentage %	% of change
Health	**5,017,983**	**34.7%**	4,330,152	41.2%	15.9%
Digital lifestyle	**5,836,173**	**40.4%**	3,819,423	36.3%	52.8%
Consumer finance	**2,786,506**	**19.3%**	1,832,788	17.4%	52.0%
Auto	**822,491**	**5.7%**	532,918	5.1%	54.3%
Total	**14,463,153**	**100.0%**	10,515,281	100.0%	37.5%

1 Total investment income is defined as the sum of net investment income, net fair value changes through profit or loss and share of net profit/(loss) of associates and joint ventures accounted for using the equity method less impairment relating to investment assets

The following table sets forth a breakdown of (i) GWP, (ii) insurance revenue, (iii) expense ratio, (iv) loss ratio, and (v) underwriting combined ratio, by ecosystem for the six months ended June 30, 2023 and 2022, respectively. Specifically, net income/(expenses) from reinsurance contracts held and finance income/(expenses) from reinsurance contracts held are not taken into account in the calculation of the expense ratio, loss ratio and underwriting combined ratio:

Ecosystems Data

	For the six months ended June 30	
Ecosystems	2023 RMB'000	2022 RMB'000 (restated)
Health		
GWP	5,017,983	4,330,152
Insurance revenue	3,967,766	3,745,226
Expense ratio (%)	54.5%	41.2%
Loss ratio (%)	38.0%	55.1%
Underwriting combined ratio (%)	92.5%	96.3%
Digital lifestyle		
GWP	5,836,173	3,819,423
Insurance revenue	5,701,158	4,001,070
Expense ratio (%)	31.4%	35.0%
Loss ratio (%)	68.4%	64.8%
Underwriting combined ratio (%)	99.8%	99.8%
Consumer finance		
GWP	2,786,506	1,832,788
Insurance revenue	2,318,187	1,981,296
Expense ratio (%)	29.9%	41.1%
Loss ratio (%)	60.8%	49.2%
Underwriting combined ratio (%)	90.7%	90.3%
Auto		
GWP	822,491	532,918
Insurance revenue	694,952	511,345
Expense ratio (%)	38.2%	40.9%
Loss ratio (%)	59.1%	57.0%
Underwriting combined ratio (%)	97.3%	97.9%

Management Discussion and Analysis

Health Ecosystem

In 2023, the Chinese government issued Healthy China Initiative 2023 Highlights and Action Plan for Comprehensively Improving the Quality of Healthcare (2023-2025), calling for the continuous promotion and implementation of various actions to ensure people's health in an all-round, full-cycle manner and raise the public awareness of health management.

With the continuous further implementation of the "Healthy China Initiative", and adhering to our commitment of "providing national medical insurance for over 100 million people", ZhongAn sticks to the strategic orientation of "healthcare + medicine + insurance" to connect the upstream and downstream participants of the health industry, and build a one-stop system of healthcare protections and services.

ZhongAn's product matrix of health ecosystem has been constantly upgraded and evolved to meet the increasing needs of consumers for health management. With million-dollar medical insurance as the core and based on the health status and medical needs of specific customer groups, we have successively launched various segmented products including mid-to-high-end medical insurance, outpatient and emergency insurance, critical illness insurance and Zhong Min Bao (眾民保), constantly enriching the product matrix of the health ecosystem. Meanwhile, through in-depth operation of ZhongAn Internet Hospital, we further improved a closed-loop health management of "healthcare + medicine + insurance" and enhanced the overall health level of our users.

2023 marks the eighth year since the launch of our flagship health insurance product, "Personal Clinic Policy", which has undergone a total of 22 upgrades since its launch to meet the escalating and personalized health needs of our users and has shown strong product vitality. "Personal Clinic Policy" 2023 version (尊享e生2023版) covers 148 specific drugs, including 103 targeted drugs, 30 special drugs for rare diseases and 15 selected imported drugs, and further extends the coverage to include outpatient and emergency medical treatment, inter-provincial transportation for critical illness and other scenarios, providing consumers with more flexible, affordable and convenient health management protection. During the Reporting Period, the "Personal Clinic Policy" series recorded GWP of approximately RMB3,469 million, representing an increase of approximately 51.5% as compared with the corresponding period of last year. Furthermore, the zero-deductible version of "Personal Clinic Policy" launched in 2023 has been widely recognized by users as it offers a more flexible product portfolio to provide users with practical protection. As of June 30, 2023, our accumulative hospital advance payment amounted to approximately RMB430 million.

After years of fostering insurance awareness in the domestic health insurance market, users' requirements for medical experience and health management services have also been continuously improved. In 2023, we launched "Mid-to-High-end Medical Insurance for Personal Clinic Policy 2023" ("尊享e生中高端醫療險2023"), which covers special medical department, international department and VIP department of public hospitals, and better meets personalized needs of users by providing a diversified mix of key elements including the deductibles, premiums, term and coverage. The launch of mid-to-high-end medical insurance also prompted us to focus more on the middle-class users of "Personal Clinic Policy" who are in need of an upgraded medical experience, as well as the unhealthy people among them.

Our outpatient and emergency insurance has broken through the previous limitations of medical insurance that only covered high hospital expenses caused by major illnesses as it embeds commercial insurance direct compensation services into high-frequency outpatient scenarios. We have also innovatively incorporated ZhongAn Internet Hospital's comprehensive medical services such as online consultations and medication purchases to satisfy users' daily health needs. During the Reporting Period, the GWP of outpatient and emergency insurance was approximately RMB100 million, representing an increase of approximately 52.8% as compared to the corresponding period of last year, with over 520,000 times of claims settlement service, that is, an average of 3.5 times for each user.

In 2023, we capitalized on the trend of economic recovery. Considering that consumers have deepened their understanding of insurance allocation, we have also launched a multiple claim payout critical illness insurance, and have comprehensively upgraded the insurance liability, coverage and value-added services of the product. Currently, the product offers comprehensive protection covering 170 diseases, including 100 critical illnesses, 20 moderate diseases and 50 mild diseases, and accompanied by four value-added services, namely fast pass for critical illness, multi-disciplinary consultation for critical illness, inpatient nurses and long-term home care for critical diseases, fully meeting consumers' deeper insurance protection needs and favored by consumers. During the Reporting Period, our critical illness products served nearly 800,000 users and recorded GWP of approximately RMB777 million, representing an increase of approximately 267.6% as compared with the corresponding period of last year.

Adhering to the concept of "technology for good and insurance for all", we have lowered the enrollment threshold by launching a million coverage medical insurance product called Zhong Min Bao (眾民保), which has no occupational restriction and covers general pre-existing conditions, thereby broadening the coverage for insurance applicants at an affordable price. Zhong Min Bao (眾民保) has witnessed strong growth in the first half of 2023, with GWP growing by more than 10 times.

We have long focused on a user-centric product strategy, continuously enriching the product matrix guided by user needs and improving service capabilities. Thanks to our long-term business deployment and operation in the health ecosystem, our long-term value to users has been continuously highlighted. In the first half of 2023, the health ecosystem provided health insurance to approximately 12.41 million insureds and recorded GWP of RMB5,018 million, representing a year-on-year increase of 15.9%. The number of paying users of the health ecosystem was approximately 10.26 million, of which individual multi-policy users (個險多保單用戶) accounted for 22.5%, and the overall premiums per user increased by 8.5% year-on-year to approximately RMB489.

In the first half of 2023, the loss ratio of the health ecosystem was 38.0%, representing a year-on-year decrease of 17.1 percentage points, mainly attributable to the higher proportion of new insurance and the further application of AIGC technology in the intelligent underwriting engine of ZhongAn health insurance, which helped further improved our operational efficiency and risk control level in the key areas such as data analysis and modelling, risk assessment and prediction, as well as product and solution design. The expense ratio of the health ecosystem was 54.5%, representing a year-on-year increase of 13.4 percentage points, mainly due to the increase in marketing and customer acquisition expenses in the Reporting Period as the health ecosystem seized the window for the recovery of traffic monetization. In the first half of 2023, the GWP of our proprietary channels of health ecosystem increased by approximately 163.1% as compared to the corresponding period of last year. Meanwhile, we continued to improve the level of renewal rate through refined operation of private domain traffic, with the renewal rate of proprietary channels[1] was approximately 87.4% during the Reporting Period.

We will continue to adhere to the strategy of "sustainable growth with quality", focus on health service and management in the entire life cycle of users, continuously improve user retention, and build competitive barriers for the long term.

Digital Lifestyle Ecosystem

We utilize our own technological and data analysis advantages to customize insurance services around digital life scenarios. In the e-commerce sector, we offer e-commerce insurance products covering scenarios such as shipping return, product quality, logistics, after-sales services, and merchant security for e-commerce platforms. In the travel sector, our flight accident, flight delay, travel accident, and flight or hotel cancellation insurance products cover all major OTA platforms in China. At the same time, ZhongAn Insurance continuously leverages technology to explore the probability of new digital life scenarios and new products and enrich our own product matrix, filling unmet diversified protection needs by developing upgraded and innovative products such as pet insurance, drone insurance, phone screen cracking insurance, accident insurance for multiple scenarios, and service-oriented household property insurance.

In the first half of 2023, benefiting from the positive recovery of domestic economy, the e-commerce sector continued to usher in favorable factors and recorded strong recovery. During the Reporting Period, China's online retail sales amounted to RMB7.16 trillion, representing a year-on-year increase of 13.1%, and the total delivery volume in the postal industry amounted to 74.21 billion shipments, representing a year-on-year increase of 13.4%. With the shift in user spending habits and the diversification of consumption scenarios, the e-commerce ecosystem showed its vitality. Leveraging our own leading technological strength and years of accumulated experience in e-commerce channel operation, we continuously expand internet platform network, providing users with insurance solutions for e-commerce scenarios such as shipping return policy, to create a better online shopping experience. In the first half of 2023, GWP of the e-commerce business segment amounted to RMB3,098 million, representing a year-on-year increase of 35.8%, of which GWP of "shipping return policy amounted to RMB2,958 million, representing a year-on-year increase of 45.9%.

During the year, with the unleashing of pent-up travel demand of consumers, the domestic tourism industry witnessed a rapid rebound. According to the data of the Department of Culture and Tourism, in the first half of 2023, the total domestic tourism arrivals amounted to 2,384 million, representing a year-on-year increase of 63.9%. Benefiting from the recovery of the industry, our travel/OTA business capitalized on the rebound and normalization of the domestic travel market through cooperation with major OTA platforms, and recorded GWP of RMB1,442 million, representing a year-on-year increase of 118.1%.

In terms of innovative business, we closely follow the trends of emerging consumer behavior, continuously leverage technology empowerment, and rapidly launch various innovative insurance products based on data analysis and user lifestyle tracking. These efforts aim to address the diversified insurance protection needs of users and explore the growth curve of the digital lifestyle ecosystem.

In recent years, with the development of the urbanization and the growth of per capita income, pets are increasingly viewed as family members by their owners and the domestic pet consumption market has gradually upgraded, with a growth in the average spending on pets. According to Frost & Sullivan's forecast, China's pet market value is expected to reach RMB537.6 billion by 2026, of which the value of pet medical service industry is expected to reach RMB135.6 billion, representing an expected compound annual growth rate of 20.0% from 2021 to 2026, making it the fastest-growing vertical in the entire pet market.

[1] Renewal rate for the 12th to 13th months.

Management Discussion and Analysis

Based on our technological prowess and abundant offline resources in pet ecosystem, we remained committed to pet insurance. In the first half of the 2023, the total amount of premium transactions of pet insurance was approximately RMB200 million, with a year-on-year growth of nearly 100%. We served over 620,000 pet owners during the period, bringing the total to 3.8 million pet owners as of the end of the Reporting Period. The high growth of pet insurance was driven by ZhongAn's continuous product innovation and scenario exploration. For our pet insurance business, based on the analysis of pet owner and pet data collected, we have innovatively introduced differentiated pricing approach for different types of pets in domestic market, which allows us to provide more personalized products to meet the needs for pet protection at different levels. Our pet insurance has undergone several iterations. Now, it not only covers six types of pet spontaneous disease protection insurance, but also provides health management services, including deworming, vaccines, online consultation and nutritionist consultation, as well as value-added optional protection such as pet third-party liability and pet death compensation. In 2023, we launched an innovative product Pet Medical Insurance in cooperation with Alipay, which covers all aspects of medical care for dogs and cats, including 40 types of commonly used medicines and 11 types of outpatient services through small ticket-size and low-threshold products, providing protection against a full range of diseases. In 2023, we will launch the 3-day quick claims service for pet hospitals, which will significantly improve the user experience of claim settlement.

We embed insurance services in various scenarios of the pet ecosystem to serve the entire life cycle of pets, and has launched various innovative insurances such as pet food safety insurance, pet consignment protection insurance, pet anesthesia accidental death insurance, and employee accident insurance for the pet industry.

As pets are increasingly viewed as family members by their owners, pet consumption demand has become more diversified. In addition to necessity such as cat food and dog food, services such as pet travel, grooming and medical examination have also developed rapidly.

We also cooperated with our ecosystem partners including Yun Chong (雲寵), Alipay, Tmall and Douyin to connect pet owners with extensive diversified offline pet service providers and continuously unlock cross-ecosystem synergies. We cooperated with leading domestic pet service providers to connect high-quality pet health management service resources for pet owners. Our pet insurance service network comprised nearly 10,000 offline pet hospitals and service agencies, covering major cities across the country.

Additionally, by focusing on the offline lifestyle of users and following the consumption hot spots therein, ZhongAn launched a variety of fragmented and scenario-based insurance products in good time. With the vigorous development of digital economy in China, we further developed insurance product matrix for sport scenarios, including skiing, cycling, outdoor camping, fitness and other insurance, to fully serve users' need for insurance protection arising from the evolution of their lifestyles.

Along with the development of innovative technologies in the new economic cycle, we also utilize technology to actively explore and develop innovative products, serve the real economy with InsurTech, and give back to the society to create public welfare value. We have designed exclusive insurance products for the specific fields of household property protection, cybersecurity, food security, gig economy, beauty, telecom fraud prevention, etc., actively embracing the development of the digital economy. In the first half of 2023, our drone insurance recorded GWP of RMB274 million, representing a year-on-year increase of 31.5%.

In the first half of 2023, the GWP of digital lifestyle ecosystem amounted to RMB5,836 million, representing a year-on-year increase of 52.8%, of which approximately RMB1,296 million was attributable to innovative business (including pet insurance, phone screen cracking insurance, accident insurance for multiple scenarios and household property insurance), representing a year-on-year increase of 47.9%. During the Reporting Period, the loss ratio of the digital lifestyle ecosystem was approximately 68.4%, representing a year-on-year increase of 3.6 percentage points, and the expense ratio was 31.4%, representing a year-on-year decrease of 3.6 percentage points, mainly benefited from the continuous increase in the proportion of new channel e-commerce shipping return policy and innovative business with higher margin.

We will continue to monitor the business breadth of the digital lifestyle ecosystem, and utilize ZhongAn's market acuity and agile technology strengths to provide users with more valuable protection products that suit their lifestyles.

Consumer Finance Ecosystem

We connect with different kinds of Internet platforms by leveraging our technological strength, provide licensed financial institutions with credit technology services and enable consumers to obtain more convenient and inclusive credit products. In particular, we reach out to potential borrowers with good credit through multiple scenarios (such as Bestpay under telecommunication scenarios and iQIYI under video streaming scenarios) and multiple channels of our Internet platform partners, strengthen the credit evaluation of potential borrowers and assist internet finance companies (such as ZhongAn Loan and Mashang Consumer Finance) in credit risk management and comprehensive post-loan management. Through AI and data analysis, we refine user insights from interactions with them under daily and commercial scenarios, so as to empower financial institutions throughout the life cycle of loans, support financial institutions to expand their service coverage, and allow users to obtain more accessible credit services. All of the funding providers that we cooperate with are licensed financial institutions.

In the first half of this year, China's gross domestic product (GDP) grew by 5.5% year-on-year. China's economy has shown steady growth in various fields. The consumer finance industry has also ushered in a certain degree of recovery. In the first half of 2023, our consumer finance ecosystem recorded GWP of RMB2,787 million, representing a year-on-year increase of 52.0%. As of June 30, 2023, the outstanding balance of insured loans of the consumer finance ecosystem was RMB26,477 million.

Our targeted customers of the consumer finance ecosystem are primarily the young near-prime group in China with good education and strong consumption demands. Our major customers are aged 30-40. We also provide our diversified product offerings for users of consumer finance ecosystem, to meet their multi-level protection needs. We focus on small-ticket-size, dispersed and short-term Internet consumer finance assets. In cooperation with licensed financial institutions, we utilize industry-leading technology, risk control and other capabilities to set insurance premium rates based on individual risk profile of the underlying assets and provide coverage with our credit insurance and bond insurance. The average duration of our underlying assets is approximately 10 months.

Our underlying asset quality remained within a controllable range thanks to our prudent business strategy and upgraded risk control models. In the first half of 2023, the loss ratio of the consumer finance ecosystem was 60.8%, representing an increase of 11.6 percentage points from the corresponding period of 2022. The expense ratio of the consumer finance ecosystem for the first half of 2023 was 29.9%, representing a decrease of 11.3 percentage points from the corresponding period of 2022.

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 "ZA & PA Joint Auto Insurance" product. This product 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 2023, we began to implement the renewed coinsurance agreement with Ping An P&C, valid from January 1, 2023 to December 31, 2024. 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 continue to be split at a 50:50 ratio.

Our major ecosystem partners include Internet platforms and automotive aftermarket service channels. Regarding cooperation with Internet platforms, we built up a great quantity of user insights and Internet operating capabilities by continuing to deepen cooperation with various ecosystem partners. We also connect with more long-tail offline automotive aftermarkets and other channels, such as auto detailing shops and body shops, through the SaaS platform and APIs, thereby allowing our insurance products to efficiently reach more users without having to invest a large amount of human resource to connect and maintain the channels.

In the first half of 2023, the passenger vehicles market in China saw a recovery, with a year-on-year increase of 9.8% in the sales volume. Relying on our refined operation, ZhongAn captured the opportunity arising from the prosperity of the industry, and the GWP from auto ecosystem reached RMB822 million during the Reporting Period, representing a year-on-year increase of 54.3% and much higher than the year-on-year growth of 5.5% in primary premiums of the auto insurance sector.

By seizing the opportunities for the NEV insurance and embracing policy support while continuously enriching our database, risk rules and algorithms and improving pricing and risk control models, ZhongAn provided vehicle owners of over 20 NEV brands with auto insurance products and services, bringing new momentum to the overall growth of auto insurance, with GWP of NEV auto insurance increased by over 228.7% year-on-year in the first half of 2023. During the Reporting Period, the loss ratio of the auto ecosystem increased by 2.1 percentage points year-on-year to 59.1%, and the expense ratio dropped by 2.8 percentage points year-on-year to 38.2%.

Management Discussion and Analysis

Brand Building and Proprietary Channels

In the first half of 2023, we stayed focused on multi-scenario and multi-dimensional touchpoints with potential customers around the "ZhongAn" brand, exploring and grasping online traffic dividend from mainstream content platforms via short video and livestreaming. We maintain our leading position in the industry in terms of brand building, as evidenced by the fact that our number of followers on mainstream short video platforms such as Douyin and Kuaishou led in the industry, with more than 25 million followers across over 30 proprietary channels and our official accounts on social networks.

We insist on reaching customers rapidly and precisely in creative ways and gaining their recognition to navigate through the next stages of customer conversion and retention. ZhongAn Insurance keeps abreast of the consumption trend of the Internet users, and works together with national artists to produce contents covering users of all age groups, so as to deepen users' brand awareness of ZhongAn. We actively interacted with a variety of major events, and worked with brand spokespersons to gain the popularity among the consumers, in order to demonstrate the value of our brand building efforts. Adhering to the brand concept of ZhongAn, we created an IP named "Break Through and Forge Ahead, Boss! (乘風破浪吧老闆!)" in the first half of 2023, which supports the promotion of small stores through self-created micro-documentary series, and at the same time provides more protection for such stores with products of ZhongAn. As of the first half of the 2023, the series recorded over 20 million views on the Internet. We also created an MV named "Hua Xian Wei An (化險為安)" to reach the Generation Z group, with total number of exposure reached more than 500 million and total views of the MV reached more than 100 million. Leveraging self-developed marketing tools, we connect all resources 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. During the year, our brand marketing has been widely recognized at home and abroad and won many prominent awards, including two Top Digital Gold Awards and the ADMEN Int. Awards.

In the field of public domain traffic, we adopt various forms of content marketing, supported by leading data platforms and algorithm capabilities, and use real-time advertising RTA (Real Time API) mode for differentiated public domain marketing. We continuously optimize the contents of live streaming, and use algorithms to improve the accuracy of matching target customers with live content. We connect feed-based marketing and official accounts operation efficiently with our live-streaming marketing and have built smooth paths, which we constantly iterate, for online traffic conversion and have improved marketing efficiency. By leveraging the matrix of up to 30 channels that enables direct access to 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 private domain traffic customer pool to help realize the goals of public domain traffic conversion. We achieve efficient cross-guidance through AI customer service and other means. At the same time, with the support of various marketing methods including enterprise WeChat customer service and relying on algorithms and data analysis, we classify users and recommend customized products and services, so as to awaken users to create greater value. Through refined operations and user-centered service upgrades, in the first half of 2023, the average daily usage time of ZhongAn Insurance APP increased by 42.0% year-on-year[1].

In 2023, we stayed focused on cross-penetration between ecosystems, striving to provide users with convenient and economical comprehensive protection for their lives, while enriching the product matrix in our proprietary channels. We extended our insurance protection products around the four major ecosystems, and provided more value proposition to users through upgraded medical health, family, and pets related services. In the first half of 2023, multi-policy users accounted for 54% in our proprietary channels. The average number of policies per paying user reached 1.5. Based on our self-developed data and customer middle platforms, ZhongAn has realized real-time data sharing across all ecosystems and conducted refined operation with each user as a unit to better serve users during the entire life cycle. In the first half of 2023, the GWP of our proprietary channels increased by 90.6% year-on-year to RMB4,425 million, accounting for 30.6% of the total GWP, increased by 8.6 percentage points year-on-year. The number of paying users of our proprietary channels increased by 24.8% year-on-year to 6.18 million, and the premiums per user reached RMB712, representing a year-on-year increase of 52.7%.

R&D Investments and Technology Empowerment

We continue to focus on the development of cutting-edge technologies sectors including artificial intelligence, blockchain, cloud computing and big data, aiming to reshape every stage throughout the insurance value chain with technology. In the first half of 2023, ZhongAn invested RMB699 million in R&D activities, representing a year-on-year increase of 6.5% and accounting for 4.8% of total GWP. As of June 30, 2023, ZhongAn had a total of 1,795 engineers and technicians, which accounted for 47.5% of our total full-time employees, and we had accumulatively filed applications for 609 patents, including 174 applications for overseas patents. In addition, we had 36 PCT (Patent Cooperation Treaty) patent applications in total, covering 11 countries and regions. As of the same date, we obtained 226 patents in total, representing a year-on-year increase of 51.7%, and there were 29 overseas patents granted, representing a year-on-year increase of 11.5%.

[1] Data from Questmobile.

Relying on our cloud-based insurance core system "Wujieshan 2.0", which can support massive fragmented insurance business with high concurrency, we issued a total of 5,501 million policies in the first half of 2023, representing a year-on-year increase of 43.1%, and we served over 500 million users. The user experience was greatly improved through technology empowerment with the automation rate for underwriting reaching 99% and the online claim settlement rate of health insurance reaching 96%. A claim settlement was completed every 9 seconds, and 95% of the cases were settled straight through, with no need to submit additional documents subsequently. Our data science team has effectively improved image risk control capacities through AI innovation. Currently, the accuracy rate of our online similar scenario identification for consumer finance business is nearly 100%, which is 10 times higher than the efficiency of discovering risky cases via manual sampling detection.

Artificial Intelligence Application

In May 2023, ZhongAn Insurance and ZhongAn Technology jointly released the "White Paper on AIGC/ChatGPT Applications in the Insurance Industry" (《AIGC/ChatGPT保險行業應用白皮書》), the first white paper on the AIGC (AI-generated content technology) applications in the domestic insurance industry, which sorted out more than 30 specific application targets and scenario-based application points and predicted the feasibility of technical implementation in application scenarios from multiple dimensions. At the same time, it revealed ZhongAn's exploration of applications in this technology field, as well as the feasibility of integrating AIGC into the full range of products of ZhongAn Technology.

