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OneConnect Financial Technology Co., Ltd.

壹账通金融科技有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6638)

(NYSE Stock Ticker: OCFT)

OVERSEAS REGULATORY ANNOUNCEMENT

This announcement is made pursuant to Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

OneConnect Financial Technology Co., Ltd. has filed with the Securities and Exchange Commission of the United States an amendment No. 2 to its annual report on Form 20-F for the fiscal year ended December 31, 2023 as amended by amendment No. 1 to the annual report on Form 20-F/A, solely for the purpose of filing updated certifications as exhibits to this amendment by the Company's principal executive officer and principal financial officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended. For details of the filing, please refer to the attached amendment No. 2 to the annual report on Form 20-F.

By Order of the Board
OneConnect Financial Technology Co., Ltd.
Mr. Chongfeng Shen
Chairman of the Board and Chief Executive Officer

Hong Kong, July 18, 2024

As at the date of this announcement, the board of directors of the Company comprises Mr. Chongfeng Shen as the executive director, Mr. Michael Guo, Ms. Xin Fu, Mr. Wenwei Dou and Ms. Wenjun Wang as the non-executive directors and Dr. Yaolin Zhang, Mr. Tianruo Pu, Mr. Wing Kin Anthony Chow and Mr. Koon Wing Ernest Ip as the independent non-executive directors.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F/A
(Amendment No.2)

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2023.

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report

For the transition period from _____ to _____

Commission file number: 001-39147

OneConnect Financial Technology Co., Ltd.

(Exact name of Registrant as specified in its charter)

N/A

(Translation of Registrant's name into English)

Cayman Islands

(Jurisdiction of incorporation)

21/24F, Ping An Finance Center, No. 5033 Yitian Road
Futian District, Shenzhen, Guangdong, 518000, The People's Republic of China
(Address of principal executive offices)

Mr. Yongtao Luo, Chief Financial Officer

Telephone: +86-21-2066-0625

Email: OCFT_IR@ocft.com

21/24F, Ping An Finance Center, No. 5033 Yitian Road

Futian District, Shenzhen, Guangdong, The People's Republic of China

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered, pursuant to Section 12(b) of the Act

Title of each class	Trading Symbol	Name of each exchange on which registered
American depositary shares, each ADS represents thirty ordinary shares, par value US\$0.00001 per share	OCFT	The New York Stock Exchange
Ordinary shares, par value US\$0.00001 per share	6638	The Stock Exchange of Hong Kong Limited

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

(Title of Class)

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Indicate the number of issued and outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report 1,169,980,653 Ordinary Shares

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards † provided pursuant to Section 13(a) of the Exchange Act.

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

International Financial Reporting Standards as issued by the International Accounting Standards Board

Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

Auditor Name
PricewaterhouseCoopers Zhong Tian LLP

Auditor Location
Shenzhen, the People's Republic of China

Auditor Firm ID
1424

EXPLANATORY NOTE

This Amendment No.2 to the annual report on Form 20-F for the fiscal year ended December 31, 2023 (the “Amendment No.2”) of OneConnect Financial Technology Co., Ltd. (the “Company”), as originally filed with the U.S. Securities and Exchange Commission (the “SEC”) on April 23, 2024 (the “Original Filing”), as amended by Amendment No.1 to the annual report on Form 20-F/A filed with the SEC on July 5, 2024 (the “Amendment No.1”), is being filed solely for purposes of filing the updated certifications as exhibits to this Amendment No.2 by the Company’s principal executive officer and principal financial officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.

The Company is also including the Consolidated Financial Statements as of December 31, 2023 and 2022 and for the years ended December 31, 2023, 2022 and 2021 dated April 23, 2024 (the “Audited Financial Statements”) and Item 15 of the Form 20-F. There are no changes to Item 15 or the Audited Financial Statements of the Company from the Original Filing.

Other than as expressly set forth above, this Amendment No.2 does not, and does not purport to, amend, update or restate the information in any other item of the Original Filing or the Amendment No.1, or reflect any event that has occurred after the filing of the Original Filing. The Original Filing, as amended by the Amendment No. 1 and Amendment No. 2, is referred to as “this Form 20-F”, “this annual report on Form 20-F” or “the Annual Report”.

ITEM 15. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our management with the participation of our chief executive officer and chief financial officer has performed an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report, as required by Rule 13a-15(b) under the Exchange Act.

Based on that evaluation, our management has concluded that, as of December 31, 2023, our disclosure controls and procedures were effective in ensuring that the information required to be disclosed by us in the reports that we file and furnish under the Exchange Act was recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our chief executive officer and chief financial officer, to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. As required by Rule 13a-15(c) of the Exchange Act, our management conducted an evaluation of our company's internal control over financial reporting as of December 31, 2023 based on the framework in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2023.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness of our internal control over financial reporting to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Attestation Report of the Registered Public Accounting Firm

Our independent registered public accounting firm, PricewaterhouseCoopers Zhong Tian LLP, has audited the effectiveness of our internal control over financial reporting as of December 31, 2023, as stated in its report, which appears on page F-2 of this annual report on Form 20-F.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the year ended December 31, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 19. EXHIBITS

Exhibit Number	Description of Document
1.1	Form of Fourth Amended and Restated Memorandum and Articles of Association of the Registrant (incorporated herein by reference to Exhibit 1.1 of our Annual Report on Form 20-F (file No. 001-39147) as filed with the Securities and Exchange Commission on April 24, 2023)
2.1	Registrant's Specimen American Depositary Receipt (included in Exhibit 2.4)
2.2	Registrant's Specimen Certificate for Ordinary Shares (incorporated herein by reference to Exhibit 4.2 to the registration statement on Form F-1 (File No. 333-234666), as amended, initially filed with the Securities and Exchange Commission on November 13, 2019)
2.3	Form of Amendment No. 1 to Deposit Agreement among the Registrant, the depository and the holders and beneficial owners of American Depositary Shares issued thereunder. (incorporated by reference to Exhibits (a)(2) from the post-effective amendment No. 1 to Form F-6 (file no. 333-244148) as filed with the Securities and Exchange Commission on November 30, 2022)
2.4	Post-effective Amendment No.1 to Form F-6 Registration Statement under the Securities Act of 1933 for Depositary Shares Evidenced by American Depositary Receipts (file no. 333-244148) as filed with the Securities and Exchange Commission on November 30, 2022)
2.5	Registration Rights Agreement between Registrant and other parties thereto date October 17, 2019 (incorporated herein by reference to Exhibit 4.4 to the registration statement on Form F-1 (File No. 333-234666), as amended, initially filed with the Securities and Exchange Commission on November 13, 2019)
2.6	Description of Securities (incorporated herein by reference to Exhibit 2.6 of our Annual Report on Form 20-F (file No. 001-39147) as filed with the Securities and Exchange Commission on April 24, 2023)
4.1	Form of Indemnification Agreement between the Registrant and its directors and executive officers (incorporated herein by reference to Exhibit 10.1 to the registration statement on Form F-1 (File No. 333-234666), as amended, initially filed with the Securities and Exchange Commission on November 13, 2019)
4.2	English translation of the Form of Employment Agreement between the Registrant and its executive officers (incorporated herein by reference to Exhibit 10.2 to the registration statement on Form F-1 (File No. 333-234666), as amended, initially filed with the Securities and Exchange Commission on November 13, 2019)
4.3	English translation of the executed amended and restated equity pledge agreement entered into by and among Shenzhen OneConnect Technology, Shenzhen OneConnect, shareholders of Shenzhen OneConnect, Jie Li, Liang Xu, Wenjun Wang and Wenwei Dou dated September 16, 2019 (incorporated herein by reference to Exhibit 10.3 to the registration statement on Form F-1 (File No. 333-234666), as amended, initially filed with the Securities and Exchange Commission on November 13, 2019)
4.4	English translation of the executed amended and restated shareholder voting proxy agreement entered into by and among Shenzhen OneConnect Technology, Shenzhen OneConnect, subsidiaries of Shenzhen OneConnect, shareholders of Shenzhen OneConnect, Jie Li, Liang Xu, Wenjun Wang and Wenwei Dou dated September 16, 2019 (incorporated herein by reference to Exhibit 10.4 to the registration statement on Form F-1 (File No. 333-234666), as amended, initially filed with the Securities and Exchange Commission on November 13 2019)
4.5	English translation of the form letter of undertakings (incorporated herein by reference to Exhibit 10.5 to the registration statement on Form F-1 (File No. 333-234666), as amended, initially filed with the Securities and Exchange Commission on November 13, 2019)
4.6	English translation of the form spousal consent letters issued by the spouses of Jie Li, Liang Xu, Wenjun Wang and Wenwei Dou (incorporated herein by reference to Exhibit 10.6 to the registration statement on Form F-1 (File No. 333-234666), as amended, initially filed with the Securities and Exchange Commission on November 13, 2019)
4.7	English translation of the executed amended and restated exclusive business cooperation agreement entered into by and between Shenzhen OneConnect Technology and Shenzhen OneConnect dated September 16, 2019 (incorporated herein by reference to Exhibit 10.7 to the registration statement on Form F-1 (File No. 333-234666), as amended, initially filed with the Securities and Exchange Commission on November 13, 2019)
4.8	English translation of the executed amended and restated exclusive equity option agreement entered into by and among Shenzhen OneConnect Technology, Shenzhen OneConnect, shareholders of Shenzhen OneConnect, Jie Li, Liang Xu, Wenjun Wang and Wenwei Dou dated September 16, 2019 (incorporated herein by reference to Exhibit 10.8 to the registration statement on Form F-1 (File No. 333234666), as amended, initially filed with the Securities and Exchange Commission on November 13, 2019)