In July 2023, ZhongAn Insurance and ZhongAn Technology released the insurance industry's first AIGC application diagram at the World Artificial Intelligence Conference (WAIC) 2023, showing the application, practice and exploration of the digital-intelligent innovation of "AI + insurance". From six dimensions including product design and innovation, marketing and business development, underwriting and claim settlement, customer service, smart office and R&D management, the diagram showed a total of more than 80 AIGC generative artificial intelligence application scenarios, covering property and casualty insurance, life insurance and other businesses, involving marketing channels such as agents, proprietary channels and feed-based marketing channels.

By leveraging AIGC's large-scale modeling technology in the creative process of the script and copywriting for livestreaming and short videos, the efficiency of script and copywriting creation has been significantly improved, thus liberating productivity. By extracting key information from the relevant content data accumulated on a day-to-day basis to form structured script and copywriting data for livestreaming, we realized mass production of high-quality contents for streaming allocation and dissemination, making per capita script production capacity effectively increased by nearly 100%, and editing efficiency improved by nearly 50%. With the application of AI, we could quickly generate large number of product promotion materials with diversified styles to increase product exposure and improve design efficiency by nearly 80%. With virtual reality scenes created by AI, the studio construction costs for livestreaming could be significantly reduced, with the convenience of quickly switching between different styles to achieve better results.

Technology Export

We have been deeply rooted 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 a new generation of insurance core systems and scenario-based solutions for our customers in the insurance industry, and joined hands with Internet platforms and other insurance intermediary platforms to develop digital insurance ecosystem.

In the first half of 2023, our technology export business continued to expand both domestically and internationally, helping many clients across the globe with their digital transformation processes. During the Reporting Period, we newly contracted with a total of 35 customers along the insurance industrial chain, and the technology segment recorded revenue from technology export of RMB267 million, representing a year-on-year increase of 22.0%. As of June 30, 2023, our technology export business had provided service to more than 750 clients from various industries including insurance, internet technology, banking, and securities brokerage.

Management Discussion and Analysis

ZhongAn Technology

ZhongAn Technology, a subsidiary of ZhongAn Insurance, has long focused on the exploration and R&D of cutting-edge technologies including artificial intelligence, big data and cloud computing. By leveraging the ecological advantages of ZhongAn, it has created a value delivery system of "technology + service" after actual business verification.

At the beginning of 2023, the State Council issued the Overall Layout Plan for the Construction of Digital China (《數字中國建設整體佈局規劃》) (the "Plan"), which proposed that "building a digital China is an important engine for promoting China's modernization in the digital era, and a powerful support for building new competitive advantages for the country" and "by 2025, a coordinated and powerful integrated promotion pattern with horizontal and vertical connections will be formed, and significant progress will be made in the building of digital China". InsurTech will usher in unprecedented development prospects and opportunities, and ZhongAn's years of efforts and experience in the field of InsurTech will also help us seize the opportunities of digital China.

In 2023, relying on its persistent efforts in InsurTech, ZhongAn Technology has made major breakthroughs in multiple fields including core system of P&C insurance, data center for the life insurance industry and insurance mobile marketing, and its InsurTech export business continued to maintain rapid growth. In the first half of 2023, our domestic technology export business recorded revenue of RMB150 million, representing a year-on-year increase of 35.5%. In addition, ZhongAn Technology was also recognized as a Leading Enterprise by KPMG in the "China Leading Fintech 50" list for its outstanding performance.

Our domestic InsurTech product lines mainly fall into three series, namely, the business growth series, the business production series, and the digital new infrastructure series, covering the entire business processes of the insurance industry. Our revenue comprises of project-based implementation fees, software licensing fees, professional service fees, subscription fees and etc.

1) Business Growth Series

Our business growth series products mainly include the intelligent marketing platform X-Man, the intelligent advertising and operation platform X-Magnet, and the new user relationship management platform X-Connect, providing end-to-end complete solutions covering customer acquisition from the public domain, traffic conversion and customer operation in the private domain, and are designed to help customers to build a sustainable marketing closed-loop to drive rapid user and revenue growth with one-stop services.

During the Reporting Period, our business growth series newly contracted with 14 customers and provided integrated "user management platform + operation services", to help Guomin Pension, Lian Life and other companies build a one-stop digital insurance marketing platform and realize a scenario-based intelligent marketing closed loop based on digital, online, and intelligent processes, helping clients build a user-centric digital platform. In particular, ZhongAn Technology not only provided three to five-year customer-end business and overall technical planning for Guomin Pension, but also helped it launch the Guomin Pension APP to realize the vision of "creating a positive future with pension for customers". Based on the launch of the APP, ZhongAn Technology has created an integrated operation system connecting the APP and X-Man for Guomin Pension, providing it with customer APP and related operation services in an all-round way, as well as an integrated platform for the inheritance of its comprehensive philosophy.

2) Business Production Series

Our business production series products mainly include cloud-native insurance core and peripheral systems with distributed architecture, and brokerage systems, which support the entire life cycle operation of insurance business, help insurance companies, insurance brokerage companies and other players in the industry value chain to successfully complete digital transformation and serve users more effectively. As the lifestyle of individual users is changing and the Internet platforms' online operation and monetization of online traffic has become increasingly mature, property and casualty insurers focus more on the market demand for online non-auto property and casualty insurance.

The insurance core system (Wujieshan) we developed based on the technologies and market experience accumulated in the four major ecosystems of the insurance segment of ZhongAn Online can help insurance companies quickly develop business for new insurance product, from rapid channel access, high-frequency and massive business requests to the construction of intelligent risk control systems, comprehensively improving customer management and service capabilities, and capture new business opportunities. Our cloud-based insurance core system "Wujieshan" was upgraded in April 2023, with the "Wujieshan Mate" version launched on the market. As a new-generation core system, "Wujieshan Mate" is a customer-empowered version launched by ZhongAn Technology based on "Wujieshan 2.0" according to the business scenarios of its customers, and is suitable for property and casualty insurers as it supports all non-auto property and casualty insurance products. With the "three main functions" of automated operations, productization for launch and intelligent operations, "Wujieshan Mate" helps insurance companies improve their overall operational efficiency and lower operating thresholds.

"Wujieshan Mate", Zhongan Technology's new generation of core system for P&C insurance, has been launched and adopted by many domestic P&C insurers during the year. With the continuous iteration and optimization of products, we will use "Wujieshan Mate" as the core to further improve and optimize the insurance product series, expand the scenario coverage of business, and provide customers with more efficient, secure and smart digital InsurTech products.

In the field of artificial intelligence, we further launched "Lingxi (靈犀)", an AIGC middle platform of ZhongAn, the pioneering insurance vertical scenario AIGC application - the EasyCreation (易創) intelligent content creation platform, and CWisdom (集智) operation analysis platform AI upgraded version which is empowered by "dialogue-generating AI".

"Lingxi (靈犀)", our self-developed AIGC middle platform which adapts to major big models at home and abroad, has realized the strategy of "1 MaaS (Model as a Service) platform, 2 application scenarios". In order to help insurance institutions better adapt to AIGC capabilities, "Lingxi (靈犀)" allows corporate users to embed a knowledge base for specialized fields of industry within the big model to achieve rapid adaptation of AIGC applications in the insurance vertical field. "Lingxi (靈犀)" also supports the conversion of enterprise internal application tools into big model plug-ins, so that big models would be more relevant to business application scenarios, thereby enhancing enterprise business capabilities through AIGC. Currently, "Lingxi (靈犀)" has been deeply applied in scenarios including product customization, dynamic pricing, scenario-based sales, automatic claims, and customer oriented services.

ZhongAn' s CWisdom (集智) operation analysis platform AI upgraded version can intelligently generate data statements for end users in a conversational manner, and support intelligent analysis of indicators in the statements to identify the core reasons for changes in indicators. At the same time, based on three major capabilities, including intelligent attribution, fluctuation warning and multi-dimensional drilldown, CWisdom (集智) meets the needs of different staff in the enterprise for business data exploration and in-depth analysis, provides data basis and decision support for enterprise management and business growth, and reduces the time required for attribution analysis after detecting a problem from 3-4 days to within 10 minutes to help positioning the business quickly and adjust operation strategies in a timely manner. The platform not only meets the requirements of digital and refined operation, but also improves the analysis efficiency of data analysts and their capabilities of independent business analysis, thereby reducing operating costs and driving the growth of operating results.

This year, in the date field, we have cooperated with certain life insurance companies in data middle platform and data intelligence to provide customers with services such as data planning, data governance and construction of data middle platform. At the same time, based on its extensive experience in big data, ZhongAn also provides AI services such as joint data modeling for the life insurance industry to empower the digital transformation of the life insurance industry.

In December 2021, ZhongAn Insurance officially launched the New Insurance Contract Standards Integrated Platform (IFRS 17), which has been successfully running for more than a year and a half. The New Insurance Contract Standards Integrated Platform has successfully completed the monthly massive data processing and computing, assisting ZhongAn Insurance in compliance with the requirements of the New Insurance Contract Standards in a fast, efficient and compliant manner. Currently, there are more than 30 standard output items, 50 custom configuration items, and 260 data verification rules covering the whole process, which can complete the measurement and calculation of tens of billions of insurance policies, as well as the generation of accounting documents and related statements in about three hours. This year, we have been actively negotiating with a number of insurance companies on the cooperation in the implementation of respective parts of the technology export business.

Management Discussion and Analysis

3) Digital New Infrastructure Series

Our digital new infrastructure series includes two modules, platform engineering and information security, which provide business systems with an elastic infrastructure platform for efficient R&D, efficient testing, secure and stable operation, and help customers cope with sensitive R&D and sudden traffic scenarios in Internet scenarios, so that customers are under stable and safe protection when conducting business at a fast pace. During the year, ZhongAn Technology's DevCube R&D, operation and maintenance integration platform was selected and included in the "Panorama of High-Quality Digital Transformation Products and Services (2023)" by the China Academy of Information and Communications Technology (CAICT).

ZhongAn Technology transformed its accumulated general experience into a technical driving force, and exported its technology strengths across industries. We have connected ZhongAn's insurance, health and wellness, supply chain finance, and other ecosystems, and exported technical capabilities in areas of marketing, risk control and cyber security, through modules such as ecosystem, scenario, digital thinking, digital infrastructure, RegTech, with a focus on the digitalization process of the pan-financial industries. In June 2023, ZhongAn Technology cooperated with Xiangcai Securities to empower the internal front-line marketing business team in terms of user insight, user access and risk management based on micro-scenarios within the organization by leveraging digital platforms and tools. With the support of ZhongAn Technology in accurately exploring user demands, controlling the compliance and quality of user services and achieving standardized marketing operations, Xiangcai Securities has realized mutual connection between marketing and services, and improved the value and effect of private domain traffic. In the first half of 2023, we entered into contracts with 8 new clients in banking and securities brokerage industry, such as Mintai Bank, Xiamen Bank, Huatai Securities and Xiangcai Securities, for our three major series of products. In the future, ZhongAn Technology will continue to facilitate the digital transformation of clients from financial industry in general, while accumulating extensive cross-vertical general experience to further grow our customer base.

ZATI

ZA Tech

ZA Tech, a technology subsidiary of ZATI founded in 2018 and headquartered in Singapore, focuses on exporting new insurance core systems and digital insurance technology experience to overseas insurance companies and insurance intermediary platforms, aiming to become a new standard for global InsurTech digitalization. As of now, ZA Tech's footprints have covered regional markets such as Japan, Hong Kong, Southeast Asia, and Europe.

ZA Tech has unique cloud-native, modular, no-code/low-code digital solutions, including insurance core system, distribution system, customer data platform (CDP) and AI solutions, which provide a digital infrastructure to support all kinds of insurance business models, all insurance product lines (life insurance, health insurance, property and casualty insurance, etc.) and every part of the end-to-end insurance business value chain. The clients served by ZA Tech can be divided into two categories: insurance companies and Internet platforms. For insurance companies, Graphene, the next-generation distributed insurance core system we built, can help customers connect with various ecosystem partners locally and launch fragmented and scenario-based insurance protection products that adapt to the local environment. This year, we have also updated our Graphene product baseline in all aspects. In the future, it can support the whole process of traditional insurance business from product configuration and launch, policy issuance and underwriting, to claim settlement, which is expected to reduce the IT expenses of the insurance core system by 30-50% for insurance companies, and open up the huge market opportunity arising from the replacement of traditional insurance core systems around the world. For insurance companies in the early stage of digital transformation, we provide lightweight SaaS insurance core system, Nano, which helps clients quickly build a core system for digital insurance products at a low cost, and help them achieve continuous improvement through trial-and-error in the process of digital transformation. For Internet platform clients, we provide a low-code insurance distribution solution, Fusion, which helps Internet platforms provide more value-added services for their C-end users and improve the efficiency of traffic monetization.

The out-of-the-box and continuously upgraded SaaS solutions offered by ZA Tech support digital transformation of insurance companies, which minimized tech debt and version sprawl compared with traditional custom development methods. On the other hand, we have achieved strong growth at the early stage of our operations by providing embedded InsurTech solutions and expertise in relevant fields for insurance companies and insurance intermediaries. On the other hand, we have built long-term strategic partnerships with leading Internet platforms, such as Grab, Carro, OVO and Klook, which accelerated the positive cycle of business development. By leveraging on the massive data and extensive customer network of the Internet platforms, we sell insurance core system products to more insurance companies that cooperate with such platforms to achieve the flywheel effect of business growth.

In March 2023, ZA Tech reached a regional partnership with Home Credit, the largest consumer finance platform in Southeast Asia, to provide an insurance distribution solution, Fusion, for embedded insurance products (such as extended warranty for mobile phones and screen cracking insurance) in two markets, namely Indonesia and Vietnam. At the same time, by leveraging years of industry experience accumulated in embedded insurance and leading technological strength, it has realized the cross-selling to cooperative insurance companies of Home Credit and provided lightweight SaaS insurance core system, Nano, for Income, a leading P&C insurer in Southeast Asia, further tapping the business potential in Southeast Asia.

In May 2023, ZA Tech completed the first replacement of claim module in Graphene, and officially launched small claim module for Prudential Thailand. The launch of this claim module in Graphene will enhance the service capabilities of Prudential for small claims, and improve its customer satisfaction of online small claims. At the same time, it also marked a staged success of the separate sale of functional modules, thus opening up greater room for ZA Tech's further repeat sales.

In July 2023, our core system product, Graphene, successfully entered the traditional core business system segment as it was exported to one of the leading insurance companies in Central and Eastern Europe, to assist the client in realizing the full coverage of traditional auto insurance end-to-end functions, which is available in five countries in the European market without limits and can be quickly replicated and launched. In the future, Graphene will support the whole-process functions (including policy issuance, check, claim settlement and finance) of the client's auto insurance in the five European countries, as well as the flexible policy issuance and renewal process for different scenarios of To C/To A business, and the claim settlement process for small and quick claims and standard loss assessment cases. In addition, it will support negotiation with group customers on a case-by-case basis and collect payments in batches. The traditional insurance core system replacement project is an important milestone in the development of ZA Tech. In the future, ZA Tech will continue to upgrade and evolve its cloud-based traditional insurance core baseline, and explore the huge market opportunity arising from the replacement of insurance core systems around the world.

ZA Tech continuously improved the operating capabilities of its traditional insurer customers through digital technology innovation. ZA Tech enhanced the operating efficiency of systems with its cloud-based core platform, reduced the error rate of manual operations through autonomous image recognition technology, improved the task processing efficiency through the intelligent task assignment engine, and realized intelligent claim settlement through the seamless decision-making and workflow engine.

ZA Tech recorded revenue of RMB118 million in the first half of 2023, and the management expects that project deliveries and revenue recognition will mostly be in the second half of the year.

Management Discussion and Analysis

Virtual Bank and Virtual Insurance in Hong Kong

ZA Bank became one of the first banks in Hong Kong to be granted a virtual banking license on March 27, 2019, and became the first virtual bank officially commencing operation in Hong Kong on March 24, 2020. It is committed to providing a convenient, inclusive and innovative one-stop financial service experience for retail customers and SMEs in the Hong Kong market. In January 2021, ZA Bank became the first virtual bank in Hong Kong to obtain an insurance agent license, and in January 2022, it 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.

On the retail banking side, in addition to traditional banking products and services, ZA Bank offers innovative gamification experiences through continuous development and iteration to improve users' activeness. As at June 30, 2023, ZA Bank had nearly 700,000 retail customers, representing a penetration rate of 10% of the overall population aged 18 or above in Hong Kong, and the average monthly card usage of customers was nearly 15 times, almost twice the average of VISA cards in Hong Kong. In addition, ZA Bank has actively developed its wealth management, insurance products and foreign exchange functions, and continuously improved its offerings. ZA Bank officially launched its investment fund business in August 2022, offering over 100 fund products to users. As at June 30, 2023, retail users' assets under management amounted to HKD537 million.

On the business banking side, in order to further promote the concept of financial inclusion in Hong Kong and facilitate the Fintech transformation in Hong Kong's banking industry, ZA Bank officially launched the express online corporate account opening (e-onboarding) service on April 1, 2023, which provides local SME customers with fast account opening experience and assists them in seizing market opportunities. ZA Bank's fast account opening enables customers to complete the application in as fast as 6 minutes and open an account in as fast as 2 hours.

At present, ZA Bank has become one of the virtual banks with the most comprehensive functions in the Hong Kong market, building a one-stop integrated financial service platform through its mobile APP, which operates in a fully digitalized mode, and providing users with 24/7 digital banking services such as deposits, loans, transfers, consumption, foreign exchange, insurance, investment and business banking.

In October 2022, the HKSAR government issued the Policy Statement on Development of Virtual Assets in Hong Kong, aiming to build Hong Kong into a global virtual asset management center and Web3 hub. ZA Bank capitalizes on opportunities emerging from the development of Web3 and actively plans related businesses in the field. In April, it unveiled its "Banking for Web3" vision, which sets out its commitment to leverage technology to promote the integration of traditional banking services and the Web3 world. The bank seeks to actively support the development plan of the HKSAR government, and participate in the creation of a vibrant virtual asset industry and ecosystem. ZA Bank is currently providing essential business banking services for Web3 enterprises, and serving as a settlement bank for Hong Kong licensed virtual asset exchanges such as HashKey Exchange, by providing convenient fiat currency deposit and withdrawal services. ZA Bank also plans to launch US stock trading services in due course to further address users' evolving needs for investment and wealth management.

As at June 30, 2023, ZA Bank had a deposit balance of approximately HKD10,712 million and gross loan balance of approximately HKD4,916 million, with a loan-to-deposit ratio of 45.9%. Meanwhile, benefiting from the interest rate hike cycle and the diversification of loan products, ZA Bank's net interest margin further improved to 1.87%. During the Reporting Period, with the launch of new products, ZA Bank has significantly improved its monetization, recording a net revenue of approximately HKD152 million, of which non-interest income accounted for approximately 25.8%. Meanwhile, ZA Bank focused on business quality and operating efficiency improvement, and the net loss margin[1] narrowed by approximately 60 percentage points to 131.8% from 191.6% in the corresponding period of 2022.

In terms of virtual insurance business, ZA Life is dedicated to offering affordable insurance services, and providing users with insurance products and services that "everyone can afford" through its 24/7 online platform, including life insurance, Voluntary Health Insurance Scheme (VHIS), cancer insurance, accident insurance and heart attack and stroke insurance. In 2022, ZA Life deepened the bancassurance partnership with ZA Bank and continued to launch "ZA Savings Insurance" series in the ZA Bank APP to provide fundamental protections for users' health and wealth. During the Reporting Period, ZA Life achieved GWP of HKD205 million.

Investment Business

Asset Management of Onshore Insurance Funds

As of June 30, 2023, the total investment assets of our domestic insurance funds amounted to approximately RMB36,231 million, among which cash, amounts due from banks and other financial institutions accounted for 2.3%, fixed income investments accounted for 73.3% (out of which bonds and bond funds represented 56.6%), stock and equity funds accounted for 8.4% and unlisted equities represented 16.1% (mainly include the equity interests in ZhongAn Technology and ZhongAn Insurance Broker, the wholly-owned subsidiaries of the Company).

In the first half of 2023, the domestic bond market experienced intensified volatility and delivered growth as the yield of ten-year treasury bond dropped by approximately 20 basis points as compared with the end of last year. The CSI 300 Index dropped by 0.72% and segment performance continued its diverging trend. The Company's asset management of insurance funds benefited from the recovery of the capital markets, and the total investment income increased from RMB110 million in the corresponding period of last year to RMB723 million, of which the net investment income was RMB146 million (for the first half of 2022: RMB274 million) and net gain on fair value changes was RMB573 million (for the first half of 2022: RMB-165 million). During the Reporting Period, the Company's total investment yield (annualized) and net investment yield (annualized) were approximately 4.0% (for the first half of 2022: 0.6%) and approximately 2.2% (for the first half of 2022: 2.2%), respectively.

The Company will continue to focus on macro strategies and fundamental research of underlying assets, optimize insurance fund asset allocation, balance the allocation of long-term assets with stable performance and short-term capital markets trading opportunities, and prioritize low-risk fixed income assets while moderately participating in risky asset investment opportunities. The Company will continue to explore excess return from asset allocation and security selection on top of matching asset and liability durations. Currently, the creditworthiness of the fixed income assets we invest in maintain at a sound level. As of June 30, 2023, among the domestic bonds we invested in, 99.4% received external credit ratings of AA (domestic) level or above and approximately 78.2% received external credit ratings of AAA (domestic) level.

We will continue to adhere to a sound and prudent investment philosophy and, based on our judgement on the macro economy and risk/return profile of various asset classes, strictly control the scale of equity investment by dynamically adjusting the proportion of equity investment in the secondary market, and will tilt towards high dividend stocks. At the same time, with an aim of securing stable investment yield, we will maintain a stable proportion of fixed-income assets and maintain credit risk appetite. We will also seize investment opportunities in capital markets and continue to serve the needs of insurance fund asset management.

Hong Kong Banking and Life Insurance Investment Asset Management

ZA Bank Investment Asset Management

ZA Bank combines its business development strategy with the macroeconomic environment to formulate its asset management policies while meeting regulatory requirements. ZA Bank consistently maintained sufficient capital and liquidity to address the risks inherent in banking business in a timely manner. As of June 30, 2023, ZA Bank had total investment assets of HKD6,612 million, all of which were invested in fixed income products, with government bonds, financial bonds and corporate bonds accounting for 1.6%, 64.3% and 34.1% of total investment assets, respectively.

ZA Life Investment Asset Management

As of June 30, 2023, ZA Life had total investment assets of HKD1,032 million and mainly invested in fixed income products which accounted for approximately 97.6%, and equity products (all being stocks in the secondary market), which accounted for approximately 2.4%.

Management Discussion and Analysis

FINANCIAL REVIEW

In the first half of 2023, we continued to seize the opportunities in the InsurTech industry, achiving steady growth and enhancing profitability. We placed greater emphasis on business quality and invested more in operational refinement and digitization. For the six months ended June 30, 2023, the Group's total income reached approximately RMB14,231 million, representing a year-on-year increase of 28.3%.

The following table sets forth key financial data for the six months ended June 30, 2023 and 2022, respectively:

	For the six months ended June 30	
	2023 RMB'000	**2022 RMB'000 (restated)**
Total income[1]	**14,231,090**	11,088,699
Net profit/(loss)	**26,031**	(685,354)
Total comprehensive income	**207,565**	(795,131)
Profit/(loss) per share		
– Basic (RMB yuan)	**0.15**	(0.43)
– Diluted (RMB yuan)	**0.15**	(0.43)

Note:

(1) Total income equals the sum of insurance revenue, net investment income, net fair value changes through profit or loss, share of net profit/(loss) of associates and joint ventures accounted for using the equity method and other income.

The following table sets forth our key financial ratios as of or for the six months ended June 30, 2023 and 2022, respectively:

	As of or for the six months ended June 30	
	2023	**2022 (restated)**
Group		
Return on equity[1]	**1.4%**	(3.8%)
Gearing ratio[2]	**63.8%**	63.0%
Net investment yield (annualized)[3]	**2.4%**	2.3%
Total investment yield (annualized)[4]	**4.4%**	1.8%
Insurance business segment		
Net investment yield (annualized)[3]	**2.2%**	2.2%
Total investment yield (annualized)[4]	**4.0%**	0.6%

Notes:

(1) Return on equity equals profit/(loss) attributable to owners of the parent divided by the average of the opening and closing balances of the equity attributable to owners of the parent of the period.