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4.9	English translation of the executed amended and restated exclusive asset purchase option agreement entered into by and among Shenzhen OneConnect Technology, Shenzhen OneConnect, shareholders of Shenzhen OneConnect, Jie Li, Liang Xu, Wenjun Wang and Wenwei Dou dated September 16, 2019 (incorporated herein by reference to Exhibit 10.9 to the registration statement on Form F-1 (File No. 333-234666), as amended, initially filed with the Securities and Exchange Commission on November 13, 2019)
4.10	English translation of Strategic Cooperation Agreement between the Registrant and Ping An Insurance (Group) Company of China, Ltd. dated July 11, 2019 (incorporated herein by reference to Exhibit 10.14 to the registration statement on Form F-1 (File No. 333-234666), as amended, initially filed with the Securities and Exchange Commission on November 13, 2019)
4.11	English translation of 2017 Stock Incentive Plan (amended and restated on September 10, 2019 and September 28, 2020 and further amended and restated on June 24, 2022 with effect from the date of the Hong Kong Listing) of the Registrant (incorporated herein by reference to Exhibit 4.11 of our Annual Report on Form 20-F (file No. 001-39147) as filed with the Securities and Exchange Commission on April 24, 2023)
8.1***	Significant Subsidiaries and VIE of the Registrant
11.1	Code of Business Conduct and Ethics of the Registrant (incorporated herein by reference to Exhibit 99.1 to the registration statement on Form F-1 (File No. 333-234666), as amended, initially filed with the Securities and Exchange Commission on November 13, 2019)
12.1*	Certification by Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
12.2*	Certification by Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
13.1**	Certification by Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
13.2**	Certification by Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1***	Consent of Haiwen & Partners
15.2*	Consent of PricewaterhouseCoopers Zhong Tian LLP, an independent registered public accounting firm
97.1***	Policy for the Recovery of Erroneously Awarded Compensation of the Registrant
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Scheme Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104.*	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed herewith

** Furnished herewith

*** Previously filed as an exhibit to the annual report on Form 20-F for the fiscal year ended December 31, 2023, filed with the Securities and Exchange Commission on April 23, 2024

† Certain portions of these exhibits have been omitted as confidential

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing this Amendment No.2 and that it has duly caused and authorized the undersigned to sign this Amendment No.2 on its behalf.

OneConnect Financial Technology Co., Ltd.

By: /s/ Mr. Yongtao Luo

Name: Mr. Yongtao Luo

Title: Chief Financial Officer

Date: July 18, 2024

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of OneConnect Financial Technology Co., Ltd.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of OneConnect Financial Technology Co., Ltd. and its subsidiaries (the “Company”) as of December 31, 2023 and 2022 and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for each of the three years in the period ended December 31, 2023, including the related notes (collectively referred to as the “consolidated financial statements”). We also have audited the Company’s internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023 in conformity with IFRS Accounting Standards as issued by the International Accounting Standards Board. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company’s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management’s Annual Report on Internal Control over Financial Reporting appearing under Item 15. Our responsibility is to express opinions on the Company’s consolidated financial statements and on the Company’s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (i) relate to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Goodwill Impairment Assessment

As described in Notes 4(d) and 14 to the consolidated financial statements, the Company's consolidated goodwill balance was RMB 289,161 thousands as of December 31, 2023. Goodwill impairment reviews are undertaken by management at least annually or more frequently if events or changes in circumstances indicate a potential impairment. As a result of the impairment test performed by management at the end of 2023, it was determined that the recoverable amount of the cash generating unit, to which the goodwill was allocated, exceeded its carrying value and therefore no impairment was recorded. The recoverable amount of cash generating unit was determined based on value-in-use using cash flow projections. The significant assumptions used in the goodwill impairment assessment included revenue growth rates, long-term growth rate, profit margin and pre-tax discount rate.

The principal considerations for our determination that performing procedures relating to the goodwill impairment assessment is a critical audit matter are there were significant estimations and judgments by management when developing the value-in-use calculation of the cash generating unit. This in turn led to a high degree of auditor judgment, effort, and subjectivity in performing procedures, and in evaluating the related audit evidence over management's cash flow projections and significant assumptions related to the revenue growth rates, long-term growth rate, profit margin and pre-tax discount rate. In addition, the audit effort involved the use of professionals with specialized skill and knowledge.

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Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's evaluation of the recoverability of goodwill, including controls over the valuation of the recoverable amount of cash generating unit to which the goodwill was allocated. These procedures also included, among others, testing management's process for the goodwill impairment assessment; evaluating the appropriateness of the goodwill impairment assessment method; testing the completeness, accuracy and relevance of underlying data used in, and evaluating the reasonableness of significant assumptions used by management, including revenue growth rates, long-term growth rate, profit margin and pre-tax discount rate. Evaluating management's assumptions related to revenue growth rates, long-term growth rate and profit margin involved assessing their reasonableness by considering the (i) the current and historical business performance of the cash generating unit; (ii) the management's future business plan and market development and (iii) the consistency with evidence obtained in other areas of the audit. Professionals with specialized skill and knowledge were used to assist in the evaluation of the Company's goodwill impairment assessment method, long-term growth rate and pre-tax discount rate.

Impairment loss allowance for trade receivables and contract assets

As described in Notes 4(a), 5.1(b)(ii), 6.2(c) and 19 to the consolidated financial statements, as of December 31, 2023, the gross balance of trade receivables and contract assets were RMB 779,458 thousands and RMB 153,204 thousands, respectively, and the impairment loss allowances for these assets were RMB 68,789 thousands and RMB 57,379 thousands, respectively. The impairment loss allowances were determined using the expected credit loss ("ECL") model. Management applied the simplified approach in determining ECL which used a lifetime expected impairment loss allowance for all trade receivables and contract assets. Management grouped trade receivables and contract assets based on their shared credit risk characteristics and the age of the underlying receivables, and then determined the impairment loss allowance on the basis of exposure at default and ECL rates, which considered historical credit loss experience adjusted to reflect current and forward-looking information.

The principal considerations for our determination that performing procedures relating to impairment loss allowance for trade receivables and contract assets is a critical audit matter are the significant judgment by management in developing the ECL model. This in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence related to management's assumptions, related to the grouping of trade receivables and contract assets, and the determination of ECL rates.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included understanding, evaluating and testing the effectiveness of controls relating to the impairment loss allowance for trade receivables and contract assets, including the grouping of trade receivables and contract assets and the determination of ECL rates. These procedures also included, among others (i) testing the completeness, accuracy, and relevance of underlying data used, (ii) testing the mathematical accuracy of the ECL model, (iii) evaluating the appropriateness of the model, and (iv) evaluating the reasonableness of significant assumptions used by management, relating to the grouping of trade receivables and contract assets, and determination of the ECL rates. Evaluating the reasonableness of management's assumptions relating to grouping of trade receivables and contract assets involved considering the credit risk characteristics and the age of the underlying assets. Evaluating the reasonableness of management's assumptions relating to ECL rates involved considering (i) the appropriateness of historical period selection, historical credit loss experience, current status of the assets and other relevant information; and (ii) the appropriateness of forward-looking information and macroeconomic factors affecting the expected ability of customers to settle receivables.

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Recognition of deferred tax assets

As described in Notes 4(b) and 34 to the consolidated financial statements, the Company's deferred tax assets were RMB 768,276 thousands as of December 31, 2023. The recognition of deferred tax assets was based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in future periods, against which existing deductible temporary differences can be utilized. To determine the future taxable profits, reference was made to the latest available profit forecasts. Where the temporary difference is related to the carry-forward of operating losses, relevant tax law was considered on a jurisdictional basis to determine the availability of such losses to offset future taxable profits.

The principal considerations for our determination that performing procedures relating to the recognition of deferred tax assets is a critical audit matter are the significant judgment by management in determining the amount of deferred tax assets that can be recognized. This in turn led to significant auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence related to management's estimate of sufficient future taxable profits.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating the deferred tax assets recognition process, including controls over the forecast of future taxable profits used to support the recognition of the deferred tax assets. These procedures also included, among others, evaluating the reasonableness of the forecasted future taxable profits used to support the recognition of the deferred income assets by (i) considering the results of a retrospective comparison of forecasted taxable profits in prior year to actual results in the current year; (ii) comparison of revenue growth rate and profit margin in the current year forecast to historical results and industry trends; and (iii) comparing whether the forecast was consistent with evidence obtained in other areas of the audit.

/s/ PricewaterhouseCoopers Zhong Tian LLP
Shenzhen, the People's Republic of China
April 23, 2024

We have served as the Company's auditor since 2018

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Year ended December 31,		
		2021	2022	2023
		RMB'000	RMB'000	RMB'000
Revenue	6	4,132,357	4,464,002	3,667,508
-Technology Solutions		4,098,037	4,357,462	3,521,591
-Virtual Bank Business		34,320	106,540	145,917
Cost of revenue	7	(2,695,706)	(2,828,986)	(2,318,103)
Gross profit		1,436,651	1,635,016	1,349,405
Research and development expenses	7	(1,353,018)	(1,417,691)	(955,201)
Selling and marketing expenses	7	(588,380)	(411,356)	(275,351)
General and administrative expenses	7	(841,685)	(824,711)	(504,970)
Net impairment losses on financial and contract assets	5.1(b)	(72,229)	(33,639)	(53,950)
Other income, gains or loss-net	9	13,921	70,818	71,855
Operating loss		(1,404,740)	(981,563)	(368,212)
Finance income	10	28,823	14,709	29,580
Finance costs	10	(76,637)	(37,173)	(20,532)
Finance (costs)/income – net	10	(47,814)	(22,464)	9,048
Share of gain of associate and joint venture - net	15	9,946	24,852	4,607
Impairment charges on associate	15	—	(10,998)	(7,157)
Loss before income tax		(1,442,608)	(990,173)	(361,714)
Income tax benefit/ (expense)	11	112,095	62,147	(9,762)
Loss for the year		(1,330,513)	(928,026)	(371,476)
Loss attributable to:				
- Owners of the Company		(1,281,699)	(872,274)	(362,715)
- Non-controlling interests		(48,814)	(55,752)	(8,761)
		(1,330,513)	(928,026)	(371,476)
Other comprehensive income, net of tax				
Items that may be subsequently reclassified to profit or loss				
- Foreign currency translation differences		(152,542)	69,454	3,880
- Changes in the fair value of debt instruments measured at fair value through other comprehensive income		(16)	5,324	500
Items that will not be subsequently reclassified to profit or loss				
- Foreign currency translation differences		—	356,691	22,336
- Changes in the fair value of equity investments measured at fair value through other comprehensive income		(1,796)	—	—
		(154,354)	431,469	26,716
Total comprehensive loss for the year		(1,484,867)	(496,557)	(344,760)
Total comprehensive loss attributable to:				
- Owners of the Company		(1,436,053)	(440,805)	(335,999)
- Non-controlling interests		(48,814)	(55,752)	(8,761)
		(1,484,867)	(496,557)	(344,760)
Loss per share attributable to owners of the Company (expressed in RMB per share)				
- Basic and diluted	12	(1.16)	(0.80)	(0.33)
Loss per ADS attributable to owners of the Company (expressed in RMB per share)				
- Basic and diluted	12	(34.69)	(23.90)	(9.99)

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

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ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

CONSOLIDATED BALANCE SHEETS

	Note	As at December 31,	
		2022	2023
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Property and equipment	13	151,401	85,076
Intangible assets	14	570,436	471,371
Deferred tax assets	34	765,959	768,276
Investments accounted for using the equity method	15	199,200	—
Financial assets measured at fair value through other comprehensive income	17	821,110	1,372,685
Restricted cash and time deposits over three months	23	—	5,319
Prepayments and other receivables	20	—	6,663
Total non-current assets		2,508,106	2,709,390
Current assets			
Trade receivables	19	940,989	710,669
Contract assets	6	122,628	95,825
Prepayments and other receivables	20	1,078,604	905,691
Financial assets measured at amortized cost from virtual bank	21	44	3,081
Financial assets measured at fair value through other comprehensive income	17	1,233,431	853,453
Financial assets at fair value through profit or loss	22	690,627	925,204
Derivative financial assets	32	56,363	38,008
Restricted cash and time deposits over three months	23	343,814	447,564
Cash and cash equivalents	24	1,907,776	1,379,473
Total current assets		6,374,276	5,358,968
Total assets		8,882,382	8,068,358
EQUITY AND LIABILITIES			
Equity			
Share capital	25	78	78
Shares held for share incentive scheme	27	(149,544)	(149,544)
Other reserves	26	10,953,072	10,989,851
Accumulated losses		(7,510,899)	(7,873,614)
Equity attributable to equity owners of the Company		3,292,707	2,966,771
Non-controlling interests		(14,652)	(18,979)
Total equity		3,278,055	2,947,792
LIABILITIES			
Non-current liabilities			
Trade and other payables	28	132,833	28,283
Contract liabilities	6	19,977	17,126
Deferred tax liabilities	34	5,196	2,079
Total non-current liabilities		158,006	47,488
Current liabilities			
Trade and other payables	28	2,531,273	1,981,288
Payroll and welfare payables		431,258	385,908
Contract liabilities	6	166,650	138,563
Short-term borrowings	29	289,062	251,732
Customer deposits	30	1,929,183	2,261,214
Other financial liabilities from virtual bank	31	89,327	54,373
Derivative financial liabilities	32	9,568	—
Total current liabilities		5,446,321	5,073,078
Total liabilities		5,604,327	5,120,566
Total equity and liabilities		8,882,382	8,068,358

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

The financial information on pages F6 to F95 were approved by the Board of Directors on April 23, 2024 and were signed on its behalf.

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ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	Attributable to owners of the Company				Non-controlling interest	Total equity	
		Share capital	Shares held for share incentive scheme	Other reserves	Accumulated losses			
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
As at January 1, 2021		78	(87,714)	10,639,931	(5,356,926)	5,195,369	89,914	5,285,283
Loss for the year		—	—	—	(1,281,699)	(1,281,699)	(48,814)	(1,330,513)
Other comprehensive income, net of tax		—	—	—	—	—	—	—
- Foreign currency translation differences	26	—	—	(152,542)	—	(152,542)	—	(152,542)
- Fair value changes on financial assets measured at fair value through other comprehensive income		—	—	(1,812)	—	(1,812)	—	(1,812)
Total comprehensive loss for the year		—	—	(154,354)	(1,281,699)	(1,436,053)	(48,814)	(1,484,867)
Transactions with equity holders:								
Share-based payments:								
- Value of employee services and business cooperation arrangements	27	—	—	25,409	—	25,409	—	25,409
- Vesting of shares under Restricted Share Unit Scheme		—	700	(700)	—	—	—	—
- Exercise of shares under Share Option Scheme		—	6,912	2,345	—	9,257	—	9,257
Total transactions with equity holders at their capacity as equity holders for the year		—	7,612	27,054	—	34,666	—	34,666
As at December 31, 2021		78	(80,102)	10,512,631	(6,638,625)	3,793,982	41,100	3,835,082

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ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

	Note	Attributable to owners of the Company						Non-controlling interest RMB'000	Total equity RMB'000
		Share capital	Shares held for share incentive scheme	Other reserves	Accumulated losses	Total			
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
As at January 1, 2022		78	(80,102)	10,512,631	(6,638,625)	3,793,982	41,100	3,835,082	
Loss for the year		—	—	—	(872,274)	(872,274)	(55,752)	(928,026)	
Other comprehensive income, net of tax		—	—	—	—	—	—	—	
- Foreign currency translation differences	26	—	—	426,145	—	426,145	—	426,145	
- Fair value changes on financial assets measured at fair value through other comprehensive income		—	—	5,324	—	5,324	—	5,324	
Total comprehensive loss for the year		—	—	431,469	(872,274)	(440,805)	(55,752)	(496,557)	
Transactions with equity holders:									
Share-based payments:									
- Value of employee services and business cooperation arrangements	27	—	—	13,361	—	13,361	—	13,361	
- Vesting of shares under Restricted Share Unit Scheme		—	4,720	(4,720)	—	—	—	—	
- Exercise of shares under Share Option Scheme		—	830	331	—	1,161	—	1,161	
- Repurchase of shares		—	(74,992)	—	—	(74,992)	—	(74,992)	
Total transactions with equity holders at their capacity as equity holders for the year		—	(69,442)	8,972	—	(60,470)	—	(60,470)	
As at December 31, 2022		78	(149,544)	10,953,072	(7,510,899)	3,292,707	(14,652)	3,278,055	

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

	Note	Attributable to owners of the Company				Non-controlling interest	Total equity	
		Share capital	Shares held for share incentive scheme	Other reserves	Accumulated losses			
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
As at January 1, 2023		78	(149,544)	10,953,072	(7,510,899)	3,292,707	(14,652)	3,278,055
Loss for the year		—	—	—	(362,715)	(362,715)	(8,761)	(371,476)
Other comprehensive income, net of tax		—	—	—	—	—	—	—
- Foreign currency translation differences	26	—	—	26,216	—	26,216	—	26,216
- Fair value changes on financial assets measured at fair value through other comprehensive income		—	—	500	—	500	—	500
Total comprehensive loss for the year		—	—	26,716	(362,715)	(335,999)	(8,761)	(344,760)
Transactions with equity holders:								
Share-based payments:								
- Value of employee services and business cooperation arrangements	27	—	—	14,497	—	14,497	—	14,497
- Transactions with non-controlling interests	28(ii)	—	—	(4,434)	—	(4,434)	4,434	—
Total transactions with equity holders at their capacity as equity holders for the year		—	—	10,063	—	10,063	4,434	14,497
As at December 31, 2023		78	(149,544)	10,989,851	(7,873,614)	2,966,771	(18,979)	2,947,792