(2) Gearing ratio equals total liabilities (excluding capital supplementary bonds and subordinated term debts) divided by total assets, and the disclosed figure for 2022 is the restated gearing ratio as at December 31, 2022.

(3) Net investment yield equals the sum of net interest income, dividend income and share of net profit/(loss) of associates and joint ventures accounted for using the equity method for the period divided by the average of the opening and closing balances of total investment assets of the period. The net interest income and the opening and closing balances of total investment assets of the period exclude the impact of the unutilized funds raised from USD notes issuance. Net investment yield (annualized) is double the net investment yield.

(4) Total investment yield equals total investment income (defined as the sum of net investment income, net fair value changes through profit or loss and share of net profit/(loss) of associates and joint ventures accounted for using the equity method less impairment relating to investment assets) for the period divided by the average of the opening and closing balances of total investment assets of the period. The net interest income and the opening and closing balances of total investment assets of the period exclude the impact of the unutilized funds raised from USD notes issuance. Total investment yield (annualized) is double the total investment yield.

DOMESTIC P&C INSURANCE UNDERWRITING BUSINESS

The following table sets forth the selected financial data of the underwriting business of the Company (excluding Hong Kong life insurance) for the periods indicated:

	For the six months ended June 30	
	2023 RMB'000	2022 RMB'000 (restated)
Insurance revenue	12,682,063	10,238,937
Insurance service expenses	(12,095,438)	(9,815,610)
Net income/(expenses) from reinsurance contracts held	872	18,921
Finance expenses from insurance contracts issued	(45,644)	(75,278)
Finance expenses from reinsurance contracts held	(6,233)	(3,971)
Underwriting profit[1]	535,620	362,999
Underwriting combined ratio[2] (%)	95.8%	96.5%

Notes:

(1) Underwriting profit only takes into account the online P&C insurance business in the PRC, and is the result after inter-segment elimination.

(2) Underwriting combined ratio equals the sum of insurance service expenses, net income/(expenses) from reinsurance contracts held, finance expenses from insurance contracts issued and finance income/(expenses) from reinsurance contracts held divided by insurance revenue.

Management Discussion and Analysis

1. Insurance revenue

The Group recognized the amount of premiums received and expected to be received which are attributable to the current period as insurance revenue. Insurance revenue of the Company increased by approximately 23.9% from approximately RMB10,239 million for the six months ended June 30, 2022 to approximately RMB12,682 million for the six months ended June 30, 2023.

A breakdown of the insurance revenue by insurance product types for the periods indicated is shown below:

	For the six months ended June 30		
	2023 RMB'000	2022 RMB'000	% of change
Health insurance	4,218,250	3,779,017	11.6%
Bond insurance	2,114,889	1,862,771	13.5%
Accident insurance	1,138,841	948,185	20.1%
Credit insurance	324,302	224,332	44.6%
Motor insurance	665,109	510,223	30.4%
Household property insurance	234,351	240,751	(2.7%)
Liability insurance	137,081	115,233	19.0%
Cargo insurance	29,313	41,489	(29.3%)
Others [1]	3,819,927	2,516,936	51.8%
Of which:			
Shipping return insurance	3,091,703	2,044,111	51.2%
Total	12,682,063	10,238,937	23.9%

Note:

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

2. Insurance service expenses

Insurance service expenses primarily include incurred claims and other directly attributable expenses, insurance acquisition cash flows amortization, losses on onerous contracts and reversal of those losses, and changes in the fulfilment cash flows relating to the liability for incurred claims. Insurance service expenses of the Company increased by approximately 23.2% from approximately RMB9,816 million for the six months ended June 30, 2022 to approximately RMB12,095 million for the six months ended June 30, 2023.

3. Net income/(expenses) from reinsurance contracts held

Net income/(expenses) from reinsurance contracts held represents the allocation of reinsurance premiums paid less amounts recovered from reinsurance contracts. The allocation of reinsurance premiums paid represents the reduction in the carrying value of unearned premium asset recovered from reinsurance contracts as a result of receiving the insurance contract services provided by the reinsurer in the current period. Amounts recovered from reinsurance contracts refers to the increase in the carrying value of incurred claims asset recovered from reinsurance contracts as a result of the recovery of incurred claims and other related expenses in the current period, as well as subsequent changes in the fulfilment cash flows associated therewith. Net income/(expenses) from reinsurance contracts held of the Company decreased by approximately 95.4% from approximately RMB18.92 million for the six months ended June 30, 2022 to approximately RMB0.87 million for the six months ended June 30, 2023.

4. Finance income/(expenses) from insurance

Finance income/(expenses) from insurance represent the financial changes in insurance contracts recognized in profit or loss for the current and subsequent periods, being the changes in the carrying value of liability for unearned premium and liability for incurred claims as a result of the impacts of time value of money and financial risks. Finance income/(expenses) from insurance include finance income/(expenses) from insurance contracts issued and finance income/(expenses) from reinsurance contracts held. Finance income/(expenses) from insurance contracts issued and finance income/(expenses) from reinsurance contracts held reflect the finance income/(expenses) from insurance contracts issued and the reinsurance finance income/(expenses) from reinsurance contracts held, respectively. Finance expenses from insurance contracts issued decreased from approximately RMB75 million for the six months ended June 30, 2022 to approximately RMB46 million for the six months ended June 30, 2023. Finance expenses from reinsurance contracts held increased from approximately RMB4 million for the six months ended June 30, 2022 to approximately RMB6 million for the six months ended June 30, 2023.

Management Discussion and Analysis

INVESTMENT BUSINESS

For the six months ended June 30, 2023, the Group's investing activities consisted of (i) equity investment; (ii) proprietary trading of bonds, investment funds and other asset management products; and (iii) entrustment of third-party asset management companies for purchase of stocks, bonds and other asset management products.

1. 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 the Group's investment assets:

	As at June 30, 2023		As at December 31, 2022	
	Balance (RMB'000)	As percentage of the total investment assets (%)	Balance (RMB'000)	As percentage of the total investment assets (%)
By category:				
Cash and amounts due from banks and other financial institutions	**2,792,216**	**6.8**	**3,526,174**	**8.8**
Fixed income investments	**33,798,801**	**82.2**	**31,006,359**	**77.5**
Term deposits	146,656	0.4	340,699	0.9
Money market funds	198	0.0	207,838	0.5
Bonds	21,358,368	52.0	18,729,702	46.8
Bond funds	6,294,413	15.3	7,294,004	18.2
Others(1)	5,999,166	14.6	4,434,116	11.1
Equity and equity funds	**4,502,458**	**11.0**	**5,493,674**	**13.7**
Stocks	1,458,778	3.5	1,428,327	3.6
Equity funds	2,029,585	4.9	3,113,159	7.8
Unlisted equity	1,014,095	2.5	952,188	2.4
Total investment assets	**41,093,475**	**100.0**	**40,026,207**	**100.0**

Note:

(1) Other fixed income investments include: statutory capital reserves, securities purchased under agreements to resell, wealth management products and trust investment schemes.

As at December 31, 2022 and June 30, 2023, we had total investment assets of approximately RMB40,026 million and RMB41,093 million, respectively, and our total investment assets accounted for approximately 84.0% and 83.4% of our total assets, respectively. As at June 30, 2023, cash and amounts due from banks and other financial institutions and fixed income investments together represented approximately 89.0% of our total investment assets.

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

Cash and amounts due from banks and other financial institutions primarily include cash, deposits with original maturity of no more than three months and placements with banks. Cash and amounts due from banks and other financial institutions decreased from approximately RMB3,526 million as of December 31, 2022 to approximately RMB2,792 million as of June 30, 2023, primarily due to the net cash outflows used in financing activities, details of which are set out in the section headed "Cash Flow".

3. Bonds

Bonds include government bonds, financial bonds, corporate bonds and negotiable certificates of deposits. The Group's investment in bonds increased from approximately RMB18,730 million as at December 31, 2022 to approximately RMB21,358 million as at June 30, 2023. As of June 30, 2023, approximately 98.1% of the bonds the Group held received external ratings of AA (domestic) level or above, or BBB- (international) level or above.

4. Stocks and equity funds

The Group's investment in stocks increased from approximately RMB1,428 million as at December 31, 2022 to approximately RMB1,459 million as at June 30, 2023, and our investment in equity funds decreased from approximately RMB3,113 million as at December 31, 2022 to approximately RMB2,030 million as at June 30, 2023.

5. Net investment income

	For the six months ended June 30		
	2023 RMB'000	2022 RMB'000	% of change
Interest income			
Debt investments	333,467	289,308	15.3%
Bank deposits	22,109	20,118	9.9%
Trust investment scheme	18,446	24,282	(24.0%)
Securities purchased under agreements to resell	1,097	1,003	9.4%
Dividend income			
Fund investment	64,135	62,644	2.4%
Wealth management products	62,025	72,118	(14%)
Equity investment	9,062	6,454	40.4%
Realized (losses)/gains, net	(279,929)	256,062	(209.3%)
	230,412	731,989	(68.5%)

Net investment income is comprised of interest income from debt investments, trust investment schemes, bank deposits and securities purchased under agreements to resell, dividend income from fund investment, wealth management products and equity investment, and realized gains or losses on security transactions. The Group recorded net investment income of approximately RMB230 million and RMB732 million for the six months ended June 30, 2023 and 2022, respectively. We closely monitor the market and make diversified asset allocation based on our judgement.

Management Discussion and Analysis

6. **Net fair value changes through profit or loss**

   Net fair value changes through profit or loss represent net fair value changes on financial assets measured at fair value through profit or loss. We recorded net gain on fair value changes of approximately RMB682 million for the six months ended June 30, 2023, compared to net loss on fair value changes of approximately RMB354 million for the corresponding period of last year. The changes were primarily attributable to the recovery of the capital markets in the first half of 2023.

TECHNOLOGY EXPORT

Revenue generated from technology export business of ZhongAn Technology and ZA Tech increased from approximately RMB219 million for the six months ended June 30, 2022 to approximately RMB267 million for the six months ended June 30, 2023, representing a year-on-year increase of approximately 22.0%.

VIRTUAL BANK

ZA Bank, our virtual bank in Hong Kong, generated net revenue of approximately HKD152 million during the six months ended June 30, 2023, representing a year-on-year increase of 13.0%.

OVERALL RESULTS

7. **Total Income**

   Total income represents the sum of insurance revenue, net investment income, net fair value changes through profit or loss, share of net profit/(loss) of associates and joint ventures accounted for using the equity method and other income. Total income increased by approximately 28.3% from approximately RMB11,089 million for the six months ended June 30, 2022 to approximately RMB14,231 million for the six months ended June 30, 2023.

8. **Profit/(loss) before income tax**

   Total profit before income tax of the Group was approximately RMB105 million for the six months ended June 30, 2023 compared with loss before income tax of approximately RMB775 million for the six months ended June 30, 2022.

9. **Income tax**

   Under the Enterprise Income Tax Law of the People's Republic of China (中華人民共和國企業所得稅法), the Company and some of its subsidiaries are subject to the statutory rate of 25%. We recorded income tax expense of approximately RMB79 million and income tax credit of approximately RMB89 million for the six months ended June 30, 2023 and 2022, respectively, which were primarily generated from changes in deferred income tax.

10. **Net profit /(loss) for the period**

   The Group recorded a net profit of approximately RMB26 million for the six months ended June 30, 2023, compared to a net loss of approximately RMB685 million for the six months ended June 30, 2022. This was mainly driven by the improvement in investment income, and to a lesser extent, the increase in underwriting profit.

CASH FLOWS

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

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Net cash flows generated from/(used in) operating activities	1,376,256	(77,593)
Net cash flows used in investing activities	(618,746)	(1,189,308)
Net cash flows (used in)/generated from financing activities	(1,257,080)	1,054,539
Effect of exchange rate changes on cash and cash equivalents	81,334	95,678
Net decrease in cash and cash equivalents	(418,236)	(116,684)
Cash and cash equivalents at the beginning of the period	3,617,664	3,765,029
Cash and cash equivalents at the end of the period	3,199,428	3,648,345

We had net cash flows generated from operating activities of approximately RMB1,376 million for the six months ended June 30, 2023, which comprised of cash inflow from premiums received of approximately RMB13,553 million, offset by the cash outflow used in claims of approximately RMB6,745 million and the net cash outflow used in other operating activities of approximately RMB5,432 million.

We had net cash flows used in investing activities of approximately RMB619 million for the six months ended June 30, 2023, whereas our net cash flows used in investing activities for the six months ended June 30, 2022 were approximately RMB1,189 million. This was primarily due to the decrease in the purchase of investment assets.

We had net cash flows used in financing activities of approximately RMB1,257 million for the six months ended June 30, 2023, which consist of (i) the cash outflow of approximately RMB909 million due to the decrease in securities sold under agreements to repurchase; and (ii) the cash outflow of approximately RMB220 million used in interest payments.

INDEBTEDNESS

On July 16, 2020, September 8, 2020 and October 12, 2020, the Company issued the 2025 Notes, 2026 Notes and Additional Notes (each as defined in the section headed "Use of Proceeds"), with a total principal amount of USD1,000,000 thousand. As of June 30, 2023, the Company repurchased notes with a total principal amount of USD49,900 thousand on the Hong Kong Stock Exchange, and the balance of principal amount of bonds payable was USD950,100 thousand.

In 2021, ZhongAn Technology applied for a twelve-month working capital loan and domestic letter of credit from China Merchants Bank. As of June 30, 2023, the credit line was RMB100 million and the balance of principal amount of the borrowings of ZhongAn Technology was RMB100 million.

Save as disclosed above, as of June 30, 2023, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, or unguaranteed, secured or unsecured, nor had any guarantees or other contingent liabilities.

Management Discussion and Analysis

SOLVENCY

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

With its adequate solvency at present, the Company will continue to strengthen the monitoring and analysis of solvency ratios while proactively developing its insurance business and expanding the arrays of its investments in the future.

The table below sets forth the solvency indicators of the Company according to the Regulatory Rules on Solvency of Insurance Companies (II) (the "**C-ROSS Phase II Rules**").

	As of June 30, 2023 RMB'000	As of December 31, 2022 RMB'000
Actual capital	14,459,313	13,939,100
Core capital	13,926,744	14,618,197
Minimum required capital	5,494,597	4,886,926
Comprehensive solvency margin ratio[1] (%)	263%	299%
Core solvency margin ratio[2] (%)	253%	285%

Notes:

(1) Comprehensive solvency margin ratio equals actual capital divided by minimum required capital.

(2) Core solvency margin ratio equals core capital divided by minimum required capital.

11. Significant investments

We did not hold any material investments during the six months ended June 30, 2023 (including any investment in an investee company with a value of 5% or more of the Company's total assets as at 30 June, 2023).

12. Material acquisitions and disposals

Saved as disclosed in this interim report, we did not have any material acquisitions or disposals of subsidiaries, associates companies or joint ventures during the six months ended June 30, 2023.

13. Future plans for material investments and capital assets

As at June 30, 2023, we did not have other plans for material investments and capital assets.

14. Pledge of assets

Save as disclosed in this interim report, as at June 30, 2023, none of the Group's assets were pledged.

15. Gearing ratio

As at June 30, 2023, our gearing ratio, calculated as total liabilities (excluding capital supplementary bonds and subordinated term debts) divided by total assets, was approximately 63.8%, representing an increase of 0.8 percentage point as compared with approximately 63.0% as of December 31, 2022.

16. Foreign exchange risk

The Group operates principally in the PRC, and RMB is the Group's functional currency and financial reporting currency. Some of the Company's subsidiary businesses (including virtual banking business and virtual insurance business in Hong Kong and overseas technology export business) are denominated in foreign currencies (including Hong Kong dollars, United States dollars, Singapore dollars and Thai baht). Assets denominated in foreign currencies held by the Group are exposed to foreign exchange risks. Such assets include debt instruments at fair value through other comprehensive income, loans and advances to customers, cash and amounts due from banks and other financial institutions that are denominated in foreign currencies. The Group's liabilities denominated in foreign currencies, including customer deposits and bonds payable denominated in foreign currencies, are also exposed to foreign exchange risk.

17. Contingent liabilities

As of June 30, 2023, we did not have any material contingent liabilities.

18. Off-balance sheet commitments and arrangements

As of June 30, 2023, we had not entered into any off-balance sheet arrangements.

19. Events after the Reporting Period

On 31 May 2023, ZhongAn International entered into the Share Purchase Agreement with ZhongAn Technology, Sinolink, Warrior Treasure Limited ("**Warrior**") and AIA VCC for a/c of AIA Opportunities Fund Venture Capital 2021 ("**Opportunities Fund**"), pursuant to which Sinolink conditionally agreed to subscribe for, and ZhongAn International conditionally agreed to issue and allot, a maximum of 96,508,924 ZhongAn International ordinary shares at a purchase price of US$0.66 per share, which requires the approval by the shareholders of the Company and Sinolink. The Additional Sinolink Subscription will take place in two tranches.

On 14 July 2023 and 25 July 2023, the resolutions on the Additional Sinolink Subscription were passed by the shareholders of the Company and Sinolink, respectively.

On 14 August 2023, Sinolink injected USD44.6 million, equivalent to RMB319.6 million, into ZhongAn International for an aggregate of 67,556,247 new ZhongAn International ordinary shares at a subscription price of approximately USD44.6 million pursuant to the terms and conditions of the Share Purchase Agreement ("**Initial Closing**"). Upon the Initial Closing, the voting interest in ZhongAn International shall be held as to approximately 43.65% by ZhongAn Technology, approximately 46.04% by Sinolink, approximately 7.68% by Warrior, and approximately 2.63% by Opportunities Fund, respectively.

With effect immediately from the date of the Initial Closing, the board of directors of ZhongAn International shall consist of no more than five directors. ZhongAn Technology shall be entitled to nominate three directors, and Sinolink shall be entitled to nominate up to two directors.

As the Shareholders Agreement of ZhongAn International will be effective upon the Initial Closing and provides that resolutions of a meeting of the board of directors of ZhongAn International shall be adopted by the unanimous consent of those present and voting in such meeting, following the Initial Closing, ZhongAn International no longer remains as a subsidiary of the Company and shall be accounted for as a joint venture. Investment income of approximate RMB3.8 billion would be recognised due to this transaction.

Disclosure of Interest

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

As at June 30, 2023, the interests and short positions of the Directors, Supervisors and Chief Executives in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred therein, or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code are as follows:

Interest in the Company

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

Notes:

(1) The shareholding percentages are calculated on the basis of 50,000,000 Domestic Shares and 1,419,812,900 H Shares as at June 30, 2023.

(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, and his associate as to approximately 51.54%. As such, Timeway Holdings Limited (中宇集團有限公司), Sinolink Worldwide, Asia Pacific Promotion Limited and Mr. Yaping Ou are deemed to be interested in the Shares held by Cnhooray Internet Technology Co. Ltd. (深圳日訊網絡科技股份有限公司).

Save as disclosed above, as at June 30, 2023, so far as is known to any Director, Supervisor or the Chief Executive, none of the Directors, the Supervisors and the Chief Executive had any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Part XV of the SFO (including the interests and short positions which the Director is taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and the Hong Kong Stock Exchange.

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

As at June 30, 2023, within the knowledge of the Directors, the following persons (other than the Directors, the Supervisors and Chief Executive) 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	H Shares	Beneficial interest	152,462,937	10.74%	10.37%
Ping An Insurance[3]	H Shares	Beneficial interest	150,000,000	10.56%	10.21%
Shenzhen Jia De Xin Investment Limited[4]	H Shares	Beneficial interest	133,615,251	9.41%	9.09%
Shenzhen Huaxinlian Investment Limited[4]	H Shares	Interest of controlled corporation	133,615,251	9.41%	9.09%
Yafei Ou[4]	H Shares	Interest of controlled corporation	133,615,251	9.41%	9.09%
Tencent Computer System[5]	H Shares	Beneficial interest	114,921,812	8.09%	7.82%
Huateng Ma[5]	H Shares	Interest of controlled corporation	114,921,812	8.09%	7.82%
Tencent[5]	H Shares	Interest of controlled corporation	114,921,812	8.09%	7.82%
Unifront Holding Limited[6]	H Shares	Beneficial interest	90,000,000	6.33%	6.12%
Shanghai Songlu Investment Management Co., Ltd. [6]	H Shares	Interest of controlled corporation	90,000,000	6.33%	6.12%

Disclosure of Interest

Name of Shareholder	Class of Shares	Nature of interest	Number of Shares(1)	Approximate percentage in Shares of the same class(2)	Approximate percentage of the Company's total issued share capital(2)
Shanghai Jianglu Investment Management Co., Ltd. (6)	H Shares	Interest of controlled corporation	90,000,000	6.33%	6.12%
Shanghai Xinlu Investment Management Co., Ltd. (6)	H Shares	Interest of controlled corporation	90,000,000	6.33%	6.12%
Shanghai Youlu Investment Management Co., Ltd. (6)	H Shares	Interest of controlled corporation	90,000,000	6.33%	6.12%
Zhen Zhang(6)	H Shares	Interest of controlled corporation	90,000,000	6.33%	6.12%
Cnhooray Internet Technology Co. Ltd. (7)	H Shares	Beneficial interest	81,000,000	5.70%	5.51%
Timeway Holdings Limited(7)	H Shares	Interest of controlled corporation	81,000,000	5.70%	5.51%
Sinolink Worldwide(7)	H Shares	Interest of controlled corporation	81,000,000	5.70%	5.51%
Asia Pacific Promotion Limited(7)	H Shares	Interest of controlled corporation	81,000,000	5.70%	5.51%
Shanghai Yuanqiang Investment Company Limited(8)	Domestic Shares	Beneficial interest	50,000,000	100%	3.40%
Song Zou(8)	Domestic Shares	Interest of controlled corporation	50,000,000	100%	3.40%

Notes:

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

(2) The shareholding percentages are calculated on the basis of 50,000,000 Domestic Shares and 1,419,812,900 H Shares as at June 30, 2023.

(3) 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).

(4) 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.

(5) 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.

(6) 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.

(7) 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 51.34%. As such, Timeway Holdings Limited (中宇集團有限公司), Sinolink Worldwide, Asia Pacific Promotion Limited 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). The disclosure of interest of Mr. Yaping Ou are disclosed in the section of Director Interest above.

(8) 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, within the knowledge of the Directors, had a substantial interest or short positions in the Shares or underlying Shares as at June 30, 2023.

Other Information

EMPLOYEES AND REMUNERATION POLICIES

As at June 30, 2023, the Group had 3,778 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 nomination and remuneration management committee which reviews and determines executives' compensation based on the Group's performance and the executives' respective contributions to the Group.

The total remuneration cost incurred by the Group for the six months ended June 30, 2023 was approximately RMB1,237 million.

CORPORATE GOVERNANCE

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

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

REVIEW BY AUDIT AND CONSUMER RIGHTS PROTECTION COMMITTEE

The Company has established an audit and consumer rights protection committee in accordance with the Listing Rules. The primary duties of the audit and consumer rights protection committee are to supervise our internal control system, financial information disclosure, financial reporting and consumer rights protection matters. The audit and consumer rights protection committee comprises Ms. Gigi Wing Chee Chan, Mr. Gang Ji, Ms. Vena Wei Yan Cheng and Mr. Hai Yin. Mr. Gang Ji is a non-executive Director, and Ms. Gigi Wing Chee Chan, Ms. Vena Wei Yan Cheng and Mr. Hai Yin are independent non-executive Directors. Ms. Gigi Wing Chee Chan is the chairperson of the audit and consumer rights protection committee.

The audit and consumer rights protection committee has reviewed the unaudited interim results of the Group and the interim report for the six months ended June 30, 2023. The audit and consumer rights protection committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members and the external auditor of the Company, PricewaterhouseCoopers. The interim financial statements of the Company are unaudited.

OTHER BOARD COMMITTEES

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

CHANGES IN INFORMATION OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES DURING THE REPORTING PERIOD

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

(a) Mr. Hai Yin was appointed as the Chairman of the Company since July 24, 2023, and his qualification for the appointment is subject to the approval of the National Administration of Financial Regulation.

(b) Ms. Yao Wang was appointed as the employee representative supervisor of the Company since July 25, 2023, and her qualification for the appointment is subject to the approval of the National Administration of Financial Regulation.

(c) Mr. Yaping Ou resigned from the Chairman of the Company since July 24, 2023, and he will continue to perform his duties as Chairman until the qualification of Mr. Hai Yin for the appointment is approved.

(d) Ms. Haijiao Liu resigned from the employee representative supervisor of the Company since July 25, 2023, and she will continue to perform her duties as employee representative supervisor until the qualification of Ms. Yao Wang for the appointment is approved.