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

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended December 31,		
		2021 RMB'000	2022 RMB'000	2023 RMB'000
Cash flows from operating activities				
Cash used in operations	35(a)	(383,704)	(720,786)	(637,746)
Income tax paid		(20,630)	(25,198)	(10,715)
Net cash used in operating activities		(404,334)	(745,984)	(648,461)
Cash flows from investing activities				
Payment for acquisition of subsidiaries, net of cash acquired		(11,060)	—	—
Payments for property and equipment		(45,553)	(22,066)	(5,981)
Payments for intangible assets		(82,463)	(45,877)	(31,488)
Payment for loans to related parties		(3,515)	—	—
Payments for financial assets measured at fair value through other comprehensive income		(16,661)	(614,772)	(1,867,657)
Payments for Investment in Jointly controlled entities	15	—	—	(2,550)
Payments for financial assets at fair value through profit or loss		(7,577,741)	(2,706,721)	(914,500)
(Payments)/Proceeds for settlement of derivatives		(138,634)	16,491	40,342
Release of restricted cash and time deposits over three months, net		1,206,607	922,818	207,896
Proceeds from sales of property and equipment		1,019	9,467	699
Receipts of loans to related parties		—	1,900	1,600
Proceeds from sales of financial assets measured at fair value through other comprehensive income		16,833	193,495	1,991,143
Proceeds from disposal of investment in associate	15	—	—	199,200
Proceeds from sales of financial assets at fair value through profit or loss		7,019,968	4,092,407	686,626
Interest received on financial assets at fair value through profit or loss		19,635	26,027	13,304
Net cash generated from investing activities		388,435	1,873,169	318,634
Cash flows from financing activities				
Proceeds from short-term borrowings	35(c)	912,900	313,000	235,000
Proceeds from exercise of shares under share incentive scheme		9,257	1,161	—
Payments for lease liabilities	35(e)	(96,139)	(76,734)	(60,922)
Repayments of short-term borrowings	35(c)	(2,376,945)	(836,429)	(273,000)
Interest paid	35(e)	(60,854)	(20,072)	(11,403)
Transactions with non-controlling interests		—	—	(15,000)
Payments for shares held for share incentive scheme		—	—	(88,280)
Payments for shares repurchase	27	—	(74,992)	—
Net cash used in financing activities		(1,611,781)	(694,066)	(213,605)
Net (decrease)/increase in cash and cash equivalents		(1,627,680)	433,119	(543,432)
Cash and cash equivalents at the beginning of the year		3,055,194	1,399,370	1,907,776
Effects of exchange rate changes on cash and cash equivalents		(28,144)	75,287	15,129
Cash and cash equivalents at the end of year		1,399,370	1,907,776	1,379,473

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

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information and basis of presentation

1.1 General information

OneConnect Financial Technology Co., Ltd. (the “Company”) was incorporated in the Cayman Islands on October 30, 2017 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is PO Box 309, Uglund House, Grand Cayman, KY1-1104, Cayman Islands. The Company completed its initial public offering (“IPO”) on December 13, 2019 on the New York Stock Exchange. The Company has listed by way of introduction its ordinary shares on the Main Board of the Stock Exchange of Hong Kong Limited on July 4, 2022.

On November 30, 2022, the Company announced its plans to change the ratio of its American Depositary Share (“ADS”) to its ordinary shares (the “ADS Ratio”) from the current ADS Ratio of one ADS to three ordinary shares to a new ADS Ratio of one ADS to thirty ordinary shares. The change in the ADS Ratio became effective on December 12, 2022. For all the periods presented, basic and diluted loss per ADS have been revised assuming the change of ADS ratio from a ratio of one ADS to three ordinary share to a new Ratio of one ADSs to thirty ordinary shares occurred at the beginning of the earliest period presented.

The Company, its subsidiaries, its controlled structured entities (“Structured Entities”, “Variable Interest Entities” or “VIEs”) and their subsidiaries (“Subsidiaries of VIEs”) are collectively referred to as the “Group”. The Group is principally engaged in providing cloud-platform-based Fintech solutions, online information service and operating support service to financial institutions (the “Listing Business”) mainly in the People’s Republic of China (the “PRC”). The Company does not conduct any substantive operations of its own but conducts its primary business operations through its subsidiaries, VIEs and subsidiaries of VIEs in the PRC. Further details of the VIEs are set out in Note 1.2 below.

These financial statements are presented in Renminbi (“RMB”), unless otherwise stated.

1.2 Organization and principal activities

As at December 31, 2023, the Company had direct or indirect interests in the following major subsidiaries(which are all corporations) including consolidated structured entities.

Company name	Place and date of incorporation/ establishment	Principal activities and place of operations	Issued and paid-in capital/ Registered capital	Equity interest held by the Group As at December 31		Note
				2022	2023	
Subsidiaries						
Jin Tai Yuan Limited	British Virgin Islands /October 27, 2017	Investment holding, BVI	USD747,940,498	100 %	100 %	
Jin Cheng Long Limited	Hong Kong /October 30, 2017	Investment holding, Hong Kong, the PRC.	USD747,940,498	100 %	100 %	
OneConnect Financial Technology (Hong Kong) Limited	Hong Kong /March 15, 2018	Software and technology service, information transmission, Hong Kong, the PRC.	USD1	100 %	100 %	
OneConnect Financial Technology (Singapore) Co., Pte. Ltd.	Singapore /March 26, 2018	Software and technology service, information transmission, Singapore.	SGD47,900,000	100 %	100 %	
PT OneConnect Financial Technology Indonesia	Indonesia/December 04, 2018	Software and technology service, information transmission, Indonesia.	IDR10,000,000,000	100 %	100 %	
Ping An OneConnect Bank (Hong Kong) Limited (“OneConnect Bank”)	Hong Kong/December 07, 2018	Banking service, Hong Kong, the PRC.	USD38,216,561 and HKD 1,200,000,000	100 %	100 %	
Shenzhen OneConnect Technology Services Co.,Ltd.(“Shenzhen OneConnect Technology”)	the PRC /January 04, 2018	Technology promotion and computer application services, Shenzhen, the PRC.	RMB4,903,181,996/RMB4,960,000,000	100 %	100 %	

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information and basis of presentation (Continued)

1.2 Organization and principal activities (Continued)

Company name	Place and date of incorporation/ establishment	Principal activities and place of operations	Issued and paid-in capital/ Registered capital	Equity interest held by the Group As at December 31		Note
				2022	2023	
Subsidiaries (Continued)						
Beijing Vantage Point Technology Co., Ltd. ("Vantage Point Technology")	the PRC / July 18, 2008	Software and technology service, information transmission, Beijing, the PRC.	RMB13,333,529	51.67 %	51.67 %	(i)
Shenzhen OneConnect Information Technology Service Company Limited ("Shenzhen OneConnect Information Technology")	the PRC/January 31, 2019	Software and technology service, information transmission, Shenzhen, the PRC.	RMB100,000,000	51 %	51 %	
Beijing BER Technology Company Ltd. ("BER Technology")	the PRC/March 30,2006	Software and technology service, information transmission, Shenzhen, the PRC.	RMB22,950,000	80 %	100 %	(i)
Zhang Tong Shun (Guangzhou) Technology Co., Ltd. ("Zhang Tong Shun")	the PRC/May 9, 2019	Information technology advisory services, Guangzhou, the PRC.	RMB10,000,000	100 %	100 %	(i)
VIEs						
OneConnect Smart Technology Co., Ltd. (Shenzhen) ("Shenzhen OneConnect")	the PRC / September 15, 2017	Software and technology service, information transmission, Shenzhen, the PRC.	RMB1,200,000,000	100 %	100 %	
Shenzhen E-Commerce Safety Certificates Administration Co., Ltd. ("Shenzhen CA")	the PRC/August 11, 2000	E-commerce security certificate administration, Shenzhen, the PRC.	RMB543,500,000	98.9 %	98.9 %	(i)
Subsidiaries of the VIEs						
Shanghai OneConnect Financial Technology Co., Ltd. ("Shanghai OneConnect") *	the PRC / December 29, 2015	Software and technology service, asset management and consulting, Shanghai, the PRC.	RMB1,200,000,000	100 %	100 %	
Shenzhen Kechuang Insurance Assessment Co., Ltd. ("Kechuang") *	the PRC / August 27, 2001	Insurance survey and loss adjustment, Shenzhen, the PRC.	RMB4,000,000	100 %	100 %	
Shenzhen OneConnect Chuangpei Technology Co., Ltd. ("Chuangpei") *	the PRC / June 1, 2016	Software and technology service, information transmission, Shenzhen, the PRC.	RMB10,000,000	100 %	100 %	
Zuhai Yirongtong Asset Management Co., Ltd. ("Yirongtong") *	the PRC / June 21, 2016	Asset management and consulting, Zuhai, the PRC.	RMB12,000,000	100 %	100 %	
Ping An OneConnect Cloud Technology Co., Ltd. ("OneConnect Cloud Technology")	the PRC / June 27, 2016	Software and technology service, information transmission, Shenzhen, the PRC.	RMB500,000,000	100 %	100 %	

* Subsidiaries of Shenzhen OneConnect

Note:

- (i) The subsidiaries were acquired by the Group through business combination.

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information and basis of presentation (Continued)

1.2 Organization and principal activities (Continued)

PRC laws and regulations prohibit or restrict foreign ownership of companies that provide internet-based business, which include activities and services provided by the Group. The Group operates its business operations in the PRC through a series of contractual arrangements entered into among a wholly-owned subsidiary of the Company and VIEs that legally owned by equity holders (“Nominee Shareholders”) authorized by the Group (collectively, “Contractual Arrangements”). The Contractual Arrangements include Exclusive Equity Purchase Option Agreement, Exclusive Business Cooperation Agreement, Exclusive Asset Option Agreement, Equity Pledge Agreement, Shareholder Voting Proxy Agreement, Letters of Undertakings and Spousal Consent Letters.

Under the Contractual Arrangements, the Company has the power to control the management, and financial and operating policies of the VIEs, has exposure or rights to variable returns from its involvement with the VIEs, and has the ability to use its power over the VIEs to affect the amount of the returns. As a result, all these VIEs are accounted for as consolidated structured entities of the Company and their financial statements have also been consolidated by the Company.