(e) Ms. Vena Wei Yan Cheng ceased to be a member of the Hong Kong Housing Authority, and a member of the Hong Kong Innovation and Technology Fund Advisory Committee, and was appointed as a member of the Lump Sum Grant Steering Committee, a member of the Standing Commission on Civil Service Salaries and Conditions of Service, a member of the Quality Education Fund Assessment and Monitoring Sub-committee and a member of the Audit Sub-Committee of the Hong Kong Housing Authority.

Save as mentioned above, there is no other change in the information of Directors, Supervisors and Chief Executive required to be disclosed under Rule 13.51B(1) of the Listing Rules as at the Latest Practicable Date.

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 Scheme(s)**") on December 29, 2020. Each of the Subsidiary Share Option Scheme is valid and effective for a period of ten (10) years commencing from the respective adoption date and will expire on December 28, 2030. A summary of the principal terms of the Subsidiary Share Option Schemes is set out below. None of ZATI, ZA Life or ZA Tech is a principal subsidiary (as defined in Rule 17.14 of the Listing Rules) of the Company. Accordingly, the Subsidiary Share Option Schemes are not subject to Chapter 17 of the Listing Rules (effective from January 1, 2023).

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 include 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 of the ZA Life Share Option Scheme include 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 include 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.

The maximum aggregate number of shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under a Subsidiary Share Option Scheme must not exceed ten (10) 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 upon 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 7 years and 4 months.

Details of the movements of the options granted under the Subsidiary Share Options Schemes during the Reporting Period are as follows:

(i) ZATI Share Option Scheme

Grantee	Date of grant	Exercise period	Exercise price	Number of ZATI shares comprised in options: Outstanding as at January 1, 2023	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled/ Lapsed during the Reporting Period	Outstanding as at June 30, 2023	Closing price per share before the date of grant	
Employees	December 31, 2020	December 31, 2020 to December 30, 2030	HK$1.3418	95,905,500	–	–	6,482,000	89,423,500	N/A	Note
Employees	June 25, 2021	June 25, 2021 to June 24, 2031	HK$1.3418	34,267,770	–	142,350	969,050	33,156,370	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	1,500,000	–	21,608	1,478,392	–	N/A	Note
Employees	January 20, 2022	January 20, 2022 to January 19, 2032	HK$1.50	11,800,000	–	–	500,000	11,300,000	N/A	Note
Employees	June 1, 2023	June 1, 2023 to May 31, 2033	HK$1.50	–	15,398,500	–	–	15,398,500	N/A	Note
Total				143,473,270	15,398,500	163,958	9,429,442	149,278,370		

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.

None of the consultants who provided services to the ZATI group were granted options to subscribe for shares in excess of 0.1% of the total issued shares of ZATI.

Other Information

(ii) ZA Life Share Option Scheme

				Number of ZA Life shares comprised in options						
Grantee	Date of grant	Exercise period	Exercise price	Outstanding as at January 1, 2023	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled/ Lapsed during the Reporting Period	Outstanding as at June 30, 2023	Closing price per share before the date of grant	
Employees	December 31, 2020	December 31, 2020 to December 30, 2030	HK$1.171	22,659,000	–	–	1,000,000	21,659,000	N/A	Note
Employees	June 25, 2021	June 25, 2021 to June 24, 2031	HK$1.171	440,000	–	–	–	440,000	N/A	Note
Employees	April 8, 2022	April 8, 2022 to April 7, 2032	HK$1.3091	12,062,900	–	–	715,500	11,347,400	N/A	Note
Total				35,161,900	–	–	1,715,500	33,446,400		

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

				Number of ZA Tech shares comprised in options						
Grantee	Date of grant	Exercise period	Exercise price	Outstanding as at January 1, 2023	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled/ Lapsed during the Reporting Period	Outstanding as at June 30, 2023	Closing price per share before the date of grant	
Employees	December 31, 2020	December 31, 2020 to December 30, 2030	HK$9.3989	1,959,000	–	–	–	1,959,000	N/A	Note
Employees	June 25, 2021	June 25, 2021 to June 24, 2031	HK$9.3989	557,000	–	5,000	35,000	517,000	N/A	Note
Total				2,516,000	–	5,000	35,000	2,476,000		

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 during the six months ended June 30, 2023 is a Director, chief executive or substantial shareholder of the Company, nor an associate (as defined under the Listing Rules) of any of them.

SUBSIDIARY RESTRICTED SHARE UNIT SCHEMES

The subsidiaries of the Company, being ZATI and ZA Tech, each adopted a subsidiary restricted share unit scheme (each and collectively, the "**Subsidiary RSU Scheme(s)**") on September 15, 2020 and June 24, 2021, respectively. Each of the Subsidiary RSU Schemes is valid and effective for a period of ten (10) years commencing from their respective adoption date and will expire on September 14, 2030 and June 23, 2031, respectively. A summary of the principal terms of the Subsidiary RSU Schemes is set out below. None of ZATI or ZA Tech is a principal subsidiary (as defined in Rule 17.14 of the Listing Rules) of the Company. Accordingly, the Subsidiary RSU Schemes are not subject to Chapter 17 of the Listing Rules (effective as of January 1, 2023).

The purpose for each of the ZATI RSU Scheme and ZA Tech RSU Scheme is to enable ZATI and ZA Tech to grant restricted share units ("**RSU(s)**") of ZATI 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 RSU Schemes.

Eligible participants of the ZATI RSU Scheme include classes of persons, at the sole determination of the board of directors of ZATI, who have contributed or will contribute to the ZATI group or invested entity, such eligible participants being (a) any full-time or part-time key employees of ZATI; (b) any full-time or part-time employees of the holding companies of ZATI and/or its subsidiaries; (c) any consultants or service providers (whether professional or otherwise and whether on an employment or contractual or honorary basis or otherwise and whether paid or unpaid) who provides support to ZATI; and (d) any full-time or part-time employees that are on transfer or secondment between ZATI, its holding company, any of its subsidiaries or joint venture entities.

Eligible participants of the ZA Tech RSU Scheme include classes of persons, at the sole determination of the board of directors of ZA Tech, who have contributed or will contribute to the ZA Tech group or invested entity, such eligible participants being (a) any full-time key employees of ZA Tech; (b) any full-time employees of the holding companies of ZA Tech and/or its subsidiaries; and (c) any full-time employees that are on transfer or secondment between ZA Tech, its holding company, any of its subsidiaries or joint venture entities, or otherwise determined by the board of directors of ZA Tech.

The board of directors of each of ZATI and ZA Tech may, respectively at its discretion, select any person who has attained the requisite criteria to be an eligible participant as the board of directors of each of ZATI and ZA Tech may, respectively in its absolute discretion, determine from time to time, to participate in each Subsidiary RSU Scheme.

The maximum aggregate number of shares which may be allotted and issued under a Subsidiary RSU Scheme must not in aggregate exceed ten (10) percent of the issued share capital of ZATI and ZA Tech, respectively, as at the adoption date of the respective Subsidiary RSU Scheme, subject to adjustment in the event of specified capitalisation events from time to time as described in the Subsidiary RSU Schemes.

As at the Latest Practicable Date, the total number of shares available for issue under each of the ZATI RSU Scheme and ZA Tech RSU Scheme was 210,000,000 shares and 3,000,000 shares, respectively.

The board of directors of ZATI and ZA Tech (or through its administration committee) shall respectively determine the consideration of the RSUs (the "**Grant Price**") at the time of grant. Full payment of the Grant Price can be deferred up to the earliest of (i) the date of termination of the grantee's relationship with the ZATI group or ZA Tech group or their joint venture entities; (ii) the end of the tenth year from the grant date; and (iii) the date of completion of a merger, acquisition of 50% or more of the voting shares of ZATI or ZA Tech, sale of all assets of ZATI or ZA Tech, or a qualified initial public offering of the shares of ZATI or ZA Tech on a reputable public stock exchange in any jurisdiction as approved by the board of directors of ZATI or ZA Tech and the shareholders of ZATI or ZA Tech at general meeting. In the event that the grantee fails to make full payment of the Grant Price for any of his/her RSUs, the unvested or vested RSUs shall immediately lapse or be forfeited (as the case may be).

The grant of RSUs of each of ZATI and ZA Tech to a grantee shall be accepted within the time period and in a manner prescribed in the relevant offer letter.

The ZATI RSU Scheme and ZA Tech RSU Scheme will continue be in force until September 14, 2030 and June 23, 2031 pursuant to the respective provisions therein.

Details of the movements of the RSUs granted under the Subsidiary RSU Schemes during the Reporting Period are as follows:

(i) ZATI RSU Scheme

		Number of ZATI shares comprised in RSUs							
Grantee	Date of grant	Outstanding as at January 1, 2023	Granted during the Reporting Period	Vested during the Reporting Period	Cancelled/ Lapsed during the Reporting Period	Outstanding as at June 30, 2023	Vesting Period	Closing price per share before the date of grant	
Employees	April 8, 2022	68,355,000	–	162,500	990,000	67,202,500	25% to vest in each year commencing from April 8, 2022 to April 7, 2026	N/A	Note
Other consultants who provided services to the ZATI group	April 8, 2022	650,000	–	–	–	650,000		N/A	Note
Employees	October 1, 2022	18,400,000	–	–	–	18,400,000	25% to vest in each year commencing from October 1, 2022 to September 30, 2026	N/A	Note
Other consultants who provided services to the ZATI group	October 1, 2022	2,000,000	–	–	–	2,000,000		N/A	Note
Employees	December 1, 2022	8,230,000	–	–	200,000	8,030,000	25% to vest in each year commencing from December 1, 2022 to November 30, 2026	N/A	Note
Total		97,635,000	–	162,500	1,190,000	96,282,500			

Note:

The vesting of the RSUs shall be subject to the fulfillment of all terms and conditions for the grant of such RSUs 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 RSUs 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.

None of the consultants who provided services to the ZATI group were granted RSUs representing shares in excess of 0.1% of the total issued shares of ZATI.

(ii) ZA Tech RSU Scheme

		Number of ZA Tech shares comprised in RSUs							
Grantee	Date of grant	Outstanding as at January 1, 2023	Granted during the Reporting Period	Vested during the Reporting Period	Cancelled/ Lapsed during the Reporting Period	Outstanding as at June 30, 2023	Vesting Period	Closing price per share before the date of grant	
Employees	June 25, 2021	538,000	–	–	30,000	508,000	25% to vest in each year commencing from June 25, 2021 to June 24, 2025	N/A	Note
Total		538,000	–	–	30,000	508,000			

Note:

The vesting of the RSUs shall be subject to the fulfillment of all terms and conditions for the grant of such RSUs 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 RSUs 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 RSU Schemes is a Director, chief executive or substantial shareholder of the Company, nor an associate (as defined under the Listing Rules) of any of them.

Other Information

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

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

USE OF PROCEEDS

1. Use of proceeds from the Listing

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

2. Use of proceeds from the 2025 Notes, 2026 Notes and the Additional Notes

On July 9, 2020, the Company entered into a subscription agreement with various financial institutions in connection with the issue of the USD600,000,000 3.125% Notes due 2025 (the "**2025 Notes**"). On August 31, 2020, the Company entered into a subscription agreement with various financial institutions in connection with the issue of the USD300,000,000 3.50% Notes due 2026 (the "**2026 Notes**"). On October 12, 2020, the Company issued USD100,000,000 3.50% Notes due 2026 (the "**Additional Notes**"), consolidated and forming a single series with the 2026 Notes.

As at June 30, 2023, the Group had used approximately RMB6,706.46 million (equivalent to approximately USD978 million) of the proceeds from the 2025 Notes, the 2026 Notes and the Additional Notes for working capital and general corporate purposes. There was no change in the intended use of net proceeds as previously disclosed in the announcements of the Company dated July 10, 2020, July 16, 2020, September 1, 2020, September 8, 2020 and October 9, 2020 (the "**Notes Announcements**"). The Company will gradually apply the remaining net proceeds in the manner set out in the 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, the 2026 Notes and the Additional Notes, please refer to the Notes Announcements.

LITIGATION

As of June 30, 2023, the Company was not involved in any material litigation or arbitration and the Directors were not aware of any material litigation or claims that were pending or threatened against the Company.

INTERIM DIVIDEND

In order to retain resources for the Group's business development, the Board has resolved not to declare an interim dividend for the six months ended June 30, 2023 (for the six months ended June 30, 2022: Nil).

For and on behalf of the Board
Yaping Ou
Chairman

August 28, 2023

Report on Review of Interim Financial Information

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

Introduction

We have reviewed the interim financial information set out on pages 42 to 105, which comprises the interim condensed consolidated balance sheet of ZhongAn Online P & C Insurance Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2023 and the interim condensed consolidated statement of profit or loss, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and selected explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 August 2023

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2023
(All amounts expressed in RMB'000 unless otherwise stated)

	Notes	Six months ended 30 June 2023 (unaudited)	2022 (restated, unaudited)
Insurance revenue	6	12,692,292	10,249,331
Insurance service expenses	6	(12,107,637)	(9,834,795)
Net (expenses)/income from reinsurance contracts held	6	(3,414)	15,670
Insurance service result		581,241	430,206
Net investment income	7	230,412	731,989
Net fair value changes through profit or loss	8	681,519	(353,639)
Net impairment losses on financial assets		(24,043)	(32,547)
Finance expenses from insurance contracts issued		(52,714)	(76,603)
Finance expenses from reinsurance contracts held		(5,905)	(6,378)
Other income	9	643,247	465,596
Foreign exchange losses		(194,974)	(312,764)
Other finance costs		(223,735)	(210,680)
Other operating expenses	10	(822,811)	(890,032)
Other expenses	11	(691,145)	(515,421)
Share of net loss of associates and joint ventures accounted for using the equity method		(16,380)	(4,578)
Profit/(Loss) before income tax		104,712	(774,851)
Income tax	12	(78,681)	89,497
Net profit/(loss) for the period		26,031	(685,354)
Attributable to:			
– Owners of the parent		221,471	(636,044)
– Non-controlling interests		(195,440)	(49,310)
Profit/(Loss) per share			
– Basic profit/(loss) per share (RMB yuan)	13	0.15	(0.43)
– Diluted profit/(loss) per share (RMB yuan)	13	0.15	(0.43)

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2023

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

	Notes	Six months ended 30 June 2023 (unaudited)	Six months ended 30 June 2022 (restated, unaudited)
Net profit/(loss) for the period		26,031	(685,354)
Other comprehensive income			
Items that may be reclassified to profit or loss			
– Changes in the fair value of debt instruments at fair value through other comprehensive income		131,784	(213,505)
– Credit risks provision of debt instruments at fair value through other comprehensive income		(4,565)	9,861
– Exchange differences on translation of foreign operations		69,815	157,060
Items that will not be reclassified to profit or loss			
– Changes in the fair value of equity instruments at fair value through other comprehensive income		(15,500)	(63,193)
Other comprehensive income for the period, net of tax	14	181,534	(109,777)
Total comprehensive income for the period		207,565	(795,131)
Attributable to:			
– Owners of the parent		322,114	(697,975)
– Non-controlling interests		(114,549)	(97,156)

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

The interim condensed consolidated financial information and the accompanying notes starting from page 42 to page 105 are signed by:

Xing Jiang	**Gaofeng Li**
(On behalf of Board of Directors)	(On behalf of Board of Directors)

Interim Condensed Consolidated Balance Sheet

As at 30 June 2023

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

	Notes	30 June 2023 (unaudited)	31 December 2022 (restated, unaudited)
ASSETS			
Cash and amounts due from banks and other financial institutions	15	**2,792,216**	3,526,174
Securities purchased under agreements to resell	16	**407,270**	137,487
Loans and advances to customers	17	**4,486,236**	4,367,262
Financial assets at fair value through profit or loss	18	**22,483,439**	21,862,817
Financial assets at amortized cost	19	**1,401,103**	1,431,403
Debt financial assets at fair value through other comprehensive income	20	**12,839,368**	11,606,900
Equity financial assets at fair value through other comprehensive income	21	**143,235**	259,018
Insurance contract assets	34	**651,472**	345,155
Reinsurance contract assets	34	**283,038**	250,167
Investments in associates and joint ventures	22	**567,650**	554,367
Term deposits	23	**146,656**	340,699
Restricted statutory deposits	24	**312,540**	307,344
Property and equipment	25	**72,472**	59,625
Right-of-use assets	26	**348,382**	374,656
Intangible assets	27	**711,095**	661,788
Deferred income tax assets	28	**96,544**	182,163
Other assets	29	**1,518,060**	1,381,853
Total assets		**49,260,776**	47,648,878

	Notes	30 June 2023 (unaudited)	31 December 2022 (restated, unaudited)
EQUITY AND LIABILITIES			
Equity			
Share capital	30	1,469,813	1,469,813
Reserves	31	16,616,387	16,472,539
Accumulated losses		(1,989,732)	(2,176,262)
Equity attributable to owners of the parent		16,096,468	15,766,090
Non-controlling interests		1,753,968	1,849,030
Total equity		17,850,436	17,615,120
Liabilities			
Borrowings		99,997	147,657
Derivative financial liabilities		38,414	64,398
Securities sold under agreements to repurchase	32	6,083,076	6,992,368
Customer deposits	33	9,862,201	8,184,017
Income tax payable		4,772	311
Contract liabilities		81,812	69,410
Insurance contract liabilities	34	4,107,581	4,028,689
Reinsurance contract liabilities	34	2,303	14,520
Bonds payable	35	6,912,052	6,657,793
Lease liabilities	26	348,126	373,809
Deferred income tax liabilities	28	—	—
Other liabilities	36	3,870,006	3,500,786
Total liabilities		31,410,340	30,033,758
Total equity and liabilities		49,260,776	47,648,878

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023
(All amounts expressed in RMB'000 unless otherwise stated)

	For the six months ended 30 June 2023 (unaudited)								
	Attributable to owners of the parent								
		Reserves							
	Share capital	Capital reserves	Other reserves due to share-based payments	Financial assets at fair value through other comprehensive income revaluation reserves	Foreign currency translation reserves	Accumulated losses	Sub-total	Non-controlling interests	Total equity
31 December 2022 (as previously reported)	1,469,813	16,607,618	74,123	(196,581)	(13,332)	(2,727,821)	15,213,820	1,812,860	17,026,680
Impact of initial application of HKFRS 17	–	–	–	–	711	551,559	552,270	36,170	588,440
1 January 2023 (unaudited)	1,469,813	16,607,618	74,123	(196,581)	(12,621)	(2,176,262)	15,766,090	1,849,030	17,615,120
Total comprehensive income	–	–	–	69,610	31,033	221,471	322,114	(114,549)	207,565
Share-based payments	–	–	22,349	–	–	–	22,349	36,913	59,262
Transfer of loss on disposal of equity investments at fair value through other comprehensive income to accumulated losses (Note 21)	–	–	–	34,941	–	(34,941)	–	–	–
Others	–	(14,085)	–	–	–	–	(14,085)	(17,426)	(31,511)
30 June 2023 (unaudited)	1,469,813	16,593,533	96,472	(92,030)	18,412	(1,989,732)	16,096,468	1,753,968	17,850,436

	For the six months ended 30 June 2022 (restated, unaudited)									
	Attributable to owners of the parent									
		Reserves								
	Share capital	Capital reserves	Surplus reserves	Other reserves due to share-based payments	Financial assets at fair value through other comprehensive income revaluation reserves	Foreign currency translation reserves	Accumulated losses	Sub-total	Non-controlling interests	Total equity
1 January 2022 (as previously reported)	1,469,813	16,607,830	876	46,614	38,376	(152,791)	(1,272,318)	16,738,400	2,381,795	19,120,195
Impact of initial application of HKFRS 17	–	–	–	–	–	(272)	307,878	307,606	30,037	337,643
1 January 2022 (restated, unaudited)	1,469,813	16,607,830	876	46,614	38,376	(153,063)	(964,440)	17,046,006	2,411,832	19,457,838
Total comprehensive income	–	–	–	–	(159,200)	97,269	(636,044)	(697,975)	(97,156)	(795,131)
Reversal from surplus reserves	–	–	(876)	–	–	–	876	–	–	–
Considerations paid to non-controlling interests	–	–	–	–	–	–	(34,461)	(34,461)	(692,500)	(726,961)
Share-based payments	–	–	–	13,557	–	–	–	13,557	15,169	28,726
Transfer of loss on disposal of equity investments at fair value through other comprehensive income to accumulated losses (Note 21)	–	–	–	–	43,509	–	(43,509)	–	–	–
30 June 2022 (restated, unaudited)	1,469,813	16,607,830	–	60,171	(77,315)	(55,794)	(1,677,578)	16,327,127	1,637,345	17,964,472

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023
(All amounts expressed in RMB'000 unless otherwise stated)

	Notes	Six months ended 30 June 2023 (unaudited)	2022 (unaudited)
NET CASH FLOWS GENERATED FROM/(USED IN) OPERATING ACTIVITIES	37(a)	1,376,256	(77,593)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment, intangible assets and other assets		(239,754)	(200,713)
Proceeds from sale of property and equipment, intangible assets and other assets		310	—
Purchases of investments, net		(713,267)	(1,897,926)
Acquisition of subsidiaries and other business entities, net		(28,848)	(2,917)
Disposal of subsidiaries and other business entities, net		—	99,882
Dividends and others received from investments		362,813	812,366
Net cash flows used in investing activities		(618,746)	(1,189,308)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		—	46,000
Repayment of borrowings		(47,660)	(60,000)
Considerations paid for redemption of preference shares		—	(726,961)
(Decrease)/Increase in securities sold under agreements to repurchase, net		(909,292)	2,003,944
Interest paid		(220,239)	(137,879)
Principal elements of lease payments		(80,359)	(70,815)
Other cash received relating to financing activities		470	250
Net cash flows (used in)/generated from financing activities		(1,257,080)	1,054,539
Effects of exchange rate changes on cash and cash equivalents		81,334	95,678
Net decrease in cash and cash equivalents		(418,236)	(116,684)
Cash and cash equivalents at the beginning of period	37(b)	3,617,664	3,765,029
Cash and cash equivalents at the end of period	37(b)	3,199,428	3,648,345

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023
(All amounts expressed in RMB'000 unless otherwise stated)

1. GENERAL INFORMATION

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

The Company and its subsidiaries (collectively, the "Group") are principally engaged in 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. BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), as part of the Hong Kong Financial Reporting Standards ("HKFRSs"), and applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Other than the changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the interim condensed consolidated financial information for the six months ended 30 June 2023 are the same as those presented in the Group's annual consolidated financial statements for the year ended 31 December 2022.

This interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and therefore should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022.

3. MATERIAL ACCOUNTING POLICIES

3.1 Changes in accounting policies

In the current interim period, the Group has applied, for the first time, the following new standards and amendments which are mandatory effective for the annual period beginning on or after 1 January 2023 for the preparation of the Group's interim condensed consolidated financial information:

Insurance Contracts – HKFRS 17
Disclosure of Accounting Policies – Amendments to HKAS 1 and HKFRS Practice Statement 2
Definition of Accounting Estimates – Amendments to HKAS 8
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to HKAS 12

Except for the initial application of HKFRS 17 Insurance Contracts, the application of the other revised HKFRSs have no material impact on the interim condensed consolidated financial information.

HKFRS 17 Insurance Contracts

The Group applies HKFRS 17 to the same scope of contracts previously reported under HKFRS 4.

HKFRS 17 introduces the general measurement model ("GMM") for the recognition and measurement of insurance contracts, which requires measuring insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and any uncertainty relating to insurance contracts. Entities also have the option to use the simplified measurement model ("PAA"), for short-duration contracts. The Group chose to apply the PAA model for most of its insurance and reinsurance contracts except in limited circumstances where the GMM is required.

3. MATERIAL ACCOUNTING POLICIES (continued)

3.1 Changes in accounting policies (continued)

HKFRS 17 Insurance Contracts (continued)

The Group adopted HKFRS 17 on 1 January 2023 and the transition date is 1 January 2022, hence the comparative figures have been restated. The adoption of HKFRS 17 results in changes in the accounting policies related to recognition, measurement, presentation, and disclosure of insurance contracts. The detailed accounting policies adopted in this period are as follow:

(a) Definition and classification

Insurance contracts are contracts under which the Group accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. In making this assessment, all substantive rights and obligations, including those arising from law or regulation, are considered on a contract-by-contract basis. The Group uses judgement to assess whether a contract transfers insurance risk (that is, if there is a scenario with commercial substance in which the Group has the possibility of a loss on a present value basis) and whether the accepted insurance risk is significant.