The principal terms of the Contractual Arrangements are further described below:

(a) Contractual agreements with Shenzhen OneConnect

- Exclusive Equity Purchase Option Agreement

Pursuant to the exclusive equity purchase option agreement entered into between Shenzhen OneConnect Technology, Shenzhen OneConnect, the direct shareholders of Shenzhen OneConnect, and the shareholders of the direct shareholders of Shenzhen OneConnect, (each refer to as the “Indirect Shareholder”, together with the direct shareholders of Shenzhen OneConnect, “the Shenzhen OneConnect Shareholders”) (the “Exclusive Equity Purchase Option Agreement”), Shenzhen OneConnect Technology has the irrevocable and exclusive right to purchase, or to designate one or more persons to purchase, from Shenzhen OneConnect Shareholders all or any part of their equity interests in Shenzhen OneConnect at any time and from time to time in Shenzhen OneConnect Technology’s absolute discretion to the extent permitted by PRC laws. Unless terminated upon the parties’ agreement, this agreement will remain effective for ten years, and will be automatically renewed for another five years, unless Shenzhen OneConnect Technology objects to the renewal in writing thirty days prior this agreement’s expiry.

- Exclusive Business Cooperation Agreement

Pursuant to the exclusive business cooperation agreement entered into between Shenzhen OneConnect Technology and Shenzhen OneConnect, Shenzhen OneConnect agreed to engage Shenzhen OneConnect Technology as its exclusive provider of business support, technical and consulting services. In exchange for these services, Shenzhen OneConnect shall pay a service fee, which is equal to Shenzhen OneConnect’s profit before tax, after deducting any accumulated losses of Shenzhen OneConnect and its subsidiaries from the preceding fiscal year, working capital, costs, expenses, tax and other statutory contribution in relation to the respective fiscal year. The service fee shall be paid annually and shall be wired to the designated bank account of Shenzhen OneConnect Technology upon issuance of invoice by Shenzhen OneConnect Technology. The effective term of this agreement is the same as that of the Exclusive Equity Purchase Option Agreement described above.

- Exclusive Asset Option Agreement

Pursuant to the exclusive asset option agreement entered into between Shenzhen OneConnect Technology, Shenzhen OneConnect and the Shenzhen OneConnect Shareholders (the “Exclusive Asset Option Agreement”), Shenzhen OneConnect Technology has the irrevocable and exclusive right to purchase, or to designate one or more persons to purchase, from Shenzhen OneConnect all or any part of its assets at any time at Shenzhen OneConnect Technology’s absolute discretion and to the extent permitted by PRC laws. The consideration shall be the higher of (a) a nominal price or (b) the lowest price as permitted under applicable PRC laws. The effective term of this agreement is the same as that of the Exclusive Equity Purchase Option Agreement described above.

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information and basis of presentation (Continued)

1.2 Organization and principal activities (Continued)

(a) Contractual agreements with Shenzhen OneConnect (Continued)

- Equity Pledge Agreement

Pursuant to the equity pledge agreement entered into between Shenzhen OneConnect Technology, Shenzhen OneConnect and the Shenzhen OneConnect Shareholders (the "Equity Pledge Agreement"), the Registered Shareholders agreed to pledge as first charge all of their equity interests in Shenzhen OneConnect to Shenzhen OneConnect Technology as collateral security for any and all of the guaranteed debt under the Contractual Arrangements and to secure the performance of their obligations under the Contractual Arrangements. During the pledge period, Shenzhen OneConnect Technology is entitled to receive any dividends or other distributable benefits arising from the equity.

The pledge in favor of Shenzhen OneConnect Technology takes effect upon the completion of registration with the relevant administration for industry and commerce of China and shall remain valid until Shenzhen OneConnect Shareholders and Shenzhen OneConnect have discharged all their obligations and fully paid all the amounts payable under the Contractual Arrangements.

- Shareholder Voting Proxy Agreement

Shenzhen OneConnect Technology, Shenzhen OneConnect, the Shenzhen OneConnect Shareholders and the subsidiaries of Shenzhen OneConnect entered into a shareholder voting proxy agreement. Pursuant to this agreement, each shareholder of Shenzhen OneConnect and its subsidiaries irrevocably authorizes the persons designated by Shenzhen OneConnect Technology to act on its behalf to exercise all of such shareholder's voting and other rights associated with the shareholder's equity interest in Shenzhen OneConnect and the subsidiaries of Shenzhen OneConnect, such as the right to appoint or designate directors, supervisors and officers, as well as the right to sell, transfer, pledge or dispose of all or any portion of the shares held by such shareholder. The effective term of this agreement is the same as that of the Exclusive Equity Purchase Option Agreement described above.

- Letters of Undertakings

Each Indirect Shareholder signed a letter of undertakings to the Company. Under these letters, the signing Indirect Shareholder has separately irrevocably undertaken, in the event of his or her death or loss of capacity or any other events that could possibly affect his or her capacity to fulfil his or her obligations under the contractual arrangement of Shenzhen OneConnect, that he or she will unconditionally transfer his or her equity interest in Shenzhen OneConnect to any person designated by Shenzhen OneConnect Technology and the transferee will be deemed to be a party to the contractual arrangements and will assume all of his or her rights and obligations as such under the contractual arrangements. Each signing Indirect Shareholder represents that his or her spouse has no ownership interest in his or her equity interests in Shenzhen OneConnect. Each signing Indirect Shareholder further represents that in any circumstances, he or she will not, directly or indirectly, commit any conduct, measure, action or omission that is contrary to the purpose and intention of the contractual arrangements, that leads or may lead to any conflict of interest between Shenzhen OneConnect and OneConnect Financial Technology Co., Ltd. and/or its subsidiaries, and that if, during his or her performance of the contractual arrangements, there is a conflict of interest between the signing Indirect Shareholder and OneConnect Financial Technology Co., Ltd. and/or its subsidiaries, the signing Indirect Shareholder will protect the legal interests of Shenzhen OneConnect Technology under the contractual arrangements and follow the instructions of the Company.

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information and basis of presentation (Continued)

1.2 Organization and principal activities (Continued)

(a) Contractual agreements with Shenzhen OneConnect (Continued)

- Spousal Consent Letters

Under the spousal consent letters, each signing spouse respectively agreed that he or she was aware of the equity interest beneficially owned by his or her spouse in Shenzhen OneConnect and the relevant Contractual Arrangements in connection with such equity interest. The signing spouse unconditionally and irrevocably confirmed that he or she does not have any equity interest in Shenzhen OneConnect and committed not to impose any adverse assertions upon his or her spouse's respective equity interest. Each signing spouse further confirmed that such equity interest may be disposed of pursuant to the relevant Contractual Arrangements, and committed that he or she will take all necessary measures for the performance of those arrangements.

(b) Contractual agreements with Shenzhen CA

Shenzhen CA and certain of its shareholders holding in the aggregate 98.9% of the equity interest in Shenzhen CA entered into a series of contractual agreements with Zhang Tong Shun. These agreements contain terms substantially similar to the contractual arrangements among Shenzhen OneConnect, Shenzhen OneConnect Shareholders and Shenzhen OneConnect Technology described above.

(c) Risks in relation to the VIEs

In the opinion of the Company's management, the Contractual Arrangements discussed above have resulted in the Company, Shenzhen OneConnect Technology and Zhang Tong Shun having the power to direct activities that most significantly impact the VIEs, including appointing key management, setting up operating policies, exerting financial controls and transferring profit or assets out of the VIEs at its discretion. The Company has the power to direct activities of the VIEs and can have assets transferred out of the VIEs under its control. Therefore, the Company considers that there is no asset in any of the VIEs that can be used only to settle obligations of the VIEs, except for registered capital, capital reserve and PRC statutory reserves of the VIEs totalling RMB1,774 million and RMB 1,782 million as of December 31, 2022 and 2023, respectively. Currently there is no contractual arrangement that could require the Company to provide additional financial support to the VIEs. As the Company is conducting its Internet-related business mainly through the VIEs, the Company may provide such support on a discretionary basis in the future, which could expose the Company to a loss. As the VIEs organized in the PRC were established as limited liability companies under PRC law, their creditors do not have recourse to the general credit of Shenzhen OneConnect Technology and Zhang Tong Shun for the liabilities of the VIEs, and Shenzhen OneConnect Technology and Zhang Tong Shun do not have the obligation to assume the liabilities of these VIEs.

In the opinion of the Company's management, the contractual arrangements among its subsidiaries, the VIE and their respective Nominee Shareholders are in compliance with current PRC laws and are legally binding and enforceable. However, uncertainties in the interpretation and enforcement of the PRC laws, regulations and policies could limit the Company's ability to enforce these contractual arrangements. In addition, the enforceability of the contractual agreements between the Company, the VIE and its shareholders depends on whether the Company's shareholders or their PRC holding entities will fulfil these contractual agreements. As a result, the Company may be unable to consolidate the VIE and VIE' subsidiaries in the consolidated financial statements.

On March 15, 2019, the Foreign Investment Law was formally passed by the thirteenth National People's Congress and it became effective on January 1, 2020. The Foreign Investment Law replaced the Law on Sino Foreign Equity Joint Ventures, the Law on Sino Foreign Cooperative Joint Ventures and the Law on Foreign Capital Enterprises and became the legal foundation for foreign investment in the PRC. The Implementation Regulations for the Foreign Investment Law was promulgated by the State Council on December 26, 2019, became effective on January 1, 2020, and replaced the corresponding implementation rules of the Law on Sino-Foreign Equity Joint Ventures, the Law on Sino-Foreign Cooperative Joint Ventures and the Law on Foreign-Capital Enterprises.