In the normal course of business, the Group uses reinsurance to mitigate its risk exposures. A reinsurance contract transfers significant risk if it transfers substantially all of the insurance risk resulting from the insured portion of the underlying insurance contracts, even if it does not expose the reinsurer to the possibility of a significant loss.

All references to insurance contracts in these consolidated financial statements apply to insurance contracts issued and reinsurance contracts held, unless specifically stated otherwise.

(b) Unit of account

All insurance contracts subject to similar risks are managed together and represent a portfolio of contracts. Each portfolio is further disaggregated into groups of contracts that are issued within a calendar year (annual cohorts) and are: (i) contracts that are onerous at initial recognition; (ii) contracts that at initial recognition have no significant possibility of becoming onerous subsequently; or (iii) a group of remaining contracts. These groups represent the level of aggregation at which insurance contracts are initially recognised and measured. Such groups are generally not subsequently reconsidered.

For each portfolio of contracts, the Group determines the appropriate level at which reasonable and supportable information is available, to assess whether these contracts are onerous at initial recognition and whether non-onerous contracts have a significant possibility of becoming onerous. This level of granularity determines sets of contracts. The Group uses significant judgement to determine at what level of granularity the Group has reasonable and supportable information that is sufficient to conclude that all contracts within a set are sufficiently homogeneous and will be allocated to the same group without performing an individual contract assessment.

For property and casualty insurance contracts measured using the PAA, the Group assumes that no such contracts are onerous at initial recognition, unless facts and circumstances indicate otherwise. If facts and circumstances indicate that some contracts are onerous, an additional assessment is performed to distinguish onerous contracts from non-onerous ones. For non-onerous contracts, the Group assesses the likelihood of changes in the applicable facts and circumstances in the subsequent periods in determining whether contracts have a significant possibility of becoming onerous.

For life insurance contracts measured using the GMM, sets of contracts usually correspond to policyholder pricing groups that the Group determined to have similar insurance risk and that are priced within the same insurance rate ranges. The Group monitors the profitability of contracts within portfolios and the likelihood of changes in insurance, financial and other exposures resulting in these contracts becoming onerous at the level of these pricing groups.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023
(All amounts expressed in RMB'000 unless otherwise stated)

3. MATERIAL ACCOUNTING POLICIES (continued)

3.1 Changes in accounting policies (continued)

HKFRS 17 Insurance Contracts (continued)

(b) Unit of account (continued)

Portfolios of reinsurance contracts held are assessed for aggregation separately from portfolios of insurance contracts issued. Applying the grouping requirements to reinsurance contracts held, the Group aggregates reinsurance contracts held concluded within a calendar year (annual cohorts) into groups of: (i) contracts for which there is a net gain at initial recognition, if any; (ii) contracts for which, at initial recognition, there is no significant possibility of a net gain arising subsequently; and (iii) remaining contracts in the portfolio, if any.

Transition approaches that were applied by the Group on adoption of HKFRS 17 with respect to contracts aggregation requirements are included in note 3.1(g).

Before the Group accounts for an insurance contract based on the guidance in HKFRS 17, it analyzes whether the contract contains components that should be separated. HKFRS 17 distinguishes three categories of components that have to be accounted for separately:

- cash flows relating to embedded derivatives that are required to be separated;
- cash flows relating to distinct investment components; and
- promises to transfer distinct goods or distinct services other than insurance contract services.

The Group applies HKFRS 17 to all remaining components of the contract. The Group does not have any contracts that require further separation or combination of insurance contracts.

(c) Recognition

Groups of insurance contracts issued are initially recognised from the earliest of the following:

- the beginning of the coverage period;
- the date when the first payment from the policyholder is due or actually received, if there is no due date; and
- when the Group determines that a group of contracts becomes onerous.

Groups of reinsurance contracts held are recognised as follows:

- a group of reinsurance contracts held that provide proportionate coverage (quota share reinsurance) is recognised at the later of:
  - i. the beginning of the coverage period of the group; and
  - ii. the initial recognition of any underlying insurance contract;
- all other groups of reinsurance contracts held are recognised from the beginning of the coverage period of the group of reinsurance contracts held;

Unless the Group entered into the reinsurance contract held at or before the date when an onerous group of underlying contracts is recognised prior to the beginning of the coverage period of the group of reinsurance contracts held, in which case the group of reinsurance contract held is recognised at the same time as the group of underlying insurance contracts is recognised.

Only contracts that individually meet the recognition criteria by the end of the reporting period are included in the groups. When contracts meet the recognition criteria in the groups after the reporting date, they are added to the groups in the reporting period in which they meet the recognition criteria, subject to the annual cohorts restriction. Composition of the groups is not reassessed in subsequent periods.

3. MATERIAL ACCOUNTING POLICIES (continued)

3.1 Changes in accounting policies (continued)

HKFRS 17 Insurance Contracts (continued)

(d) Measurement

Fulfilment cash flows

Fulfilment cash flows ("FCF") within contract boundary

The FCF are the current estimates of the future cash flows within the contract boundary of a group of contracts that the Group expects to collect from premiums and pay out for claims, benefits and expenses, adjusted to reflect the timing and the uncertainty of those amounts.

The estimates of future cash flows:

- are based on a probability-weighted mean of the full range of possible outcomes;
- are determined from the perspective of the Group, provided that the estimates are consistent with observable market prices for market variables; and
- reflect conditions existing at the measurement date.

An explicit risk adjustment for non-financial risk is estimated separately from the other estimates. For contracts measured under the PAA, unless the contracts are onerous, the explicit risk adjustment for non-financial risk is only estimated for the measurement of the liability for incurred claims("LIC").

The estimates of future cash flows are adjusted using the current discount rates to reflect the time value of money and the financial risks related to those cash flows, to the extent not included in the estimates of cash flows. The discount rates reflect the characteristics of the cash flows arising from the groups of insurance contracts, including timing, currency and liquidity of cash flows. The determination of the discount rate that reflects the characteristics of the cash flows and liquidity characteristics of the insurance contracts requires significant judgement and estimation. Refer to note 34.

Risk of the Group's non-performance is not included in the measurement of groups of insurance contracts issued. In the measurement of reinsurance contracts held, the probability-weighted estimates of the present value of future cash flows include the potential credit losses and other disputes of the reinsurer to reflect the non-performance risk of the reinsurer.

The Group estimates certain FCF at the group level of contracts.

The Group uses consistent assumptions to measure the estimates of the present value of future cash flows for the group of reinsurance contracts held and such estimates for the groups of underlying insurance contracts.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023
(All amounts expressed in RMB'000 unless otherwise stated)

3. MATERIAL ACCOUNTING POLICIES (continued)

3.1 Changes in accounting policies (continued)

HKFRS 17 Insurance Contracts (continued)

(d) Measurement (continued)

Fulfilment cash flows (continued)

Contract boundary

The Group uses the concept of contract boundary to determine what cash flows should be considered in the measurement of groups of insurance contracts.

Cash flows are within the boundary of an insurance contract if they arise from the rights and obligations that exist during the period in which the policyholder is obligated to pay premiums or the Group has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation ends when:

- the Group has the practical ability to reprice the risks of the particular policyholder or change the level of benefits so that the price fully reflects those risks; or
- both of the following criteria are satisfied:
  - i. the Group has the practical ability to reprice the portfolio of contracts that contains the contract so that the price fully reflects the reassessed risk of that portfolio; and
  - ii. the pricing of premiums up to the date when risks are reassessed does not reflect the risks related to periods beyond the reassessment date.

In assessing the practical ability to reprice, risks transferred from the policyholder to the Group, such as insurance risk and financial risk, are considered; other risks, such as lapse or surrender and expense risk, are not included.

Cash flows outside the insurance contracts boundary relate to future insurance contracts and are recognised when those contracts meet the recognition criteria.

For groups of reinsurance contracts held, cash flows are within the contract boundary if they arise from substantive rights and obligations of the Group that exist during the reporting period in which the Group is compelled to pay amounts to the reinsurer or in which the Group has a substantive right to receive insurance contract services from the reinsurer.

The excess of loss reinsurance contracts held mainly provides coverage for claims incurred during an accident year. Thus, all cash flows arising from claims incurred and expected to be incurred in the accident year are included in the measurement of the reinsurance contracts held. Some of these contracts might include mandatory or voluntary reinstatement reinsurance premiums, which are guaranteed per the contractual arrangements and are thus within the respective reinsurance contracts' boundaries.

Cash flows that are not directly attributable to a portfolio of insurance contracts, such as some product development and training costs, are recognised in other operating expenses as incurred.

3. MATERIAL ACCOUNTING POLICIES (continued)

3.1 Changes in accounting policies (continued)

HKFRS 17 Insurance Contracts (continued)

(d) Measurement (continued)

Fulfilment cash flows (continued)

Insurance acquisition costs

The Group defines acquisition cash flows as cash flows that arise from costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) and that are directly attributable to the portfolio of insurance contracts to which the group belongs.

Insurance acquisition cash flows are allocated to groups of insurance contracts on a systematic and rational basis. Insurance acquisition cash flows that are directly attributable to a group of insurance contracts are allocated:

- to that group; and
- to groups that will include insurance contracts that are expected to arise from renewals of the insurance contracts in that group.

Insurance acquisition cash flows not directly attributable to a group of contracts but directly attributable to a portfolio of contracts are allocated to groups of contracts in the portfolio or expected to be in the portfolio.

Before a group of insurance contracts is recognised, the Group could pay (or recognise a liability, applying a standard other than HKFRS 17) for directly attributable acquisition costs to originate them. Such balances, are recognised as insurance acquisition cash flows assets within the carrying amount of insurance contracts issued and are subsequently derecognised (in full or to the extent that insurance contracts expected to be in the group have been recognised at that date) when respective groups of insurance contracts are recognised and the insurance acquisition cash flows are included in the group's measurement. The amounts allocated to groups of insurance contracts yet to be recognised are revised at each reporting date, to reflect any changes in assumptions that determine the inputs to the method of allocation used.

Insurance acquisition cash flows assets not yet allocated to a group are assessed for recoverability if facts and circumstances indicate that the assets might be impaired. Impairment losses reduce the carrying amount of these assets and are recognised in insurance service expenses. Previously recognised impairment losses are reversed to the extent that the impairment conditions no longer exist or have improved.

The recoverability assessment is performed in two steps, as follows:

- an impairment loss is recognised to the extent that the carrying amount of each asset for insurance acquisition cash flows exceeds the expected net cash inflow as determined by the FCF as at initial recognition for the related group of insurance contracts;
- in addition, when insurance acquisition cash flows directly attributable to a group of contracts are allocated to groups that include expected contract renewals, such insurance acquisition cash flows should not exceed the expected net cash inflow from the expected renewals as determined by the FCF as at initial recognition for the expected renewals; an impairment loss is recognised for the excess to the extent not recognised above.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023
(All amounts expressed in RMB'000 unless otherwise stated)

3. MATERIAL ACCOUNTING POLICIES (continued)

3.1 Changes in accounting policies (continued)

HKFRS 17 Insurance Contracts (continued)

(d) Measurement (continued)

Fulfilment cash flows (continued)

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows, and it reflects the compensation that the Group requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Group fulfils insurance contracts.

For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by the Group to the reinsurer.

Initial measurement – Groups of contracts measured under the GMM

Contractual service margin

The contractual service margin("CSM") is a component of the carrying amount of the asset or liability for a group of insurance contracts issued representing the unearned profit that the Group will recognise as it provides insurance contract services in the future.

At initial recognition, the CSM is an amount that results in no income or expenses (unless a group of contracts is onerous or insurance revenue and insurance service expenses are recognised as below) arising from:

- the initial recognition of the FCF;
- cash flows arising from the contracts in the group at that date;
- the derecognition of any insurance acquisition cash flows asset; and
- the derecognition of any other pre-recognition cash flows. Insurance revenue and insurance service expenses are recognised immediately for any such assets derecognised.

When the above calculation results in a net outflow, the group of insurance contracts issued is onerous. A loss from onerous insurance contracts is recognised in profit or loss immediately, with no CSM recognised on the balance sheet on initial recognition, and a loss component is established in the amount of loss recognised.

For groups of reinsurance contracts held, any net gain or loss at initial recognition is recognised as the CSM unless the net cost of purchasing reinsurance relates to past events, in which case the Group recognises the net cost immediately in profit or loss. For reinsurance contracts held, the CSM represents a deferred gain or loss that the Group will recognise as a reinsurance expense as it receives insurance contract services from the reinsurer in the future and is calculated as the sum of:

- the initial recognition of the FCF;
- cash flows arising from the contracts in the group at that date;
- the amount derecognised at the date of initial recognition of any asset or liability previously recognised for cash flows related to the group of reinsurance contracts held (other pre-recognition cash flows); and
- any income recognised in profit or loss when the entity recognises a loss on initial recognition of an onerous group of underlying insurance contracts.

3. MATERIAL ACCOUNTING POLICIES (continued)

3.1 Changes in accounting policies (continued)

HKFRS 17 Insurance Contracts (continued)

(d) Measurement (continued)

Initial measurement – Groups of contracts measured under the GMM (continued)

Contractual service margin (continued)

A loss-recovery component is established or adjusted within the remaining coverage for reinsurance contracts held for the amount of income recognised. This amount is calculated by multiplying the loss recognised on underlying insurance contracts by the percentage of claims on underlying insurance contracts that the Group expects to recover from the reinsurance contracts held that are entered into before or at the same time as the loss is recognised on the underlying insurance contracts.

When underlying insurance contracts are included in the same group with insurance contracts issued that are not reinsured, the Group applies a systematic and rational method of allocation to determine the portion of losses that relates to underlying insurance contracts.

Subsequent measurement – Groups of contracts measured under the GMM

The carrying amount at the end of each reporting period of a group of insurance contracts issued is the sum of:

- the liability for remaining coverage ("LRC"), comprising:
  i. the FCF related to future service allocated to the group at that date; and
  ii. the CSM of the group at that date; and
- the LIC, comprising the FCF related to past service allocated to the group at the reporting date.

The carrying amount at the end of each reporting period of a group of reinsurance contracts held is the sum of:

- the remaining coverage, comprising:
  i. the FCF related to future service allocated to the group at that date; and
  ii. the CSM of the group at that date; and
- the incurred claims, comprising the FCF related to past service allocated to the group at the reporting date.

Changes in fulfilment cash flows

The FCF are updated by the Group for current assumptions at the end of every reporting period, using the current estimates of the amount, timing and uncertainty of future cash flows and of discount rates.

The way in which the changes in estimates of the FCF are treated depends on which estimate is being updated:

- changes that relate to current or past service are recognised in profit or loss; and
- changes that relate to future service are recognised by adjusting the CSM or the loss component within the LRC.

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3. MATERIAL ACCOUNTING POLICIES (continued)

3.1 Changes in accounting policies (continued)

HKFRS 17 Insurance Contracts (continued)

(d) Measurement (continued)

Subsequent measurement – Groups of contracts measured under the GMM (continued)

Changes in fulfilment cash flows (continued)

For insurance contracts under the GMM, the following adjustments relate to future service and thus adjust the CSM:

- experience adjustments – arising from premiums received in the period that relate to future service and related cash flows such as insurance acquisition cash flows and premium-based taxes;
- changes in estimates of the present value of future cash flows in the LRC, except those described in the following paragraph;
- differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period, determined by comparing (i) the actual investment component that becomes payable in a period with (ii) the payment in the period that was expected at the start of the period plus any insurance finance income or expenses related to that expected payment before it becomes payable; and
- changes in the risk adjustment for non-financial risk that relate to future service.

For insurance contracts under the GMM, the following adjustments do not adjust the CSM:

- changes in the FCF for the effect of the time value of money and the effect of financial risk and changes thereof;
- changes in the FCF relating to the LIC;
- experience adjustments – arising from premiums received in the period that do not relate to future service and related cash flows, such as insurance acquisition cash flows and premium-based taxes; and
- experience adjustments relating to insurance service expenses (excluding insurance acquisition cash flows).

Changes to the contractual service margin

For insurance contracts issued, at the end of each reporting period the carrying amount of the CSM is adjusted by the Group to reflect the effect of the following changes:

- The effect of any new contracts added to the group.
- For contracts measured under the GMM, interest accreted on the carrying amount of the CSM.
- Changes in the FCF relating to future service are recognised by adjusting the CSM. Changes in the FCF are recognised in the CSM to the extent that the CSM is available. When an increase in the FCF exceeds the carrying amount of the CSM, the CSM is reduced to zero, the excess is recognised in insurance service expenses and a loss component is recognised within the LRC. When the CSM is zero, changes in the FCF adjust the loss component within the LRC with correspondence to insurance service expenses. The excess of any decrease in the FCF over the loss component reduces the loss component to zero and reinstates the CSM.
- The effect of any currency exchange differences.
- The amount recognised as insurance revenue for insurance contract services provided during the period, determined after all other adjustments above.

3. MATERIAL ACCOUNTING POLICIES (continued)

3.1 Changes in accounting policies (continued)

HKFRS 17 Insurance Contracts (continued)

(d) Measurement (continued)

Subsequent measurement – Groups of contracts measured under the GMM (continued)

Changes to the contractual service margin (continued)

The Group prepares consolidated financial statements on a half year basis. The Group adopts the cumulative catch up (year-to-date) method to update estimates from previous interim periods.

For reinsurance contracts held, at the end of each reporting period, the carrying amount of the CSM is adjusted by the Group to reflect the effect of the following changes:

- The effect of any new contracts added to the group.
- Interest accreted on the carrying amount of the CSM.
- Income recognised in profit or loss when the entity recognises a loss on addition of onerous underlying insurance contracts to that group. A loss recovery component is established or adjusted within the remaining coverage for reinsurance contracts held for the amount of income recognised.
- Reversals of a loss-recovery component other than changes in the FCF of reinsurance contracts held.
- Changes in the FCF, to the extent that the change relates to future service, unless the change results from a change in FCF allocated to a group of underlying insurance contracts that does not adjust the CSM for the group of underlying insurance contracts.
- The effect of any currency exchange differences.
- The amount recognised in profit or loss for insurance contract services received during the period, determined after all other adjustments above.

Interest accretion on the CSM

Under the GMM, interest is accreted on the CSM using discount rates determined at initial recognition that are applied to nominal cash flows that do not vary based on the returns of underlying items. If more contracts are added to the existing groups in the subsequent reporting periods, the Group revises these discount curves by calculating weighted-average discount curves over the period during which the contracts in the group are recognised. The weighted-average discount curves are determined by multiplying the new CSM added to the group and their corresponding discount curves over the total CSM.

Adjusting the CSM for changes in the FCF relating to future service

The CSM is adjusted for changes in the FCF, measured applying the discount rates as specified in the Changes in fulfilment cash flows section above.

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For the six months ended 30 June 2023
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3. MATERIAL ACCOUNTING POLICIES (continued)

3.1 Changes in accounting policies (continued)

HKFRS 17 Insurance Contracts (continued)

(d) Measurement (continued)

Subsequent measurement – Groups of contracts measured under the GMM (continued)

Changes to the contractual service margin (continued)

Release of the CSM to profit or loss

The amount of the CSM recognised in profit or loss for insurance contract services in the period is determined by the allocation of the CSM remaining at the end of the reporting period over the current and remaining expected coverage period of the group of insurance contracts based on coverage units.

The total number of coverage units in a group is the quantity of service provided by the contracts in the group over the expected coverage period. The coverage units are determined at each reporting period-end prospectively by considering:

- the quantity of benefits provided by contracts in the group;
- the expected coverage period of contracts in the group; and
- the likelihood of insured events occurring, only to the extent that they affect the expected coverage period of contracts in the group.

The Group determines coverage units as follows:

- for products with a nominal face value or sum assured, take sum assured as the coverage unit.

For life insurance contracts, the Group reflects the time value of money in the allocation of the CSM to coverage units, using discount rates determined at initial recognition that are applied to nominal cash flows that do not vary based on the returns of underlying items.

For reinsurance contracts held, the CSM is released to profit or loss as insurance contract services are received from the reinsurer in the period.

The coverage period for these contracts is determined based on the coverage period of all underlying contracts whose cash flows are included in the reinsurance contract boundary.

3. MATERIAL ACCOUNTING POLICIES (continued)

3.1 Changes in accounting policies (continued)

HKFRS 17 Insurance Contracts (continued)

(d) Measurement (continued)

Subsequent measurement – Groups of contracts measured under the GMM (continued)

Changes to the contractual service margin (continued)

Onerous contracts – Loss component

When adjustments to the CSM exceed the amount of the CSM, the group of contracts becomes onerous and the Group recognises the excess in insurance service expenses, and it records the excess as a loss component of the LRC.

When a loss component exists, the Group allocates the following between the loss component and the remaining component of the LRC for the respective group of contracts, based on the ratio of the loss component to the FCF relating to the expected future cash outflows:

- expected incurred claims and other directly attributable expenses for the period;
- changes in the risk adjustment for non-financial risk for the risk expired; and
- finance income (expenses) from insurance contracts issued.

Decreases in the FCF relating to future service in subsequent periods reduce the remaining loss component and reinstate the CSM after the loss component is reduced to zero. Increases in the FCF relating to future service in subsequent periods increase the loss component.

Reinsurance contracts held – Loss-recovery component

A loss-recovery component is established or adjusted within the asset for remaining coverage for reinsurance contracts held for the amount of income recognised in profit or loss when the Group recognises a loss on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to that group.

Subsequently, the loss-recovery component is adjusted to reflect changes in the loss component of an onerous group of underlying insurance contracts discussed in the Onerous contracts – Loss component section above. The loss recovery component is further adjusted, if required, to ensure that it does not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the Group expects to recover from the group of reinsurance contracts held.

The loss-recovery component determines the amounts that are presented as a reduction of incurred claims recovery from reinsurance contracts held and are consequently excluded from the reinsurance expenses determination.

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For the six months ended 30 June 2023
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3. MATERIAL ACCOUNTING POLICIES (continued)

3.1 Changes in accounting policies (continued)

HKFRS 17 Insurance Contracts (continued)

(d) Measurement (continued)

Initial and subsequent measurement – Groups of contracts measured under the PAA

The Group uses the PAA to simplify the measurement of groups of contracts when the following criteria are met at inception:

- Insurance contracts: The coverage period of each contract in the group is one year or less; or the Group reasonably expects that the resulting measurement of the liability for remaining coverage would not differ materially from the result of applying the accounting policies measured under the GMM.
- Loss-occurring reinsurance contracts: The coverage period of each contract in the group is one year or less.
- Risk-attaching reinsurance contracts: The Group reasonably expects that the resulting measurement of the asset for remaining coverage would not differ materially from the result of applying the accounting policies in measured under the GMM. When comparing the different possible measurements, the Group considers the impact of the different release patterns of the asset for remaining coverage to profit or loss and the impact of the time value of money. If significant variability is expected in the fulfilment cash flows during the period before a claim is incurred, then this criterion is not met.

For insurance contracts issued, insurance acquisition cash flows allocated to a group are deferred and recognised over the coverage period of contracts in a group. For reinsurance contracts held, broker fees are recognised over the coverage period of contracts in a group.

For insurance contracts issued, on initial recognition, the Group measures the LRC at the amount of premiums received, less any acquisition cash flows paid and any amounts arising from the derecognition of the insurance acquisition cash flows asset.

For reinsurance contracts held, on initial recognition, the Group measures the remaining coverage at the amount of ceding premiums paid, plus broker fees paid to a party other than the reinsurer.

The carrying amount of a group of insurance contracts issued at the end of each reporting period is the sum of:

- the LRC; and
- the LIC, comprising the FCF related to past service allocated to the group at the reporting date.

The carrying amount of a group of reinsurance contracts held at the end of each reporting period is the sum of:

- the remaining coverage; and
- the incurred claims, comprising the FCF related to past service allocated to the group at the reporting date.

For insurance contracts issued, at each of the subsequent reporting dates, the LRC is:

- increased for premiums received in the period, excluding amounts that relate to premium receivables included in the LIC;
- decreased for insurance acquisition cash flows paid in the period;
- decreased for the amounts of expected premium receipts recognised as insurance revenue for the services provided in the period; and
- increased for the amortization of insurance acquisition cash flows in the period recognised as insurance service expenses.

3. MATERIAL ACCOUNTING POLICIES (continued)

3.1 Changes in accounting policies (continued)

HKFRS 17 Insurance Contracts (continued)

(d) Measurement (continued)

Initial and subsequent measurement – Groups of contracts measured under the PAA (continued)

For reinsurance contracts held, at each of the subsequent reporting dates, the remaining coverage is:

- increased for ceding premiums paid in the period;
- increased for broker fees paid in the period; and
- decreased for the expected amounts of ceding premiums and broker fees recognised as reinsurance expenses for the services received in the period.