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information and basis of presentation (Continued)

1.2 Organization and principal activities (Continued)

(c) Risks in relation to the VIEs (Continued)

The Foreign Investment Law stipulates certain forms of foreign investment. However, the Foreign Investment Law does not explicitly stipulate contractual arrangements such as those we rely on as a form of foreign investment. Notwithstanding the above, the Foreign Investment Law stipulates that foreign investment includes “foreign investors investing through any other methods under laws, administrative regulations or provisions prescribed by the State Council.” Future laws, administrative regulations or provisions prescribed by the State Council may possibly regard Contractual Arrangements as a form of foreign investment. If this happens, it is uncertain whether the Contractual Arrangements with the VIE and its shareholders would be recognized as foreign investment, or whether the Contractual Arrangements would be deemed to be in violation of the foreign investment access requirements. As well as the uncertainty on how the Contractual Arrangements will be handled, there is substantial uncertainty regarding the interpretation and the implementation of the Foreign Investment Law. The relevant government authorities have broad discretion in interpreting the law. Therefore, there is no guarantee that the Contractual Arrangements, the business of the VIEs and financial conditions of the Company will not be materially and adversely affected.

The Company’s ability to control VIEs also depends on rights provided to Shenzhen OneConnect Technology and Zhang Tong Shun, under the Shareholder Voting Proxy Agreement, to vote on all matters requiring shareholder approval. As noted above, the Company believes Shareholder Voting Proxy Agreement is legally enforceable, but they may not be as effective as direct equity ownership. In addition, if the corporate structure of the Group or the Contractual Arrangements between the Shenzhen OneConnect Technology, and Zhang Tong Shun, the VIEs and their respective shareholders and subsidiaries were found to be in violation of any existing PRC laws and regulations, the relevant PRC regulatory authorities could:

- revoke the Group’s business and operating licenses;
- require the Group to discontinue or restrict its operations;
- impose fines or confiscate any of the Group’s income that they deem to have been obtained through illegal operations;
- require the Group to restructure the ownership structure or operations, re-apply for the necessary licenses or relocate its businesses, staff and assets;
- impose additional conditions or requirements with which the Group may not be able to comply; or
- restrict or prohibit the Group’s use of the proceeds from public offerings or other of the Group’s financing activities to finance the business and operations of the VIEs and their subsidiaries; or
- take other regulatory or enforcement actions against the Group that could be harmful to the Group’s business.

The imposition of any of these restrictions or actions may result in a material adverse effect on the Company’s ability to conduct its business. In addition, if the imposition of any of these restrictions causes the Company to lose the right to direct the activities of the VIEs or the right to receive their economic benefits, the Company would no longer be able to consolidate the financial statements of the VIEs. In the opinion of management, the likelihood of losing the benefits in respect of the Company’s current ownership structure or the contractual arrangements with its VIEs is remote.

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****1 General information and basis of presentation (Continued)****1.2 Organization and principal activities (Continued)****(c) Risks in relation to the VIEs (Continued)**

The following are major financial statements amounts and balances of the Group's VIEs and subsidiaries of VIEs (i.e. Shenzhen OneConnect, Shenzhen CA and their subsidiaries) of December 31, 2022 and 2023 and for the years ended December 31, 2021, 2022 and 2023.

	As at December 31,		
	2022	2023	
	RMB'000	RMB'000	
Total current assets	3,865,127	3,058,529	
Total non-current assets	906,455	603,914	
Total assets	4,771,582	3,662,443	
Total current liabilities	7,645,984	6,676,641	
Total non-current liabilities	27,902	24,291	
Total liabilities	7,673,886	6,700,932	

	For the year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Total revenue	3,723,306	4,064,707	3,261,285
Net loss	(708,699)	(195,819)	(68,079)
Net cash used in operating activities	(439,174)	(618,574)	(149,778)
Net cash generated from investing activities	3,633	918,498	75,598
Net cash generated from/ (used in) financing activities	108,564	368,778	(508,121)
Net (decrease)/increase in cash and cash equivalents	(326,977)	668,702	(582,301)
Cash and cash equivalents, beginning of the year	564,527	237,550	906,252
Cash and cash equivalents, end of the year	237,550	906,252	323,951

The above financial statements amounts and balances have included intercompany transactions which have been eliminated on the Company's consolidated financial statements.

As of December 31, 2022 and 2023, the total assets of Group's VIEs were mainly consisting of cash and cash equivalents, trade receivable, contract assets, prepayments and other receivables, financial assets at fair value through profit or loss, property and equipment, intangible assets and deferred tax assets. As of December 31, 2022 and 2023, the total liabilities of VIEs were mainly consisting of trade and other payables, payroll and welfare payables, contract liabilities and short-term borrowings.

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Basis of preparation and changes in accounting policies

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

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with IFRS Accounting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets measured at fair value through other comprehensive income, financial assets at fair value through profit or loss and derivative financial assets and liabilities, which are carried at fair value and subsequent changes are recognized in the statement of comprehensive income.

The preparation of the consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4 below.

2.2 Recent accounting pronouncements

(a) New and amended standards and interpretations adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2023:

- IFRS 17 Insurance Contracts
- Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies
- Amendments to IAS 8 – Definition of Accounting Estimates
- Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendment to IAS 12 – International tax reform – pillar two model rules

The amendments listed above did not have material impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Basis of preparation and changes in accounting policies (Continued)

2.2 Recent accounting pronouncements (Continued)

(b) New standards and amendments to standards and interpretations not yet adopted

Several new standards and amendments to standards and interpretations have been issued but not effective during the year 2023 and have not been early adopted by the Group in preparing these consolidated financial statements:

	Effective for annual periods beginning on or after
Amendments to IAS 1 – Classification of Liabilities as Current or Non-current	January 1, 2024
Amendments to IAS 1 – Non-current liabilities with covenants	January 1, 2024
Amendments to IFRS 16 – Lease liability in sale and leaseback	January 1, 2024
Amendments to IAS 7 and IFRS 7 – Supplier finance arrangements	January 1, 2024
Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to IAS 21 – Lack of Exchangeability	January 1, 2025

The above new standards, new interpretations and amended standards are not expected to have a material impact on the consolidated financial statements of the Group.

3 Summary of accounting policy information

3.1 Material accounting policies

3.1.1 Revenue recognition

Revenue represents the amount of consideration the Group is entitled to upon the transfer of promised goods or services in the ordinary course of the Group's activities and is recorded net of value-added tax ("VAT"). Revenues are recognized when or as control of the asset or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time. Control of the goods and services is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods and services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the goods and services.

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

- direct measurements of the value transferred by the Group to the customer; or
- the Group's efforts or inputs to the satisfaction of the performance obligation.

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Summary of accounting policy information (Continued)

3.1 Material accounting policies (Continued)

3.1.1 Revenue recognition (Continued)

When either party to a contract has performed, the Group presents the contract in the statement of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

A contract asset is the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer. If the value ascribed to the services rendered by the Group exceed the payment, a contract asset is recognized. Judgement is required in determining whether a right to consideration is unconditional and thus qualifies as a receivable.

A receivable is recorded when the Group has an unconditional right to consideration on the date the payment is due even if it has not yet performed under the contract.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the Group presents the contract as a contract liability when the payment is made or the payment is due (whichever is earlier). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. A contract liability is recognized as revenue upon transfer of control to the customers of the promised license, products and services.

Some of the Group's contracts with customers contain multiple performance obligations. For these contracts, the Group accounts for individual performance obligations separately if they are distinct. The transaction price is allocated to the separate performance obligations on a relative standalone selling price basis. Although each of the performance obligations sometimes has a separate contractual price agreed in the contract, the management compares the contractual price with observable standalone market price, if any, or cost plus a margin price to assess the reasonableness of the pricing. If the contractual price for each performance obligation is assessed to be on market price basis, the Group uses the contractual price to measure and recognize revenue for each performance obligation. If the contractual price for each performance obligation is assessed to be not on market price basis, the Group reallocates the total contract price to the identified performance obligations based on its best estimated standalone selling price of each performance obligation.

Only the contracts for business origination services (Note 3.1.1(b)) contain significant financing components. As a practical expedient, the Group does not account for financing components if the period between when the Group transfers the promised goods or services to the customer and when the customer pays for those goods or services is one year or less.

Incremental costs of obtaining customer contract primarily consist of sales commissions and are capitalized as an asset. The Group amortizes assets recognized from capitalizing costs to obtain a contract on a systematic basis to profit or loss, consistent with the pattern of revenue recognition to which the asset relates. As a practical expedient, the Group recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the Group otherwise would have recognized is one year or less.

The following is a description of the accounting policy for the principal revenue streams of the Group.

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Summary of accounting policy information (Continued)

3.1 Material accounting policies (Continued)

3.1.1 Revenue recognition (Continued)

(a) Implementation and post-implementation support services

Implementation services represent customer-specific software development or customization services provided to customers for the use of the Group's software in cloud offerings or on-premise IT environment. The implementation contract is either on a time and material basis or fixed-fee basis. The Group invoices fees for implementation services based on actual time and materials incurred to date or according to pre-agreed payment schedules. After development, license to use the software is granted to the customer with an indefinite life. The customer cannot benefit from the implementation service on its own without the license. The perpetual license is a result of the implementation service. The implementation service and the perpetual license are highly interrelated and within the context of the contract, the promise of the Group is to transfer the implementation service together with the perpetual license as one output to its customers. Both the implementation service and the perpetual license to use the software are not distinct and thus should be combined together as one performance obligation. And there is no sales/usage-based royalty for the license to use the software in the arrangement.

The Group's customer contracts often include both implementation services and post-implementation support services. Customers can benefit from implementation service and post-implementation support service on their own, and those services are clearly stated in the contract and are separately identifiable, they are not integrated or interrelated with each other, and do not significantly affect each other.