There are no investment components within insurance contracts issued that are measured under the PAA.

For contracts measured under the PAA, the LIC is measured similarly to the LIC's measurement under the GMM. Future cash flows are adjusted for the time value of money.

If facts and circumstances indicate that a group of insurance contracts measured under the PAA is onerous on initial recognition or becomes onerous subsequently, the Group increases the carrying amount of the LRC to the amounts of the FCF determined under the GMM with the amount of such an increase recognised in insurance service expenses, and a loss component is established for the amount of the loss recognised. Subsequently, the loss component is remeasured at each reporting date as the difference between the amounts of the FCF determined under the GMM relating to the future service and the carrying amount of the LRC without the loss component. Where applicable, resulting changes in the loss component are disaggregated between insurance service expenses and insurance finance income or expenses for the effect of the time value of money, financial risk and effect of changes therein.

When a loss is recognised on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to that group, the carrying amount of the asset for remaining coverage for reinsurance contracts held measured under the PAA is increased by the amount of income recognised in profit or loss and a loss-recovery component is established or adjusted for the amount of income recognised. The referred income is calculated by multiplying the loss recognised on underlying insurance contracts by the percentage of claims on underlying insurance contracts that the Group expects to recover from the reinsurance contract held that are entered into before or at the same time as the loss is recognised on the underlying insurance contracts.

When underlying insurance contracts are included in the same group with insurance contracts issued that are not reinsured, the Group applies a systematic and rational method of allocation to determine the portion of losses that relates to underlying insurance contracts.

Where applicable, changes in the loss-recovery component are disaggregated between net income from reinsurance contracts held and insurance finance income or expenses for the effect of the time value of money, financial risk and effect of changes therein in proportion to the disaggregation applied to the changes in the underlying loss component.

The Group does not have any reinsurance contracts held measured under the PAA with underlying contracts measured under the GMM.

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3. MATERIAL ACCOUNTING POLICIES (continued)

3.1 Changes in accounting policies (continued)

HKFRS 17 Insurance Contracts (continued)

(e) Derecognition and contract modification

An insurance contract is derecognised when it is:

- extinguished (that is, when the obligation specified in the insurance contract expires or is discharged or cancelled); or
- the contract is modified and additional criteria discussed below are met.

When an insurance contract is modified by the Group as a result of an agreement with the counterparties or due to a change in regulations, the Group treats changes in cash flows caused by the modification as changes in estimates of the fulfilment cash flow (note 34(c)), unless the conditions for the derecognition of the original contract are met. The Group derecognises the original contract and recognises the modified contract as a new contract if any of the following conditions are present:

- if the modified terms had been included at contract inception and the Group would have concluded that the modified contract:
  - i. is not within the scope of HKFRS 17;
  - ii. results in different separable components;
  - iii. results in a different contract boundary; or
  - iv. belongs to a different group of contracts;
- the original contract was accounted for under the PAA, but the modification means that the contract no longer meets the eligibility criteria for that approach.

(f) Presentation

Portfolios of insurance contracts and reinsurance contracts held in an asset position are presented separately from those in a liability position. Portfolios of insurance contracts issued are presented separately from portfolios of reinsurance contracts held. Any assets recognised for insurance acquisition cash flows arising before the recognition of the related group of insurance contracts are included in the carrying amount of the related portfolios of insurance contracts. Any assets or liabilities for cash flows arising before the recognition of the related group of reinsurance contracts held are included in the carrying amount of the related portfolios of reinsurance contracts held.

The Group disaggregates amounts recognised in the statement of profit or loss and the statement of comprehensive income into (a) an insurance service result, comprising insurance revenue and insurance service expenses, and (b) insurance finance income or expenses.

Income and expenses from reinsurance contracts held are presented separately from income and expenses from insurance contracts. Income and expenses from reinsurance contracts held, other than insurance finance income or expenses, are presented on a net basis as "net expenses from reinsurance contracts held" in the insurance service result.

Changes in the risk adjustment for non-financial risk is disaggregated and presented as insurance service result and insurance finance income or expenses.

Insurance service result and insurance finance income or expenses are recognised as follows.

3. MATERIAL ACCOUNTING POLICIES (continued)

3.1 Changes in accounting policies (continued)

HKFRS 17 Insurance Contracts (continued)

(f) Presentation (continued)

Insurance service result from insurance contracts issued

Insurance revenue

As the Group provides insurance contract services under the group of insurance contracts, it reduces the LRC and recognises insurance revenue. The amount of insurance revenue recognised in the reporting period depicts the transfer of promised services at an amount that reflects the portion of consideration that the Group expects to be entitled to in exchange for those services.

For contracts not measured under the PAA, insurance revenue mainly comprises the following:

- Amounts relating to the changes in the LRC:

  i. claims and other directly attributable expenses incurred in the period measured at the amounts expected at the beginning of the period, excluding:

  – amounts allocated to the loss component;

  – repayments of investment components and policyholder rights to withdraw an amount;

  – amounts of transaction-based taxes collected in a fiduciary capacity;

  – insurance acquisition expenses; and

  – amounts related to the risk adjustment for non-financial risk (see (ii));

  ii. changes in the risk adjustment for non-financial risk, excluding:

  – changes included in insurance finance income or expenses;

  – changes that relate to future coverage (which adjust the CSM); and

  – amounts allocated to the loss component;

  iii. amounts of the CSM recognised for the services provided in the period;

  iv. experience adjustments – arising from premiums received in the period other than those that relate to future service; and

  v. other amounts, including any other pre-recognition cash flows assets derecognised at the date of initial recognition.

- Insurance acquisition cash flows recovery is determined by allocating the portion of premiums related to the recovery of those cash flows on the basis of the passage of time over the expected coverage of a group of contracts.

For groups of insurance contracts measured under the PAA, the Group recognises insurance revenue based on the passage of time over the coverage period of a group of contracts, but if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, the Group recognises insurance revenue based on the expected timing of incurred insurance service expenses.

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For the six months ended 30 June 2023
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3. MATERIAL ACCOUNTING POLICIES (continued)

3.1 Changes in accounting policies (continued)

HKFRS 17 Insurance Contracts (continued)

(f) Presentation (continued)

Insurance service result from insurance contracts issued (continued)

Insurance service expenses

Insurance service expenses mainly include the following:

- incurred claims and benefits, excluding investment components;
- other incurred directly attributable expenses;
- insurance acquisition cash flows amortization;
- changes that relate to past service – changes in the FCF relating to the LIC;
- changes that relate to future service – changes in the FCF that result in onerous contract losses or reversals of those losses; and
- insurance acquisition cash flows assets impairment, net of reversals

For contracts measured under the GMM, amortization of insurance acquisition cash flows is reflected in insurance service expenses in the same amount as insurance acquisition cash flows recovery reflected within insurance revenue, as described above.

For contracts measured under the PAA, the Group recognises the amortization of insurance acquisition cash flows in a systematic way similarly to insurance revenue.

Other expenses not meeting the above categories are included in other operating expenses in the consolidated statement of profit or loss.

Insurance service result from reinsurance contracts held

Net income/(expenses) from reinsurance contracts held

The Group presents financial performance of groups of reinsurance contracts held on a net basis in net income/(expenses) from reinsurance contracts held, comprising the following amounts:

- reinsurance expenses;
- for groups of reinsurance contracts measured under the PAA, broker fees are included within reinsurance expenses;
- incurred claims recovery, excluding investment components;
- other incurred directly attributable expenses;
- changes that relate to past service – changes in the FCF relating to incurred claims recovery;
- effect of changes in the risk of reinsurers' non-performance; and
- amounts relating to accounting for onerous groups of underlying insurance contracts issued:
  - i. income on initial recognition of onerous underlying contracts;
  - ii. reinsurance contracts held under the GMM: reversals of a loss-recovery component other than changes in the FCF of reinsurance contracts held; and
  - iii. reinsurance contracts held under the GMM: changes in the FCF of reinsurance contracts held from onerous underlying contracts.

3. MATERIAL ACCOUNTING POLICIES (continued)

3.1 Changes in accounting policies (continued)

HKFRS 17 Insurance Contracts (continued)

(f) Presentation (continued)

Insurance service result from reinsurance contracts held (continued)

Net income/(expenses) from reinsurance contracts held (continued)

Reinsurance expenses are recognised similarly to insurance revenue. The amount of reinsurance expenses recognised in the reporting period depicts the transfer of received insurance contract services at an amount that reflects the portion of ceding premiums that the Group expects to pay in exchange for those services.

For contracts measured under the GMM, reinsurance expenses comprise the following amounts relating to the changes in the remaining coverage:

- claims and other directly attributable expenses recovery in the period, measured at the amounts expected to be incurred at the beginning of the period, excluding:
  - i. amounts allocated to the loss-recovery component;
  - ii. repayments of investment components; and
  - iii. amounts related to the risk adjustment for non-financial risk;
- changes in the risk adjustment for non-financial risk, excluding:
  - i. changes included in finance income/(expenses) from reinsurance contracts held;
  - ii. changes that relate to future coverage (which adjust the CSM); and
  - iii. amounts allocated to the loss-recovery component;
- amounts of the CSM recognised for the services received in the period; and
- experience adjustments – arising from premiums paid in the period other than those that relate to future service.

For groups of reinsurance contracts held measured under the PAA, the Group recognises reinsurance expenses in a systematic way similarly to insurance revenue.

Ceding commissions that are not contingent on claims of the underlying contracts issued reduce ceding premiums and are accounted for as part of reinsurance expenses. Ceding commissions that are contingent on claims of the underlying contracts issued reduce incurred claims recovery.

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3. MATERIAL ACCOUNTING POLICIES (continued)

3.1 Changes in accounting policies (continued)

HKFRS 17 Insurance Contracts (continued)

(f) Presentation (continued)

Insurance finance income or expenses

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:

- the effect of the time value of money and changes in the time value of money; and
- the effect of financial risk and changes in financial risk.

The main amounts within insurance finance income or expenses are:

- interest accreted on the FCF and the CSM; and
- the effect of changes in interest rates and other financial assumptions.

The Group disaggregates changes in the risk adjustment for non-financial risk between insurance service result and insurance finance income or expenses.

The Group includes all insurance finance income or expenses for the period in profit or loss.

(g) Transition

At transition date, identified as 1 January 2022, the Group has applied full retrospective approach to the extent practicable. To the extent where full retrospective approach were not practicable, the Group applied the fair value approach as at transition date as described below.

For the group of insurance contracts issued within or before 2018 and the group of reinsurance contracts issued within or before 2020, the Group applies fair value approach since the application of the full retrospective approach was determined to be impracticable.

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

4. SEGMENT INFORMATION

The Group's operating segments are listed as follows:

- The insurance segment offers a wide range of online P&C insurance business;
- The technology segment provides IT related business and international IT consulting to its customers;
- The banking segment provides banking services to its customers;
- The others segment includes entities other than the insurance segment, the technology segment and the banking segment, which provides 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 interim condensed consolidated financial information and those used in preparing the operating segment information.

Segment statement of profit or loss for the six months ended 30 June 2023 (unaudited)

	Insurance	Technology	Banking	Others	Eliminations	Total
Insurance revenue	12,684,655	—	—	10,229	(2,592)	12,692,292
Insurance service expenses	(12,152,848)	—	—	(12,199)	57,410	(12,107,637)
Net income/(expenses) from reinsurance contracts held	872	—	—	(4,286)	—	(3,414)
Insurance service result	532,679	—	—	(6,256)	54,818	581,241
Net investment income	146,450	(27,222)	85,743	26,162	(721)	230,412
Net fair value changes through profit or loss	572,502	43,539	—	65,478	—	681,519
Net impairment losses on financial assets	3,568	—	(24,799)	(2,812)	—	(24,043)
Finance expenses from insurance contracts issued	(45,644)	—	—	(7,070)	—	(52,714)
Finance income/(expenses) from reinsurance contracts held	(6,233)	—	—	328	—	(5,905)
Other income	75,451	288,441	187,062	352,601	(260,308)	643,247
Foreign exchange (losses)/gains	(246,237)	(2,346)	20,105	33,504	—	(194,974)
Other finance costs	(215,933)	(6,205)	(61)	(1,864)	328	(223,735)
Other operating expenses	(289,994)	(117,858)	(306,157)	(127,431)	18,629	(822,811)
Other expenses	(5,622)	(427,317)	(138,647)	(310,505)	190,946	(691,145)
Share of net profit/(loss) of associates and joint ventures accounted for using the equity method	—	1,777	—	(19,037)	880	(16,380)
Profit/(Loss) before income tax	520,987	(247,191)	(176,754)	3,098	4,572	104,712
Income tax	(73,886)	—	—	(4,795)	—	(78,681)
Net profit/(loss) for the period	447,101	(247,191)	(176,754)	(1,697)	4,572	26,031

Segment balance sheet as at 30 June 2023 (unaudited)

	Insurance	Technology	Banking	Others	Eliminations	Total
Segment assets	39,420,209	4,448,167	12,009,428	7,264,933	(13,881,961)	49,260,776
Segment liabilities	20,310,674	1,113,784	10,119,257	1,978,251	(2,111,626)	31,410,340
Segment equity	19,109,535	3,334,383	1,890,171	5,286,682	(11,770,335)	17,850,436

Notes to the Interim Condensed Consolidated Financial Information

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4. SEGMENT INFORMATION (continued)

Segment statement of profit or loss for the six months ended 30 June 2022 (restated, unaudited)

	Insurance	Technology	Banking	Others	Eliminations	Total
Insurance revenue	10,242,144	—	—	10,394	(3,207)	10,249,331
Insurance service expenses	(9,853,045)	—	—	(19,185)	37,435	(9,834,795)
Net income/(expenses) from reinsurance contracts held	18,921	—	—	(3,251)	—	15,670
Insurance service result	408,020	—	—	(12,042)	34,228	430,206
Net investment income	274,478	390,275	52,987	14,986	(737)	731,989
Net fair value changes through profit or loss	(165,068)	(171,468)	—	(17,103)	—	(353,639)
Net impairment losses on financial assets	(784)	(1,125)	(24,684)	(5,954)	—	(32,547)
Finance expenses from insurance contracts issued	(75,278)	—	—	(1,325)	—	(76,603)
Finance expenses from reinsurance contracts held	(3,971)	—	—	(2,407)	—	(6,378)
Other income	63,491	236,357	100,089	177,907	(112,248)	465,596
Foreign exchange (losses)/gains	(315,890)	(6,271)	16,244	31,440	(38,287)	(312,764)
Other finance costs	(207,339)	(3,308)	(8)	(762)	737	(210,680)
Other operating expenses	(376,534)	(68,425)	(315,466)	(135,112)	5,505	(890,032)
Other expenses	(2,943)	(393,628)	(41,994)	(151,824)	74,968	(515,421)
Share of net profit/(loss) of associates and joint ventures accounted for using the equity method	—	1,167	—	(6,625)	880	(4,578)
Loss before income tax	(401,818)	(16,426)	(212,832)	(108,821)	(34,954)	(774,851)
Income tax	89,542	—	—	(45)	—	89,497
Net loss for the period	(312,276)	(16,426)	(212,832)	(108,866)	(34,954)	(685,354)

Segment balance sheet as at 31 December 2022 (restated, unaudited)

	Insurance	Technology	Banking	Others	Eliminations	Total
Segment assets	39,215,994	4,653,637	10,373,546	6,894,490	(13,488,789)	47,648,878
Segment liabilities	20,588,765	1,094,247	8,444,117	1,772,506	(1,865,877)	30,033,758
Segment equity	18,627,229	3,559,390	1,929,429	5,121,984	(11,622,912)	17,615,120

5. SUBSIDIARIES

(a) The Company's subsidiaries at 30 June 2023 are as follows:

Name	Place of operations	Place of incorporation/ registration	Nature of business	Registered capital (thousand)	Percentage of equity	Acquisition mode
ZhongAn Information Technology Services Limited Company ("ZhongAn Technology")	Shanghai, The PRC	Shenzhen, The PRC	Technology Development/ Technology Consulting	RMB 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. ("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")	Ningbo, The PRC	Ningbo, The PRC	Bio Technology	RMB 36,600	100.00%	Set-up
Jiezhong Network Technology Co., Ltd. ("Jiezhong Technology")	Shanghai, The PRC	Shanghai, The PRC	Technology Consulting	USD 4,000	100.00%	Equity purchase
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 50,000	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. ("ZhongAn Pharmacy")	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

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For the six months ended 30 June 2023
(All amounts expressed in RMB'000 unless otherwise stated)

5. SUBSIDIARIES (continued)

(a) The Company's subsidiaries at 30 June 2023 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
Chongqing Zhongxiananxing Technologies Ltd. ("Zhongxiananxing") (i)	Chongqing, The PRC	Chongqing, The PRC	Technology Development/ Technology Consulting	RMB 50,000	100.00%	Set-up
Chongqing Zongrun Business Information Consulting Partnership (Limited Partnership) ("Zongrun") (ii)	Chongqing, The PRC	Chongqing, The PRC	Technology Development/ Technology Consulting	RMB 10,000	100.00%	Equity purchase
ZhongAn Technologies International Group Limited ("ZhongAn International")	Hong Kong, The PRC	Hong Kong, The PRC	Investment Holding	RMB 4,639,733	44.70%	Set-up
ZA Tech Global Limited ("ZA Tech Global")	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 Global (Singapore) Pte. Ltd. ("ZA Tech Singapore")	Singapore	Singapore	Technology Development/ Technology Consulting	HKD 1,000	100.00%	Set-up
ZA Tech Global (Vietnam) Company Limited ("ZA Tech Vietnam") (iii)	Vietnam	Vietnam	Technology Development/ Technology Consulting	VND 1,189,500	100.00%	Set-up
Asia Fintech Center Pte. Ltd. ("Asia Fintech Center")	Singapore	Singapore	Innovation Lab	SGD 2,400	100.00%	Set-up
ZA Tech Global (Ireland) Limited ("ZA Tech Ireland")	Dublin, Ireland	Dublin, Ireland	Technology Development/ Technology Consulting	EUR 1	100.00%	Set-up
PT ZATech Global Indonesia ("ZATech Indonesia")	Jakarta, Indonesia	Jakarta, Indonesia	Technology Development/ Technology Consulting	IDR 81,800,000	100.00%	Set-up
ZA Tech Global (Malaysia) Sdn. Bhd. ("ZA Tech Malaysia")	Kuala Lumpur, Malaysia	Kuala Lumpur, Malaysia	Technology Development/ Technology Consulting	MYR 50	100.00%	Set-up
ZA Tech Global See d.o.o. Beograd ("ZA Tech See") (iv)	Serbia	Serbia	Technology Development/ Technology Consulting	RSD 0.1	100.00%	Set-up

5. SUBSIDIARIES (continued)

(a) The Company's subsidiaries at 30 June 2023 are as follows: (continued)

Name	Place of operations	Place of incorporation/ registration	Nature of business	Registered capital (thousand)	Percentage of equity	Acquisition mode
ZA Tech (Thailand) Co., Ltd. ("ZA Tech Thailand")	Thailand	Thailand	Technology Development/ Technology Consulting	THB 3,500	99.99%	Set-up
ZATech Global Holding Pte. Ltd. ("ZATech")	Singapore	Singapore	Investment Holding	SGD 10	100.00%	Set-up
Piculet Holding (Thailand) Co., Ltd. ("Piculet Holding")	Bangkok, Thailand	Bangkok, Thailand	Investment Holding	THB 100	49.00%	Equity purchase
ZA Tech Brokers Thailand Co., Ltd. ("ZA Tech Brokers")	Bangkok, Thailand	Bangkok, Thailand	Insurance Broker	THB 10,000	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")	Hong Kong, The PRC	Hong Kong, The PRC	Investment Holding	HKD 4,100,000	100.00%	Set-up
ZA Bank Limited ("ZA Bank")	Hong Kong, The PRC	Hong Kong, The PRC	Virtual Bank	HKD 4,100,000	100.00%	Set-up
ZA Care Limited ("ZA Care")	Hong Kong, The PRC	Hong Kong, The PRC	Technology	–	100.00%	Set-up
ZhongAn Digital Asset Group Limited ("ZA Digital Asset")	British Virgin Islands	British Virgin Islands	Digital Asset	USD 50	100.00%	Set-up
ZhongAn International Financial Services Limited ("ZA International Financial")	Hong Kong, The PRC	Hong Kong, The PRC	Technology Development/ Technology Consulting	HKD 0.1	100.00%	Set-up
ZA International Insurance Broker Limited ("ZA International Insurance Broker")	Hong Kong, The PRC	Hong Kong, The PRC	Insurance Broker	HKD 8,000	100.00%	Equity purchase
Zebra Credit Limited ("Zebra Credit")	Hong Kong, The PRC	Hong Kong, The PRC	Money Lender	HKD 30,000.1	100.00%	Set-up
ZhongAn (Shenzhen) Technology Consulting Co., Ltd. ("ZhongAn Technology Consulting")	Shenzhen, The PRC	Shenzhen, The PRC	Technology Development/ Technology Consulting	USD 20,000	100.00%	Set-up

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

(i) On 10 February 2023, ZhongAn Insurance Broker and Zongrun set up Zhongxiananxing with registered capital of RMB50,000 thousand. As of 30 June 2023, ZhongAn Insurance Broker and Zongrun injected RMB32,000 thousand and RMB8,000 thousand into Zhongxiananxing, respectively.

(ii) On 13 April 2023, ZhongAn Insurance Broker and Hebei Xiongan Information entered into the Share Purchase Agreement with Mr. Yongjian Song, Mr. Yang Song, and Chongqing Runming Business Information Consulting Limited Company, to purchase 100% of the issued and outstanding shares of Zongrun. As of 30 June 2023, ZhongAn Insurance Broker and Hebei Xiongan information injected RMB7,920 thousand and RMB80 thousand into Zongrun, respectively.

(iii) On 29 March 2023, ZA Tech Singapore set up ZA Tech Vietnam with registered capital of VND1,189,500 thousand. As of 30 June 2023, ZA Tech Singapore has not made any capital injection.

(iv) On 1 June 2023, ZATech set up ZA Tech See with registered capital of RSD0.1 thousand. As of 30 June 2023, ZATech has not made any capital injection.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023
(All amounts expressed in RMB'000 unless otherwise stated)

5. SUBSIDIARIES (continued)

(b) Non-controlling interests

Changes in non-controlling interests:

	ZhongAn International	Others	Total
31 December 2022 (as previously reported)	1,830,721	(17,861)	1,812,860
Impact of initial application of HKFRS 17	36,170	—	36,170
1 January 2023 (unaudited)	1,866,891	(17,861)	1,849,030
Total comprehensive income	(113,210)	(1,339)	(114,549)
Share-based payments	36,913	—	36,913
Others	(17,426)	—	(17,426)
30 June 2023 (unaudited)	1,773,168	(19,200)	1,753,968

(c) At 30 June 2023, consolidated structured entities are as followings:

Name	Held by the Company (%)	Total subscription (RMB'000)	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 Investment Center (Limited Partnership)	98.77%	400,000	Equity Investment
ZhongZai FOF No.2 Asset Management Plan	100.00%	72,000	Asset Management Product

6. INSURANCE SERVICE RESULT

	Six months ended 30 June	
	2023	2022
Insurance revenue		
Insurance revenue from contracts measured under the PAA	12,682,063	10,238,937
Insurance revenue from contracts measured under the GMM	10,229	10,394
Total insurance revenue	12,692,292	10,249,331
Insurance service expenses		
Insurance service expenses from contracts measured under the PAA	(12,095,438)	(9,815,610)
Insurance service expenses from contracts measured under the GMM	(12,199)	(19,185)
Total insurance service expenses	(12,107,637)	(9,834,795)
Net income/(expenses) from reinsurance contracts held		
Net income from reinsurance contracts measured under the PAA	872	18,921
Net expenses from reinsurance contracts measured under the GMM	(4,286)	(3,251)
Total net (expenses)/income from reinsurance contracts held	(3,414)	15,670
Insurance service result	581,241	430,206

Insurance service expenses represented by nature:

	Six months ended 30 June	
	2023	2022
Incurred claims and other directly attributable expenses	(8,713,056)	(7,334,727)
Insurance acquisition cash flows amortization	(3,234,862)	(2,424,839)
Losses on onerous contracts and reversal of those losses	(91,011)	29,112
Changes that relate to past service – changes in the FCF relating to the LIC	(68,708)	(104,341)
Total insurance service expenses	(12,107,637)	(9,834,795)

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023
(All amounts expressed in RMB'000 unless otherwise stated)

7. NET INVESTMENT INCOME

	Six months ended 30 June	
	2023	2022
Interest income (a)		
– Debt investments	333,467	289,308
– Bank deposits	22,109	20,118
– Trust investment scheme	18,446	24,282
– Securities purchased under agreements to resell	1,097	1,003
Dividend income (b)		
– Fund investments	64,135	62,644
– Wealth management products	62,025	72,118
– Equity investments	9,062	6,454
Realized (losses)/gains, net (c)	(279,929)	256,062
	230,412	731,989

(a) Interest income

	Six months ended 30 June	
	2023	2022
Debt financial assets at fair value through other comprehensive income	195,618	161,111
Financial assets at fair value through profit or loss	124,551	118,390
Financial assets at amortized cost	54,950	55,210
	375,119	334,711

(b) Dividend income

	Six months ended 30 June	
	2023	2022
Financial assets at fair value through profit or loss	133,671	138,364
Equity financial assets at fair value through other comprehensive income	1,551	2,852
	135,222	141,216

7. NET INVESTMENT INCOME (continued)

(c) Realized (losses)/gains, net

	Six months ended 30 June	
	2023	2022
Financial assets at fair value through profit or loss	(280,101)	(150,809)
Debt financial assets at fair value through other comprehensive income	172	3,100
Financial assets at amortized cost	—	127
Investments in subsidiaries and associates	—	403,644
	(279,929)	256,062

8. NET FAIR VALUE CHANGES THROUGH PROFIT OR LOSS

	Six months ended 30 June	
	2023	2022
Financial assets at fair value through profit or loss		
– Fund investments	491,475	(35,549)
– Debt investments	126,928	(128,271)
– Wealth management products	8,822	(44,452)
– Equity investments	(5,450)	(145,367)
Derivative financial liabilities		
– Warrants	59,744	—
	681,519	(353,639)

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023
(All amounts expressed in RMB'000 unless otherwise stated)

9. OTHER INCOME

	Six months ended 30 June	
	2023	**2022**
Revenue from services (a)	357,846	296,949
Revenue from banking business (b)	183,805	96,372
Government grants (c)	80,910	61,244
Others	20,686	11,031
	643,247	465,596

(a) Revenue from services includes information technology services, insurance brokerage services and other services provided by the Group.

(b) Revenue from banking business includes interest income from loans and advances to customers and commission income.

(c) Government grants include rental subsidies, development support funds and government subsidies related to intangible assets, and etc.

10. OTHER OPERATING EXPENSES

	Six months ended 30 June	
	2023	**2022 (restated)**
Employee benefit expense	501,364	556,720
Depreciation of right-of-use assets	37,692	39,970
Advertising and marketing expense	37,234	20,357
Consulting and technical fee	30,172	51,990
Taxes and surcharges	26,044	34,069
Amortization of intangible assets	24,157	19,249
Rental fees	15,183	25,769
Auditors' remuneration	10,650	6,600
Depreciation of property and equipment	7,625	11,378
Provision for impairment losses	4,521	3,792
Others	128,169	120,138
	822,811	890,032

11. OTHER EXPENSES

	Six months ended 30 June	
	2023	2022
Cost of providing services	370,519	256,214
Expense of providing services	172,433	207,166
Cost of banking business	138,647	41,994
Others	9,546	10,047
	691,145	515,421

12. INCOME TAX

(a) Income tax

	Six months ended 30 June	
	2023	2022 (restated)
Current income tax	4,796	45
Deferred income tax (Note 28)	73,885	(89,542)
	78,681	(89,497)

(b) Reconciliation of income tax

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

	Six months ended 30 June	
	2023	2022 (restated)
Profit/(Loss) before income tax	104,712	(774,851)
Tax computed at the applicable tax rate	64,511	(155,565)
Income not subject to tax	(21,792)	(8,844)
Expenses not deductible for tax	713	458
Tax losses for which no deferred tax assets were recognised	99,437	89,883
Extra tax deductions for research and development costs	(29,425)	(16,036)
Utilization of previously unrecognised tax losses	(7,263)	(272)
Adjustments to income tax in respect of previous periods	(27,500)	879
Income tax at the Group's effective rate	78,681	(89,497)

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023
(All amounts expressed in RMB'000 unless otherwise stated)

13. PROFIT/(LOSS) PER SHARE

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

The calculation of profit/(loss) per share is based on the following:

	Six months ended 30 June	
	2023	2022 (restated)
Net profit/(loss) for the period attributable to owners of the parent	221,471	(636,044)
Weighted average number of shares in issue (in thousand)	1,469,813	1,469,813
Basic profit/(loss) per share (RMB yuan)	0.15	(0.43)
Diluted profit/(loss) per share (RMB yuan)	0.15	(0.43)

The Company had no dilutive potential shares during the six-month period ended 30 June 2023 and 2022 respectively.

14. OTHER COMPREHENSIVE INCOME

	Six months ended 30 June	
	2023	2022 (restated)
Debt financial assets at fair value through other comprehensive income		
Gains/(Losses) from changes in the fair value of debt instruments measured at fair value through other comprehensive income	139,445	(199,377)
Reclassification of gains/(losses) on disposals to profit or loss	10,560	(17,200)
Change in credit risks provision of debt instruments measured at fair value through other comprehensive income	(5,885)	9,579
Income tax relating to debt financial assets at fair value through other comprehensive income	(16,901)	3,354
Equity financial assets at fair value through other comprehensive income		
Loss from changes in the fair value of equity instruments designated at fair value through other comprehensive income	(20,667)	(84,258)
Income tax relating to equity financial assets at fair value through other comprehensive income	5,167	21,065
Exchange differences on translation of foreign operations	69,815	157,060
	181,534	(109,777)

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

	30 June 2023	31 December 2022
Cash in hand	171	188
Deposits with original maturity of no more than three months	1,154,364	2,326,446
Placements with banks	223,287	119,376
Due from banks and other financial institutions	1,072,487	770,605
Other monetary assets (a)	341,855	308,880
Add: Interest receivables	56	682
Less: Impairment provisions	(4)	(3)
	2,792,216	3,526,174

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

16. SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL

	30 June 2023	31 December 2022
Securities - bonds		
– Inter-bank market	317,900	29,925
– Stock exchange	89,364	107,554
Add: Interest receivables	8	10
Less: Impairment provisions	(2)	(2)
	407,270	137,487

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023
(All amounts expressed in RMB'000 unless otherwise stated)

17. LOANS AND ADVANCES TO CUSTOMERS

(a) Analysis by corporate and individual

	30 June 2023	31 December 2022
Individual customers	1,857,536	2,001,684
Corporate customers		
– Construction and real estate	1,511,328	1,326,550
– Wholesale and retail trade	702,119	516,570
– Manufacturing	246,983	251,443
– Transport and transport equipment	63,340	45,238
– Information technology	—	92,046
– Others	143,134	162,504
Add: Interest receivables	18,261	13,628
Less: Loan loss provisions	(56,465)	(42,401)
	4,486,236	4,367,262

Loans and advances to customers are all related to the Group's business in Hong Kong.

(b) Analysis by type of collateral held or other credit enhancements

	30 June 2023	31 December 2022
Unsecured by collateral	2,821,362	3,044,563
Secured by collateral	1,703,078	1,351,472
Add: Interest receivables	18,261	13,628
Less: Loan loss provisions	(56,465)	(42,401)
	4,486,236	4,367,262

(c) Loan loss provisions

1 January 2023	(42,401)
Provision for the period	(47,089)
Reversal during the period	20,973
Write-off and transfer during the period	12,052
30 June 2023	(56,465)

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2023	31 December 2022
Listed		
– Equity investments	1,374,994	1,208,332
– Debt investments	1,272,952	1,557,719
– Fund investments	340,850	683,432
Unlisted		
– Fund investments	7,983,348	9,931,569
– Debt investments	6,536,778	4,822,698
– Wealth management products	4,587,523	3,300,268
– Equity investments	386,994	358,799
	22,483,439	21,862,817

19. FINANCIAL ASSETS AT AMORTIZED COST

	30 June 2023	31 December 2022
Listed		
– Debt investments	10,385	10,207
Unlisted		
– Debt investments	727,492	757,985
– Trust investment schemes	686,905	684,005
Less: Impairment provisions	(23,679)	(20,794)
	1,401,103	1,431,403
Trust investment schemes	686,905	684,005
Debt investments		
– Government bonds	553,519	579,186
– Corporate bonds	184,358	189,006
Less: Impairment provisions	(23,679)	(20,794)
	1,401,103	1,431,403

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

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023
(All amounts expressed in RMB'000 unless otherwise stated)

20. DEBT FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2023	31 December 2022
Listed		
– Debt investments	4,744,363	4,596,768
Unlisted		
– Debt investments	8,095,005	7,010,132
	12,839,368	11,606,900
Debt investments		
– Corporate bonds	6,566,772	5,465,864
– Finance bonds	5,030,337	4,164,537
– Government bonds	1,242,259	1,976,499
	12,839,368	11,606,900
Comprising:		
Amortized cost	13,132,950	12,037,200
Cumulative fair value changes	(293,582)	(430,300)
	12,839,368	11,606,900

As at 30 June 2023 and 31 December 2022, the total provision for impairment losses recognised in debt financial assets at fair value through other comprehensive income were RMB40,340 thousand and RMB46,225 thousand, respectively.

21. EQUITY FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2023	31 December 2022
Listed		
– Equity investments	83,784	219,995
Unlisted		
– Equity investments	59,451	39,023
	143,235	259,018
Comprising:		
Cost	149,696	291,399
Cumulative fair value changes	(6,461)	(32,381)
	143,235	259,018

21. EQUITY FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)

The Group designated the portion of equity investments, which are held not for short-term price fluctuation gains, but for the dividends income arising from long-term possession, as equity financial assets at fair value through other comprehensive income.

For the six months ended 30 June 2023 and 2022, dividend income recognised for such equity investments were RMB1,551 thousand and RMB2,852 thousand. As a result of the change of investment strategies, the Group disposed certain equity investments. The cumulative losses net of tax transferred into retained earnings from other comprehensive income after disposal were RMB34,941 thousand and RMB43,509 thousand for the six months ended 30 June 2023 and 2022.

22. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	31 December 2022	Additions	Share of profits/(losses)	Disposal	Foreign exchange in capital reserves	30 June 2023
Shanghai Nuanwa Technology Co., Ltd. ("Shanghai Nuanwa")	23,680	—	(5,511)	—	—	18,169
Chongqing ZhongAn Microloan Limited Company ("ZhongAn Microloan")	446,863	—	9,642	—	—	456,505
Shanghai Zhongzhirong Digital Technology Ltd. ("Zhongzhirong")	4,562	—	511	—	—	5,073
Shanghai Ju'A Technology Ltd. ("Shanghai Ju'A")	—	—	—	—	—	—
Baibao (Shanghai) Technology Co., Ltd. ("Shanghai Baibao")	—	—	—	—	—	—
Nova Technology Ltd. ("Nova Technology")	—	—	—	—	—	—
Yiyuan Technology Ltd. ("Yiyuan")	5,000	—	(5,000)	—	—	—
Data Enlighten (Asia) Limited ("Data Enlighten")	12,206	—	(159)	—	335	12,382
RD International Holdings Limited ("RD International Holdings") (a)	21,889	28,848	(10,252)	—	277	40,762
ZAKC Limited ("ZAKC")	21,103	—	(3,784)	—	501	17,820
Granada Protect Pte. Ltd. ("Granada")	19,064	—	(2,707)	—	582	16,939
Bosheng Haimi Technology (Beijing) Ltd.("Haimi Tech") (b)	—	—	—	—	—	—
	554,367	28,848	(17,260)	—	1,695	567,650

(a) On 20 January 2023 and 29 May 2023, ZA Digital Asset injected USD4,000 thousand in total, equivalent to RMB28,848 thousand into RD International Holdings. After this transaction, ZA Digital Asset remains 19.996% voting power over RD International Holdings.

(b) On 15 March 2023, ZhongAn Technology and Shanghai Runfang Enterprise Management Consulting Partnership (Limited partnership) set up Haimi Tech with registered capital of RMB10,000 thousand. ZhongAn Technology holds 40% voting power over Haimi Tech. As of June 30 2023, ZhongAn Technology has not made any capital injection.

23. TERM DEPOSITS

Maturity Period	30 June 2023	31 December 2022
Less than 3 months	125,613	—
3 months to 1 year (including 1 year)	20,000	330,000
Add: Interest receivables	1,043	10,727
Less: Impairment provisions	—	(28)
	146,656	340,699

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24. RESTRICTED STATUTORY DEPOSITS

	30 June 2023	31 December 2022
Restricted statutory deposits	295,000	295,000
Add: Interest receivables	17,597	12,392
Less: Impairment provisions	(57)	(48)
	312,540	307,344

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

	30 June 2023		
	Amount	Storage	Period
China Minsheng Bank	200,000	Term deposit	3 years
Industrial and Commercial Bank of China	50,000	Term deposit	3 years
Bank of Ningbo	45,000	Term deposit	3 years
	295,000		

	31 December 2022		
	Amount	Storage	Period
China Minsheng Bank	200,000	Term deposit	3 years
Industrial and Commercial Bank of China	50,000	Term deposit	3 years
Bank of Ningbo	45,000	Term deposit	3 years
	295,000		

25. PROPERTY AND EQUIPMENT

	Motor vehicles	Electrical equipment	Office furniture and equipment	Leasehold improvements	Total
Cost					
1 January 2023	3,864	78,176	12,019	165,926	259,985
Additions	1,251	6,575	1,402	24,252	33,480
Disposals	(439)	(5,661)	(72)	(226)	(6,398)
30 June 2023	**4,676**	**79,090**	**13,349**	**189,952**	**287,067**
Accumulated depreciation and impairment					
1 January 2023	(1,957)	(42,660)	(10,477)	(145,266)	(200,360)
Depreciation	(317)	(8,311)	(477)	(7,840)	(16,945)
Disposals	197	2,463	38	12	2,710
30 June 2023	**(2,077)**	**(48,508)**	**(10,916)**	**(153,094)**	**(214,595)**
Net book value					
1 January 2023	1,907	35,516	1,542	20,660	59,625
30 June 2023	2,599	30,582	2,433	36,858	72,472

26. LEASES

(a) Amounts recognised in the interim condensed consolidated balance sheet

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

	30 June 2023	31 December 2022
Right-of-use assets		
Buildings	**347,204**	373,337
Equipment	**1,178**	1,319
	348,382	374,656
Lease liabilities	**348,126**	373,809

Additions to the right-of-use assets during the six months ended 30 June 2023 and 2022 were RMB58,138 thousand and RMB225,530 thousand, respectively.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023
(All amounts expressed in RMB'000 unless otherwise stated)

26. LEASES (continued)

(b) Amounts recognised in the interim condensed consolidated statement of profit or loss

The interim condensed consolidated statement of profit or loss shows the following amounts relating to leases:

	Six months ended 30 June	
	2023	2022
Depreciation charge of right-of-use assets		
Buildings	(71,641)	(86,655)
Equipment	(451)	(510)
	(72,092)	(87,165)
Interest expense	9,022	8,387
Expense relating to short-term leases	28,202	30,583

The total cash outflow relating to leases for the six months ended 30 June 2023 and 2022 was RMB108,561 thousand and RMB101,398 thousand, respectively.

27. INTANGIBLE ASSETS

	Software	Other	Total
Cost			
1 January 2023	1,620,895	3,414	1,624,309
Additions	206,274	—	206,274
30 June 2023	1,827,169	3,414	1,830,583
Accumulated amortization and impairment			
1 January 2023	(961,599)	(922)	(962,521)
Amortization	(100,092)	(91)	(100,183)
Impairment	(56,784)	—	(56,784)
30 June 2023	(1,118,475)	(1,013)	(1,119,488)
Net book value			
1 January 2023	659,296	2,492	661,788
30 June 2023	708,694	2,401	711,095

28. DEFERRED INCOME TAX ASSETS AND LIABILITIES

	30 June 2023
Net deferred income tax assets, at the beginning of period	182,163
Recognised in profit or loss	(73,885)
Recognised in other comprehensive income	(11,734)
Net deferred income tax assets, at the end of period	96,544

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

	30 June 2023	31 December 2022 (restated)
Deferred income tax assets and liabilities		
Insurance contract liabilities	200,908	183,670
Accumulated taxable losses	184,832	168,392
Impairment loss provisions	143,878	141,956
Net fair value adjustment on financial assets at fair value through profit or loss	121,073	263,357
Advertising expenses	104,005	—
Amortization of intangible assets	46,891	45,127
Employee stock ownership plan	9,600	9,600
Employee benefits	1,672	2,579
Net fair value adjustment on equity financial assets at fair value through other comprehensive income	1,615	8,095
Net fair value adjustment and credit risks provision on debt financial assets at fair value through other comprehensive income	(8,094)	8,807
Share of net profit of associates and joint ventures accounted for using the equity method	(9,465)	(9,465)
Difference of accounting policy	(241,038)	(194,133)
Unrealized gains of structured entities	(460,622)	(447,714)
Others	1,289	1,892
Net deferred income tax assets	96,544	182,163
Represented by		
Deferred income tax assets	815,763	833,475
Deferred income tax liabilities	(719,219)	(651,312)

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. At 30 June 2023, the Group did not recognise deferred income tax assets of RMB881,690 thousand in respect of deductible tax loss and other temporary differences amounting to RMB5,546,346 thousand that can be carried forward against future taxable income.

Notes to the Interim Condensed Consolidated Financial Information

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29. OTHER ASSETS

	30 June 2023	31 December 2022 (restated)
Coinsurance receivable	343,503	251,864
Advanced payment	322,456	314,544
Output tax of premium receivable	226,457	197,090
Deposits	112,177	108,830
Estimate of input tax	71,592	87,154
Receivable from securities clearing	58,172	6,344
Assets recognised from costs to fulfil a contract	26,908	15,028
Right to surrender cost	—	13,682
Others	362,916	393,216
Less: Provision for other assets	(6,121)	(5,899)
	1,518,060	1,381,853

30. SHARE CAPITAL

	30 June 2023	31 December 2022
Number of shares issued and fully paid at RMB1 yuan each	1,469,813	1,469,813

31. RESERVES

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

(a) Capital reserves

Capital reserves mainly represent share premiums from issuance of shares.

(b) Surplus reserves

Surplus reserves consist of the statutory surplus reserves 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.

(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 financial assets at fair value through other comprehensive income. 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 record the fair value of share options granted to the directors and employees of the Group.

Notes to the Interim Condensed Consolidated Financial Information

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32. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

	30 June 2023	31 December 2022
Securities - bonds		
– Inter-bank market	5,762,114	6,442,058
– Stock exchange	317,600	541,526
Add: Interest payables	3,362	8,784
	6,083,076	6,992,368

At 30 June 2023 and 31 December 2022, debt investments of approximately RMB6,127,019 thousand and RMB7,140,358 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.

33. CUSTOMER DEPOSITS

	30 June 2023	31 December 2022
Current and savings accounts		
– Individual customers	3,070,624	2,473,965
– Corporate customers	269,698	71,946
Term deposits		
– Individual customers	6,126,613	5,458,609
– Corporate customers	354,892	157,271
Add: Interest payables	40,374	22,226
	9,862,201	8,184,017

34. INSURANCE AND REINSURANCE CONTRACTS

(a) Analysis by remaining coverage and incurred claims

	30 June 2023	31 December 2022
Insurance contracts		
– Liabilities for remaining coverage		
Excluding loss component	994,269	544,643
Loss component	(178,649)	(142,751)
– Liabilities for incurred claims	(164,148)	(56,737)
Insurance contract assets	651,472	345,155
- Liabilities for remaining coverage		
Excluding loss component	556,294	550,554
Loss component	428,974	363,891
– Liabilities for incurred claims	3,467,854	3,310,373
–Assets for insurance acquisition cash flows	(345,541)	(196,129)
Insurance contract liabilities	4,107,581	4,028,689
Reinsurance contracts		
– Liabilities for remaining coverage		
Excluding loss component	(318,726)	(494,159)
Loss component	3,793	990
– Liabilities for incurred claims	597,971	743,336
Reinsurance contract assets	283,038	250,167
- Liabilities for remaining coverage		
Excluding loss component	2,333	14,669
Loss component	(2)	—
– Liabilities for incurred claims	(28)	(149)
Reinsurance contract liabilities	2,303	14,520

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023
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34. INSURANCE AND REINSURANCE CONTRACTS (continued)

(b) Analysis by measurement component

	30 June 2023	31 December 2022
Insurance contracts		
Insurance contract assets measured under the PAA	640,375	335,320
Insurance contract assets measured under the GMM		
– Estimates of present value of future cash flows	16,404	12,405
– Risk adjustment for non-financial risk	(2,756)	(2,154)
– CSM	(2,551)	(416)
Insurance contract assets	651,472	345,155
Insurance contract liabilities measured under the PAA	3,710,950	3,792,029
Insurance contract liabilities measured under the GMM		
– Estimates of present value of future cash flows	382,217	212,996
– Risk adjustment for non-financial risk	3,986	4,710
– CSM	10,428	18,954
Insurance contract liabilities	4,107,581	4,028,689
Reinsurance contracts		
Reinsurance contract assets measured under the PAA	268,768	237,609
Reinsurance contract assets measured under the GMM		
– Estimates of present value of future cash flows	25,137	22,861
– Risk adjustment for non-financial risk	(77)	(89)
– CSM	(10,790)	(10,214)
Reinsurance contract assets	283,038	250,167
Reinsurance contract liabilities measured under the PAA	833	12,612
Reinsurance contract liabilities measured under the GMM		
– Estimates of present value of future cash flows	(1,517)	(1,453)
– Risk adjustment for non-financial risk	39	27
– CSM	2,948	3,334
Reinsurance contract liabilities	2,303	14,520

34. INSURANCE AND REINSURANCE CONTRACTS (continued)

(c) Significant judgement and estimates

Estimates of future cash flows

The Group's objective in estimating future cash flows is to determine the expected value or probability-weighted mean of the full range of possible outcomes. The Group incorporates, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experience, updated to reflect current expectations of future events.

The estimates of future cash flows reflect the Group's view of current conditions at the reporting date and the estimates of any relevant market variables are consistent with observable market prices.

When estimating future cash flows, the Group takes into account current expectations of future events that might affect those cash flows. However, expectations of future changes in legislation that would change or discharge a present obligation or create new obligations under existing contracts are not taken into account until the change in legislation is substantively enacted.

Cash flows are within the boundary of a contract if they arise from substantive right and obligations that exist during the reporting period. They relate directly to the fulfilment of the contract, including those for which the Group has discretion over the amount or timing. These include payments to (or on behalf of) policyholders, insurance acquisition cash flows and other costs that are incurred in fulfilling contracts.

Insurance acquisition cash flows arise from the activities of selling, underwriting and starting a group of contracts that are directly attributable to the portfolio of contracts to which the group belongs. Other costs that are incurred in fulfilling the contracts include claims handling, maintenance and administration costs, and recurring commissions payable on instalment premiums receivable within the contract boundary.

Insurance acquisition cash flows and other costs that are incurred in fulfilling contracts comprise both direct costs and an allocation of fixed and variable overheads.

Methodology and assumptions

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 the Group's historical expense experience 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.

Loss ratios

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

Discount rate

A bottom-up approach is applied in the determination of the discount rate for different products.

The expected cash flows are discounted using the risk-free yield curves adjusted to reflect the characteristics of the cash flows and the liquidity of the insurance contracts. The Group generally determines the risk-free rates using the China's treasury bond yield. To reflect the liquidity characteristics of the insurance contracts, the risk-free yield curves are adjusted by an liquidity premium.

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34. INSURANCE AND REINSURANCE CONTRACTS (continued)

(c) Significant judgement and estimates (continued)

Risk adjustments for non-financial risk

Risk adjustments for non-financial risk are generally determined by considering the expected cash flows arising from insurance contracts in each segment for each of the geographical markets in which the Group operates, consistent with the way that non-financial risk is managed. Risk adjustments are determined separately from estimates from the present value of future cash flows, using the confidence level technique.

Applying a confidence level technique, the Group estimates the probability distribution of the expected present value of the future cash flows from insurance contracts at each reporting date and calculates the risk adjustment for non-financial risk as the excess of the value over the expected present value of the future cash flows.

35. 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.