For implementation services, revenue is recognized over time if the Group's performance (i) provides all of the benefits received and consumed simultaneously by the customer, (ii) creates and enhances an asset that the customer controls as the Group performs, or (iii) does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Accordingly, revenue for implementation contracts is recognized over the contract terms by reference to the progress of work performed, which is measured based on costs incurred toward satisfying the performance obligation, relative to total costs expected to be incurred to the complete satisfaction of the performance obligation. Otherwise revenue is recognized at a point in time when control of the promised services is transferred to the customer.

For post-implementation support services, the performance obligation is to stand ready to provide technical support and unspecified updates and upgrades on a when-and-if-available basis. The customers simultaneously receive and consume the benefits of these support services as the Group performs and revenue is recognized based on time elapsed and thus ratably over the term of the support arrangement.

(b) Transaction based service

The Group derives its transaction based service revenue primarily from business origination services, risk management services, operation support services and other services.

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Summary of accounting policy information (Continued)

3.1 Material accounting policies (Continued)

3.1.1 Revenue recognition (Continued)

(b) Transaction based service (Continued)

Business origination services

The Group provides business origination services by assisting financial institutions in customer acquisition for their products including loans, wealth management products and insurance policies etc.

In order to satisfy its performance obligations (that is generating customer leads for financial institutions), the Group designs marketing plans, sources leads and analyzes the leads. The Group generates customer leads for financial institutions through its own platform or from channel partners. The leads, which are sourced from the Group's own platform or from the channel partners, are grouped together and are screened and analyzed by the Group to ensure that they meet customers' criteria. When the leads are sourced from the channel partners, the Group determined that it is the principal in providing the business origination services to the financial institutions because the Group controls the leads sourced from channel partners, screens and analyzes the leads before delivering those leads to customers. For business origination services, the Group is primarily responsible for fulfilling the promise to generate customer leads to financial institutions and has full discretion in establishing the price for the business origination services provided to financial institutions, as well as the selection of and determination of prices paid to the channel partners. Accordingly, the Group records revenue based on the gross amount payable by the financial institutions and records the amount payable to the channel partners as cost of revenue. The Group normally charges its customers based on successful referrals at fixed charge rates. The revenue for business origination services is recognized when a referral is successfully accepted by financial institutions.

The Group determined that it is not the legal lender and legal borrower (or receiver of deposits from investors) in the loan origination and repayment process. Therefore, the Group does not record loans receivable and payable arising from the loans between lenders and borrowers. The Group acts as an agent to facilitate such loans.

Operation support services

Operation support services mainly represent calling services and insurance loss assessment services, digital certification and related services and solutions, service management platforms to participants around auto aftermarket scenarios, asset monitoring services and consulting services provided to financial institutions.

For contracts which the Group charges its customers based on usage of the services at fixed charge rates, and invoices the fees on periodical basis, the revenue from these services is recognized at a point in time when the customers receive and consume the benefits of these services each time the Group performs, based on the amount charged for such services.

For contracts which the Group charges its customers based on the term of services and invoices the fee on periodical basis, and the performance obligation is to stand ready to provide operation support, the customers simultaneously receive and consume the benefits of these support services as the Group performs and revenue is recognized over time based on time elapsed and thus ratably over the term of the support arrangement.

When the consideration receivable is different from the revenue recognized, a "contract asset" or "contract liability" shall be recognized in the consolidated statement of financial position.

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Summary of accounting policy information (Continued)

3.1 Material accounting policies (Continued)

3.1.1 Revenue recognition (Continued)

(b) Transaction based service (Continued)

Risk management services

Risk management services mainly represent credit risk assessment, identity verification service, risk management services used in insurance loss assessment and anti-fraud services provided to financial institutions.

For risk management services contracts, the Group normally charges its customers based on usage of the services at fixed charge rates, and invoices the fees on periodical basis. The revenue from these services is recognized at a point in time when the customers receive and consume the benefits of these services each time the Group performs, based on the amount charged for such services.

Cloud platform services

Cloud platform services mainly represent providing financial institutions with value-added services including computing, storage, database and backup services on a variety of cloud infrastructures. For cloud platform contracts, the Group normally charges its customers based on usage of the services at fixed charge rates, and invoices the fees on periodical basis. The revenue from these services is recognized over time based on time elapsed and thus ratably over the contract terms when the customers receive and consume the benefits of these services.

Others

Other revenue mainly represents sales of products, asset management services and revenue from virtual bank.

For sales of products, the Group recognizes revenue net of discounts and return allowances upon the time when the products are delivered to customers.

(c) Interest and commission income

For virtual bank, interest income from debt instruments measured at amortized cost and debt instruments measured at fair value through other comprehensive income is recognized in revenue using the effective interest rate method. Fees and commissions are recognized on an accrual basis when the service has been provided or significant act performed.

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Summary of accounting policy information (Continued)

3.1 Material accounting policies (Continued)

3.1.2 Intangible assets

The Group's intangible assets include application and platforms, purchased software, development costs in progress, goodwill, business licenses and others.

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

Costs associated with maintaining application and platform are recognized as an expense as incurred. Development costs that are directly attributable to the development and testing of identifiable application and platform controlled by the Group are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the application and platform so that it will be available for use
- management intends to complete the application and platform and use or sell it
- there is an ability to use or sell
- it can be demonstrated how the application and platform will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the application and platform are available, and
- the expenditure attributable to the application and platform during its development can be reliably measured.

Directly attributable costs that are capitalized mainly include employee costs and technology service fees.

Research expenditure and development expenditure that do not meet the criteria above are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Capitalized development costs are recorded as intangible assets and amortized from the point at which the asset is ready for use.

The useful lives of intangible assets are assessed by the period of bringing economic benefits for the Group.

The useful lives of intangible assets excluding development cost in progress are set as follows:

	Expected useful life
• Application and platform	3 - 10 years
• Purchased software	3 - 10 years
• Business licenses	3 - 5 years

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

Intangible assets with indefinite useful lives and development costs in progress are not amortized, but are subject to annual impairment assessment.

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Summary of accounting policy information (Continued)

3.1 Material accounting policies (Continued)

3.1.3 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that a non-financial asset other than deferred tax assets may be impaired. If any such indication exists, or when annual impairment testing for a non-financial asset is required, the Group makes an estimate of the asset's recoverable amount. A non-financial asset's recoverable amount is the higher of the asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. Where the carrying amount of a non-financial asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to disposal, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For non-financial assets other than goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the Group makes an estimate of the recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such a reversal is recognized in the statement of comprehensive income.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units), to which the goodwill relates. The recoverable amount is the higher of its fair value less costs of disposal and its value-in-use, determined on an individual asset (or cash-generating unit) basis, unless the individual asset (or cash-generating unit) does not generate cash flows that are largely independent from those of other assets or groups of assets (or groups of cash-generating units). Impairment losses recognized in relation to goodwill are not reversed for subsequent increases in its recoverable amount.

Intangible assets with indefinite useful lives and development costs in progress are tested for impairment annually at each year end either individually or at the cash-generating unit level, as appropriate.

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Summary of accounting policy information (Continued)

3.1 Material accounting policies (Continued)

3.1.4 Financial assets

Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held and the cash flow characteristics of the asset. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment measured at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the consolidated statement of comprehensive income.

(a) Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other income, gains or loss together with foreign exchange gains and losses. Impairment losses are presented in the consolidated statements of comprehensive income.
- **Fair value through other comprehensive income ("FVOCI"):** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other income, gains or loss. Interest income from these financial assets is included in other gain using the effective interest rate method. Foreign exchange gains and losses are presented in other income, gains or loss and impairment expenses are presented in the statement of profit or loss.

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Summary of accounting policy information (Continued)

3.1 Material accounting policies (Continued)

3.1.4 Financial assets (Continued)

Recognition and measurement (Continued)

(a) Debt instruments (Continued)

- Fair value through profit or loss (“FVPL”): Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within other income, gains or loss in the period in which it arises.

(b) Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group’s management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss. Changes in the fair value of financial assets at fair value through profit or loss are recognized in profit or loss. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(c) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Expected credit loss refers to the weighted average amount of credit loss of financial instruments based on the probability of default. Credit loss refers to the difference between all contractual cash flows receivable and all cash flows that the entity expects to receive, discounted at the original effective interest rate. The Group recognizes or reverses the impairment provision through profit or loss.

For debt instruments measured at FVOCI, impairment gains or losses are included in the net impairment losses on financial instruments and correspondingly reduce the accumulated changes in fair value included in the OCI reserves of equity.

For trade receivables and contract assets, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the assets. The impairment matrix is determined based on historical observed default rates over the expected life of the contract assets and trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

Impairment on other receivables are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Summary of accounting policy information (Continued)

3.1 Material accounting policies (Continued)

3.1.5 Share-based payments

An equity-settled share-based compensation plan was granted to the employees and non-employees, under which the entity receives services from employees and non-employees as consideration for equity instruments (options) of the Group. The fair value of the services received in exchange for the grant of the options is recognized as an expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance;
- excluding the impact of any service and non-market performance vesting conditions;
- including the impact of any non-vesting conditions

The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to equity.

If the terms of an equity-settled award are modified, at a minimum an expense is recognized as if the terms had not been modified. An additional expense is recognized for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

3.1.6 Tax

Income tax comprises current and deferred tax. Income tax is recognized in the statement of comprehensive income, or in other comprehensive income or in equity if it relates to items that are recognized in the same or a different period directly in other comprehensive income or in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in jointly controlled entities, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Summary of accounting policy information (Continued)

3.1 Material accounting policies (Continued)

3.1.6 Tax (Continued)

Deferred tax assets are recognized for all deductible temporary differences, the carry-forward of unused tax credits and any unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in jointly controlled entities, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Conversely, previously unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

3.2 Summary of other accounting policies

3.2.1 Principles of consolidation and equity accounting

3.2.1.1 Subsidiaries

Subsidiaries are all entities (including structured entities or VIEs as stated in Note 1.2 above) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statements of comprehensive income, consolidated statement of changes in equity and consolidated balance sheet, respectively.