As of 30 June 2023, the Company repurchase the notes in the aggregate principal amount of USD49,900 thousand on the Hong Kong Stock Exchange.

1 January 2023	Premium amortization	Interest paid	Foreign exchange translation adjustment	30 June 2023
6,657,793	111,421	(105,659)	248,497	**6,912,052**

36. OTHER LIABILITIES

	30 June 2023	31 December 2022 (restated)
Payables to service suppliers	**2,186,004**	1,462,331
Commission and brokerage payable	**549,772**	645,428
Salary and staff welfare payable	**269,422**	451,889
Deposit payable	**211,715**	290,824
Tax payable other than income tax	**148,427**	141,972
Insurance guarantee fund	**67,726**	67,044
Coinsurance payable	**31,825**	28,783
Estimated liabilities	**24,113**	10,311
Payables for asset management fee	**6,558**	5,564
Payables for surrender brokerage	**8**	356
Others	**374,436**	396,284
	3,870,006	3,500,786

37. NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

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

	Six months ended 30 June	
	2023	2022 (restated)
Profit/(Loss) before income tax	104,712	(774,851)
Provision for impairment losses	4,521	3,792
Net impairment losses on financial assets	24,043	32,547
Net investment income	(230,412)	(731,989)
Net fair value changes through profit or loss	(681,519)	353,639
Depreciation of property and equipment	16,945	16,553
Amortization of intangible assets	100,183	80,340
Depreciation of right-of-use assets	72,092	87,165
Foreign exchange losses	194,974	312,764
Other finance costs	223,735	210,680
Expense recognised for share-based payments	59,262	28,726
Increase in reinsurance contract assets	(44,610)	(44,038)
(Decrease)/Increase in insurance contract liabilities	(240,686)	228,173
Decrease in placements with banks with original maturity of more than three months	44,829	459,716
Amortization of deferred income	(2,416)	(316)
Share of net loss of associates and joint ventures	16,380	4,578
Increase in customer deposits	1,363,902	1,234,094
Increase in other operating assets	(41,133)	(1,317,075)
Increase/(Decrease) in other operating liabilities	391,454	(262,091)
Net cash flows generated from/(used in) operating activities	1,376,256	(77,593)

(b) Cash and cash equivalents

	30 June 2023	31 December 2022
Cash in hand	171	188
Deposits with original maturity of no more than three months	1,154,364	2,326,446
Due from banks and other financial institutions	1,072,487	770,605
Securities purchased under agreements to resell	407,264	137,479
Placements with banks with original maturity of no more than three months	223,287	74,066
Other monetary assets	341,855	308,880
	3,199,428	3,617,664

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38. RELATED PARTY TRANSACTIONS

The Company's directors were of the view that Ant Group Co., Ltd. ("Ant Group") (formerly known as Ant Small and Micro Financial Services Group Co., Ltd), Ping An Insurance (Group) Co. of China Ltd. ("Ping An Insurance"), Tencent Holdings Limited ("Tencent"), Sinolink Worldwide Holdings Limited ("Sinolink"), Nova Technology Ltd. ("Nova Technology") and Shanghai Ju'A Technology Ltd. ("Ju'A") and their subsidiaries were considered as related parties of the Group. Alibaba Group Holdings Limited ("Alibaba") and its subsidiaries were also considered as related parties of the Group given the relationship between Alibaba and Ant Group. 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 transaction with related parties are conducted under the ordinary course of business.

The Group had the following major transactions with related parties:

(a) Sale of insurance contracts

	Six months ended 30 June	
	2023	**2022**
Tencent and its subsidiaries	52,525	59,308
Nova Technology and its subsidiaries	621	1,468
Ju'A and its subsidiaries	161	152
Ant Group and its subsidiaries	79	330
Sinolink and its subsidiaries	17	17
Alibaba and its subsidiaries	—	108
	53,403	61,383

(b) Claim from insurance contracts

	Six months ended 30 June	
	2023	**2022**
Tencent and its subsidiaries	25,115	10,599
Nova Technology and its subsidiaries	552	294
Sinolink and its subsidiaries	229	22
Ant Group and its subsidiaries	52	3
Ju'A and its subsidiaries	49	76
Alibaba and its subsidiaries	—	5,807
	25,997	16,801

(c) Premiums ceded to reinsurer

	Six months ended 30 June	
	2023	**2022**
Tencent and its subsidiaries	102,305	—

38. RELATED PARTY TRANSACTIONS (continued)

(d) Reinsurance commission income

	Six months ended 30 June	
	2023	2022
Tencent and its subsidiaries	58,444	—

(e) Claims paid ceded to reinsurers

	Six months ended 30 June	
	2023	2022
Tencent and its subsidiaries	7,091	—

(f) Handling charges and commissions

	Six months ended 30 June	
	2023	2022
Ant Group and its subsidiaries	425,249	503,420
Nova Technology and its subsidiaries	22,810	17,342
Tencent and its subsidiaries	7,143	6,776
	455,202	527,538

(g) Technical service fees

	Six months ended 30 June	
	2023	2022
Ant Group and its subsidiaries	4,496	2,697
Tencent and its subsidiaries	—	235
	4,496	2,932

(h) Asset management fees

	Six months ended 30 June	
	2023	2022
Ping An Insurance and its subsidiaries	3,958	4,021

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023
(All amounts expressed in RMB'000 unless otherwise stated)

38. RELATED PARTY TRANSACTIONS (continued)

(i) Fees for purchasing goods and other services

	Six months ended 30 June	
	2023	2022
Nova Technology and its subsidiaries	179,067	54,255
Ant Group and its subsidiaries	76,775	3,902
Alibaba and its subsidiaries	54,391	45,808
Tencent and its subsidiaries	13,137	8,470
Ping An Insurance and its subsidiaries	7,052	—
	330,422	112,435

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

(j) Receivables from related parties

	30 June 2023	31 December 2022
Ping An Insurance and its subsidiaries (i)	308,536	230,402
Tencent and its subsidiaries	117,015	53
Ju'A and its subsidiaries	2,012	3,583
Nova Technology and its subsidiaries	1,571	204,389
Ant Group and its subsidiaries	459	—
	429,593	438,427

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

(k) Prepayments to related parties

	30 June 2023	31 December 2022
Ant Group and its subsidiaries	17,095	—
Nova Technology and its subsidiaries	5,630	6,005
Alibaba and its subsidiaries	4,150	6,511
Tencent and its subsidiaries	92	—
	26,967	12,516

38. RELATED PARTY TRANSACTIONS (continued)

(l) Payables to related parties

	30 June 2023	31 December 2022
Ant Group and its subsidiaries	166,240	212,071
Tencent and its subsidiaries	109,264	40
Nova Technology and its subsidiaries	78,601	69,174
Alibaba and its subsidiaries	9,484	12,303
Ju'A and its subsidiaries	3,695	—
Ping An Insurance and its subsidiaries	1,991	14,284
	369,275	307,872

(m) Compensation of key management personnel

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

	Six months ended 30 June	
	2023	2022
Wages, salaries and bonuses	8,031	5,917
Pension costs – defined contribution plans	410	332
Other social security costs, housing benefits and other employee benefits	436	355
	8,877	6,604

39. CONTINGENT LIABILITIES

Owing to the nature of the insurance business, the Group is involved in the making of estimates for contingencies and legal proceedings in the ordinary course of business, both in the capacity as plaintiff or defendant in litigation and arbitration. Legal proceedings mostly involve claims on the Group's insurance products. Provision has been made for the probable losses to the Group, including those claims where directors can reasonably estimate the outcome of the litigations taking into account the related legal advice, if any. No provision is made for contingencies and legal proceedings when the result cannot be reasonably estimated or the probability of loss is so low.

In addition to the above contingencies and legal proceedings relating to the claims on the Group's insurance products, at 30 June 2023, the Group has no major pending litigation that may have a material adverse effect on the financial position or operating results of the Group.

40. COMMITMENTS

The following tables provide the contractual amounts of the Group's credit commitments:

	30 June 2023	31 December 2022
Credit commitments with an original maturity of:		
– unconditionally cancellable	389,938	295,527
– 1 year or over	—	12,958
	389,938	308,485

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For the six months ended 30 June 2023
(All amounts expressed in RMB'000 unless otherwise stated)

41. MATURITY PROFILE OF FINANCIAL INSTRUMENTS

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

	30 June 2023					
	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	2,461,837	330,470	—	—	—	2,792,307
Securities purchased under agreements to resell	—	407,348	—	—	—	407,348
Loans and advances to customers	41,163	2,433,403	1,291,288	963,692	—	4,729,546
Financial assets at fair value through profit or loss	—	711,308	2,402,151	6,477,198	14,673,709	24,264,366
Financial assets at amortized cost	—	534,691	953,203	3,527	—	1,491,421
Debt financial assets at fair value through other comprehensive income	—	4,675,512	7,990,586	1,506,601	—	14,172,699
Equity financial assets at fair value through other comprehensive income	—	—	—	—	143,235	143,235
Term deposits	—	31,590	—	—	—	31,590
Restricted statutory deposits	—	55,775	270,725	—	—	326,500
Other assets	—	900,848	112,177	—	—	1,013,025
Total	2,503,000	10,080,945	13,020,130	8,951,018	14,816,944	49,372,037
Liabilities:						
Borrowings	—	102,486	—	—	—	102,486
Securities sold under agreements to repurchase	—	6,084,799	—	—	—	6,084,799
Customer deposits	3,343,033	6,565,862	—	—	—	9,908,895
Bonds payable	—	223,619	7,245,257	—	—	7,468,876
Lease liabilities	—	143,212	222,818	—	—	366,030
Other liabilities	—	3,771,661	—	—	211,715	3,983,376
Total	3,343,033	16,891,639	7,468,075	—	211,715	27,914,462

41. MATURITY PROFILE OF FINANCIAL INSTRUMENTS (continued)

	31 December 2022 (restated)					
	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	3,383,840	142,377	—	—	—	3,526,217
Securities purchased under agreements to resell	—	137,536	—	—	—	137,536
Loans and advances to customers	7,921	2,162,734	1,692,554	735,158	—	4,598,367
Financial assets at fair value through profit or loss	—	841,766	2,213,921	4,742,457	15,482,400	23,280,544
Financial assets at amortized cost	—	194,289	1,359,390	38,534	—	1,592,213
Debt financial assets at fair value through other comprehensive income	—	3,157,419	7,950,585	1,519,932	—	12,627,936
Equity financial assets at fair value through other comprehensive income	—	—	—	—	259,018	259,018
Term deposits	—	414,090	—	—	—	414,090
Restricted statutory deposits	—	—	326,500	—	—	326,500
Other assets	—	700,211	108,830	—	—	809,041
Total	3,391,761	7,750,422	13,651,780	7,036,081	15,741,418	47,571,462
Liabilities:						
Borrowings	—	151,531	—	—	—	151,531
Securities sold under agreements to repurchase	—	6,996,822	—	—	—	6,996,822
Customer deposits	2,558,895	5,688,104	—	—	—	8,246,999
Bonds payable	—	215,535	7,071,132	—	—	7,286,667
Lease liabilities	—	135,560	254,479	—	—	390,039
Other liabilities	—	2,604,188	—	—	290,824	2,895,012
Total	2,558,895	15,791,740	7,325,611	—	290,824	25,967,070

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023
(All amounts expressed in RMB'000 unless otherwise stated)

42. 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.

At 30 June 2023, the Group's financial assets mainly include cash and amounts due from banks and other financial institutions, securities purchased under agreements to resell, loans and advances to customers, financial assets at fair value through profit or loss, financial assets at amortized cost, financial assets at fair value through other comprehensive income, term deposit, restricted statutory deposits and etc.

Determination of fair value and fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the interim condensed consolidated financial information are categorized within the fair value hierarchies. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

The levels of the fair value hierarchy are as follows:

(a) Fair value is based on quoted prices (unadjusted) in active markets for identical assets or liabilities ("Level 1");

(b) Fair value is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) ("Level 2"); and

(c) Fair value is based on inputs for the asset or liability that are not based on observable market data (unobservable inputs) ("Level 3").

The level of fair value calculation is determined by the lowest level input with material significant in the overall calculation. As such, the significance of the input should be considered from an overall perspective in the calculation of fair value.

For Level 2 financial instruments, valuations are generally obtained from third party pricing services for identical or comparable assets, or through the use of valuation methodologies using observable market inputs, or recent quoted market prices. Valuation service providers typically gather, analyze and interpret information related to market transactions and other key valuation model inputs from multiple sources, and through the use of widely accepted internal valuation models, provide a theoretical quote on various securities. Debt securities traded among Chinese interbank market are classified as Level 2 when they are valued at recent quoted price from Chinese interbank market or from valuation service providers. Substantially most financial instruments classified within Level 2 of the fair value hierarchy are debt investments denominated in RMB. Fair value of debt investments denominated in RMB is determined based upon the valuation results by the China Central Depository & Clearing Co., Ltd, 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 analyze the change of the valuation and report it to management. Key inputs involved in internal valuation services are not based on observable market data. They reflect assumptions made by management based on judgements and experiences.

For assets and liabilities that are 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.

42. FAIR VALUE MEASUREMENT (continued)

Determination of fair value and fair value hierarchy (continued)

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

	30 June 2023			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Financial assets at fair value through profit or loss				
– Fund investments	8,324,198	—	—	8,324,198
– Debt investments	1,272,952	6,536,778	—	7,809,730
– Wealth management products	4,098,239	489,284	—	4,587,523
– Equity investments	1,374,994	—	386,994	1,761,988
Financial assets at fair value through other comprehensive income				
– Debt investments	771,885	12,067,483	—	12,839,368
– Equity investments	83,784	—	59,451	143,235
	15,926,052	19,093,545	446,445	35,466,042
Liabilities measured at fair value				
Derivative financial liabilities	—	—	38,414	38,414
Assets for which fair values are disclosed				
Financial assets at amortized cost	10,207	662,535	680,305	1,353,047
Liabilities for which fair values are disclosed				
Bonds payable	—	—	6,121,167	6,121,167

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023
(All amounts expressed in RMB'000 unless otherwise stated)

42. FAIR VALUE MEASUREMENT (continued)

Determination of fair value and fair value hierarchy (continued)

	31 December 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets measured at fair value				
Financial assets at fair value through profit or loss				
– Fund investments	10,615,001	—	—	10,615,001
– Debt investments	1,557,719	4,822,698	—	6,380,417
– Wealth management products	2,722,068	578,200	—	3,300,268
– Equity investments	1,208,332	—	358,799	1,567,131
Financial assets at fair value through other comprehensive income				
– Debt investments	810,088	10,796,812	—	11,606,900
– Equity investments	219,995	—	39,023	259,018
	17,133,203	16,197,710	397,822	33,728,735
Liabilities measured at fair value				
Derivative financial liabilities	—	—	64,398	64,398
Assets for which fair values are disclosed				
Financial assets at amortized cost	10,265	717,615	684,920	1,412,800
Liabilities for which fair values are disclosed				
Bonds payable	—	—	5,702,365	5,702,365

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

Unlisted equity investments	**Financial assets at fair value through profit or loss**	**Financial assets at fair value through other comprehensive income**
1 January 2023	358,799	39,023
Increase	29,903	20,428
Net unrealized gain recognised in total comprehensive income	(1,708)	—
30 June 2023	**386,994**	**59,451**

42. FAIR VALUE MEASUREMENT (continued)

Determination of fair value and fair value hierarchy (continued)

Valuation techniques

The fair value of the unquoted debt investments is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities, with appropriate adjustment where applicable.

The fair value of the unquoted equity investments has been determined using valuation techniques such as comparable company valuation multiples, recent transaction prices of the same or similar instruments, with appropriate adjustments have been made where applicable, for example, for lack of liquidity using option pricing models. The valuation requires management to make certain assumptions about unobservable inputs to the model, which mainly include historical volatility and estimated time period prior to the listing of the unquoted equity instruments, etc. The fair value of the unquoted equity investments is not significantly sensitive to a reasonable change in these unobservable inputs.

43. SUBSEQUENT EVENTS

On 31 May 2023, ZhongAn International entered into the Share Purchase Agreement with ZhongAn Technology, Sinolink, Warrior Treasure Limited ("Warrior") and AIA VCC for a/c of AIA Opportunities Fund Venture Capital 2021 ("Opportunities Fund"), pursuant to which Sinolink conditionally agreed to subscribe for, and ZhongAn International conditionally agreed to issue and allot, a maximum of 96,508,924 ZhongAn International ordinary shares at a purchase price of US$0.66 per share ("Additional Sinolink Subscription"), which requires the approval by the shareholders of the Company and Sinolink. The Additional Sinolink Subscription will take place in two tranches.

On 14 July 2023 and 25 July 2023, the resolutions on the Additional Sinolink Subscription were passed by the shareholders of the Company and Sinolink, respectively.

On 14 August 2023, Sinolink injected USD44.6 million, equivalent to RMB319.6 million, into ZhongAn International for an aggregate of 67,556,247 new ZhongAn International ordinary shares at a subscription price of approximately USD44.6 million pursuant to the terms and conditions of the Share Purchase Agreement ("Initial Closing"). Upon the Initial Closing, the voting interest in ZhongAn International shall be held as to approximately 43.65% by ZhongAn Technology, approximately 46.04% by Sinolink, approximately 7.68% by Warrior, and approximately 2.63% by Opportunities Fund, respectively.

With effect immediately from the date of the Initial Closing, the board of directors of ZhongAn International shall consist of no more than five directors. ZhongAn Technology shall be entitled to nominate three directors, and Sinolink shall be entitled to nominate up to two directors.

As the Shareholders Agreement of ZhongAn International will be effective upon the Initial Closing and provides that resolutions of a meeting of the board of directors of ZhongAn International shall be adopted by the unanimous consent of those present and voting in such meeting, following the Initial Closing, ZhongAn International no longer remains as a subsidiary of the Company and shall be accounted for as a joint venture. Investment income of approximate RMB3.8 billion would be recognised due to this transaction.

44. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The interim condensed consolidated financial information was approved and authorized for issue by the directors of the Company on 28 August 2023.

Definitions

"Ant Group"	Ant Group Co., Ltd. (螞蟻科技集團股份有限公司), a limited liability company incorporated in the PRC (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 established in the PRC and a wholly-owned subsidiary of China Telecom Corporation Limited (Hong Kong Stock Exchange stock code: 728; NYSE stock code: CHA)
"Board" or "Board of Directors"	the Board of Directors of our Company
"CG Code"	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
"Chief Executive(s)"	has the meaning ascribed to it under the Listing Rules
"Company", "Our Company", "ZhongAn", "ZhongAn Insurance", "we" or "us"	ZhongAn Online P & C Insurance Co., Ltd. (眾安在綫財產保險股份有限公司), a joint stock limited company with limited liability incorporated in the PRC on October 9, 2013
"Director(s)"	the director(s) of our Company
"Domestic Shares"	ordinary shares issued by the Company, with a nominal value of RMB1, which are subscribed for or credited as paid in RMB
"Global Offering"	has the meaning ascribed to it in the Prospectus
"Grab"	Grab International Inc., a leading O2O platform in Southeast Asia, with which ZATI has formed a joint venture company, GrabInsure, and listed on the NASDAQ Stock Exchange (stock code: GRAB)
"Group", "we", "our" or "us"	the Company and its subsidiaries, or where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, such subsidiaries could be viewed as if they were the subsidiaries of the Company at the time
"H Shares"	the overseas listed foreign invested ordinary shares in the ordinary share capital of the Company, with a nominal value of RMB1 each, which are to be subscribed for and traded in Hong Kong dollars, and a "H Share" means any of them
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars", "HKD" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Financial Reporting Standard" or "HKFRS"	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)
"Latest Practicable Date"	August 28, 2023, being the latest practicable date for ascertaining certain information in this interim report before its publication

"Listing"	the listing of the H shares on the Main Board of the Hong Kong Stock Exchange
"Listing Rules"	the Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"NAFR"	the National Administration of Financial Regulation (國家金融監督管理總局)
"NYSE"	New York Stock Exchange
"Ping An Group"	Ping An Insurance and its subsidiaries
"Ping An Insurance"	Ping An Insurance (Group) Co. of China, Ltd. (中國平安保險(集團)股份有限公司), a joint stock limited company established in the PRC on March 21, 1988 listed on the Main Board of the Hong Kong Stock Exchange (SEHK: 02318) and the Shanghai Stock Exchange (SSE: 601318), and one of our substantial shareholders
"Ping An P&C"	Ping An Property and Casualty Insurance Company of China, Ltd. (中國平安財產保險股份有限公司), a subsidiary of Ping An Insurance
"PRC" or "China"	the People's Republic of China, but for the purposes of this interim report only, except where the context requires, references in this interim report to the PRC or China exclude Hong Kong, Macau and Taiwan
"Prospectus"	the prospectus of the Company dated September 18, 2017
"Reporting Period"	the six months ended June 30, 2023
"RMB" or "Renminbi"	the lawful currency of PRC
"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" or "Sinolink Worldwide"	Sinolink Worldwide Holdings Limited (百仕達控股有限公司), a company incorporated in Bermuda with limited liability whose shares are listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 1168)
"substantial shareholders"	has the meaning ascribed to it under the Listing Rules
"Supervisor(s)"	members of the supervisory committee of the Company
"Supervisory Committee"	the supervisory committee of the Company established pursuant to the Company Law of the PRC (中華人民共和國公司法)
"Tencent"	Tencent Holdings Limited, a company incorporated in the Cayman Islands and listed on the Main Board of the Hong Kong Stock Exchange (stock code: 700)
"Tencent Computer System"	Shenzhen Tencent Computer Systems Company Limited (深圳市騰訊計算機系統有限公司), a limited liability company incorporated in the PRC on November 11, 1998, one of our substantial shareholders and a subsidiary of Tencent
"Tmall"	Tmall.com (天貓), an online platform created by Alibaba

Definitions

"USD" or "US$"	United State dollars, the lawful currency of the United States of America
"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 non-wholly owned subsidiary of the Company and a company incorporated in Hong Kong with limited liability
"ZATI Share Option Scheme"	a share option scheme of ZATI adopted by the Shareholders on December 29, 2020
"ZhongAn Technology"	ZhongAn Information and Technology Services Co., Ltd. (眾安信息技術服務有限公司), a wholly-owned subsidiary of our Company, incorporated in the PRC on July 7, 2016

Glossary

"AI"	artificial intelligence
"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
"HKSAR"	the Hong Kong Special Administrative Region
"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 from debt investments, trust investment schemes, bank deposits and securities purchased under agreements to resell, dividend income from fund investments, wealth management products and equity investments, and realized gains or losses on security transactions
"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
"reinsurance"	the practice whereby a reinsurer, in consideration of a premiums paid to it, agrees to indemnify another party for part or all of the liabilities assumed by the reinsured party under an insurance contract, which the reinsured party has issued
"reserves"	liability established to provide for future payments of claims and benefits to policyholders net of liability ceded to reinsurance companies
"unearned premium reserves"	portions of written premiums relating to unexpired risk of insurance coverage

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Xing Jiang
Gaofeng Li

Non-Executive Directors

Yaping Ou
Liangxun Shi
Gang Ji
Shuang Zhang
Hugo Jin Yi Ou

Independent Non-Executive Directors

Wei Ou
Vena Wei Yan Cheng
Gigi Wing Chee Chan
Hai Yin

Supervisors

Yuping Wen
Haijiao Liu
Limin Guo

AUDIT AND CONSUMER RIGHTS PROTECTION COMMITTEE

Gigi Wing Chee Chan *(Chairperson)*
Gang Ji
Vena Wei Yan Cheng
Hai Yin

NOMINATION AND REMUNERATION MANAGEMENT COMMITTEE

Wei Ou *(Chairperson)*
Hugo Jin Yi Ou
Vena Wei Yan Cheng

STRATEGY AND INVESTMENT DECISION COMMITTEE

Yaping Ou *(Chairperson)*
Xing Jiang
Gaofeng Li
Liangxun Shi
Shuang Zhang

RISK MANAGEMENT AND RELATED TRANSACTION CONTROL COMMITTEE

Hai Yin *(Chairperson)*
Wei Ou
Gigi Wing Chee Chan

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

5/F, Manulife Place
348 Kwun Tong Road
Kowloon, Hong Kong

H SHARE REGISTRAR

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

COMPANY SECRETARY

Yongbo Zhang

AUTHORIZED REPRESENTATIVES

Hugo Jin Yi Ou
Yongbo Zhang

LEGAL ADVISORS

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

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

STOCK CODE

6060

COMPANY WEBSITE

www.zhongan.com