For the parent company's separate financial statements, investments in subsidiaries are accounted for using the equity method.

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Summary of accounting policy information (Continued)

3.2 Summary of other accounting policies (Continued)

3.2.1 Principles of consolidation and equity accounting (Continued)

3.2.1.2 Investments accounted for using the equity method

(i) Associate

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence could be demonstrated for an investment of less than 20%, for example, by representation on the board of directors or equivalent governing body of the investee. Investments in associates are accounted for using the equity method of accounting.

(ii) Joint ventures

Investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. Investments in joint ventures are accounted for using the equity method.

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

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

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

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

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

Gain or losses on dilution of equity interest in the investment accounted for using the equity method are recognized in the consolidated statement of comprehensive income.

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Summary of accounting policy information (Continued)

3.2 Summary of other accounting policies (Continued)

3.2.2 Structured Entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual or related arrangements.

The Group determines whether it is an agent or a principal in relation to those structured entities in which the Group acts as an asset manager on management's judgement. If an asset manager is agent, it acts primarily on behalf of others and so does not control the structured entity. It may be principal if it acts primarily for itself, and therefore controls the structured entity. The unconsolidated structured entities in which the Group acts as an asset manager is set out in Note 37.

3.2.3 Business combination

Except for business combinations under common control, the Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill.

3.2.4 Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company is the United States dollar ("US\$"). RMB is the functional currency of the subsidiaries in PRC. As the major operations of the Group are within the PRC, the directors of the Company have chosen to present the Group's financial statements in RMB (the presentation currency).

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in the consolidated statements of comprehensive income.

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Summary of accounting policy information (Continued)

3.2 Summary of other accounting policies (Continued)

3.2.4 Foreign currency translation (Continued)

Transactions and balances (Continued)

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statements of comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the consolidated statements of comprehensive income on a net basis within other income, gains or loss - net.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognized in other comprehensive income.

Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognized in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

3.2.5 Derivative financial instruments

The Group's derivative financial instruments are initially recognized at fair value on the date of which the related derivative contracts are entered into and are subsequently measured at fair value. All derivatives are carried as assets when the fair values are positive and as liabilities when the fair values are negative. The gains or losses arisen from fair value changes of derivatives are recognized in profit or loss. No derivative financial instruments are designated as hedging instrument.

3.2.6 Trade receivables

Trade receivables are amounts due from customers for products sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. See Note 19 for further information about the Group's accounting for trade receivables and Note 5 and Note 3.1.4 for a description of the Group's impairment policies.

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Summary of accounting policy information (Continued)

3.2 Summary of other accounting policies (Continued)

3.2.7 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

3.2.8 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.2.9 Leases

The Group leases various properties. Rental contracts are typically made for fixed periods of 1 to 5 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets related to lease of properties are recorded under property and equipment (Note 13). Lease liabilities are recorded under trade and other payables (Note 28).

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss.

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Summary of accounting policy information (Continued)

3.2 Summary of other accounting policies (Continued)

3.2.10 Property and equipment

Property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attribute to the acquisition of the items.

Depreciation on property and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives or, in case of a leasehold improvements, the shorter lease term as follows:

Category	Expected useful life
Office and telecommunication equipment	3-5 years
Leasehold improvements	5 years

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

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within 'Other income, gains or loss - net' in the consolidated statements of comprehensive income.

3.2.11 Financial liabilities

The Group, at initial recognition, classifies financial liabilities as either financial liabilities subsequently measured at amortised cost or financial liabilities at fair value through profit or loss.

Except for derivative financial instruments (Note 3.2.5), the Group's financial liabilities are mainly financial liabilities measured at amortised cost, including trade and other payables, short-term borrowings, customer deposits and other financial liabilities from virtual bank, etc. These financial liabilities are initially measured at the amount of their fair value after deducting transaction costs and use the effective interest rate method for subsequent measurement.

Where the present obligations of financial liabilities are discharged, cancelled or when they are expired, the Group derecognizes these financial liabilities. The differences between the carrying amounts and the consideration received are recognized in profit or loss.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Summary of accounting policy information (Continued)

3.2 Summary of other accounting policies (Continued)

3.2.12 Employee benefits

(a) Pension obligations

The employees of the Group are mainly covered by various defined contribution pension plans. The Group makes and accrues contributions on a monthly basis to the pension plans, which are mainly sponsored by the related government authorities that are responsible for the pension liability to retired employees. Under such plans, the Group has no other significant legal or constructive obligations for retirement benefits beyond the said contributions, which are expensed as incurred. Certain employees are also provided with group life insurance but the amounts involved are insignificant.

(b) Housing benefits

The employees of the Group are entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each period.

(c) Medical benefits

The Group makes monthly contributions for medical benefits to the local authorities in accordance with relevant local regulations for the employees. The Group's liability in respect of employee medical benefits is limited to the contributions payable in each period.

3.2.13 Interest income

Interest income from virtual bank is included in the revenue (Note 6).

Interest income from financial assets that are held for cash management purposes is included in finance income, see finance income (Note 10) below.

Interest income from financial assets at FVPL and any other interest income is included in the net gains/(losses), see other income (Note 9) below.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

3.2.14 Dividend income

Dividend income is recognized when the right to receive payment is established.

3.2.15 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the income statement over the period necessary to match them with the costs that they are intended to compensate.

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Critical accounting estimates and judgments

The Group makes estimates and judgments that affect the reported amounts of revenues, expenses, assets and liabilities in these financial statements. Estimates and judgments are continually assessed based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the process of applying the Group's accounting policies, management has made the following judgments and accounting estimation, which have the most significant effect on the amounts recognized in the financial statements.

(a) Impairment of financial assets measured at amortized costs

The Group applies expected credit losses model in measuring impairment of trade receivables, contract assets, other receivables, loans and advances to customers. The expected loss rates are based on the Group's past loss experiences, existing market conditions as well as forward looking estimates at the end of each reporting period.

Details of the methodology and key inputs used are disclosed in Note 5.1(b)(ii).

(b) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Judgement is required in determining the provision for income taxes.

The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future against which the deductible temporary difference can be utilized. To determine the future taxable profits, reference is made to the latest available profit forecasts. Where the temporary difference is related to losses, relevant tax law is considered to on a jurisdictional basis determine the availability of the losses to offset against the future taxable profits.

Significant items on which the Group has exercised accounting judgment include recognition of deferred tax assets in respect of tax losses. Recognition of the deferred tax assets involves judgment regarding the future financial performance of the Group.

The deferred tax assets recognized as at December 31, 2022, 2023 were mainly attributable to major operating companies in Mainland China, which are eligible for preferential tax policies applicable for the qualification of "High and New Technology Enterprise", and being entitled to a preferential income tax rate of 15% and the number of years that deductible tax losses can be utilized is extended to 10 years.

The carrying amount and reliability of deferred tax assets were reviewed periodically at the end of each reporting period by comparing forecasted taxable profits in prior period to actual results in the current period and comparing revenue growth rate and profit margin in the current year forecast to historical results and industry trends.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact current income tax and deferred income tax in the period in which such determination is made.

(c) Recognition of share-based compensation expenses

As mentioned in Note 27, equity-settled share-based compensation schemes were established for the employees. The directors have used applicable models to determine the grant date fair value of the options or restricted shares granted to employees, which is to be expensed over the vesting period. Significant estimate on assumptions, such as the underlying equity value, risk-free interest rate, expected volatility and dividend yield, is required to be made by the directors in applying the relevant models. The values of options or restricted shares are subject to subjectivity and uncertainty relating to the assumptions and limitation of the model used to estimate such values. In addition, The Group is required to estimate the percentage of grantees that will remain in employment with the Group and whether the performance conditions for vesting will be met at the end of the vesting period. The Group only recognizes an expense for those share options or restricted shares expected to vest over the vesting period.

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Critical accounting estimates and judgments (Continued)

(d) Impairment of intangible assets including goodwill

The Group is required to test impairment for goodwill, and intangible assets not ready for use on an annual basis or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Other intangible assets are tested whenever events or changes in circumstances indicate that the carrying amount of those assets exceeds its recoverable amount. Intangible assets are tested for impairment based on the recoverable amount of the cash generating unit (“CGU”) to which these assets are related. The recoverable amount is determined based on the higher of fair value less costs to sell and value in use.

Determination of the value in use is an area involving management judgment in order to assess whether the carrying value of intangible assets can be supported by the net present value of future cash flows. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain areas including management’s expectations of (i) revenue growth rates; (ii) long-term growth rate; (iii) pre-tax discount rate; and (iv) profit margin.

Details of the methodology and key inputs used are disclosed in Note 14.

(e) Consolidation of VIEs

As disclosed in Note 1.2, the Group exercises control over the VIEs and has the right to recognize and receive substantially all the economic benefits through the Contractual Arrangements. The Group considers that it controls the VIEs notwithstanding the fact that it does not hold direct equity interests in the VIEs, as it has power over the financial and operating policies of the VIEs and receive substantially all the economic benefits from the business activities of the VIEs through the Contractual Arrangements. Accordingly, all these VIEs are accounted for as controlled structured entities and their financial statements have also been consolidated by the Company.

5 Management of financial risk

The Group’s activities expose it to a variety of financial risks: market risk (comprising currency risk and interest rate risk), credit risk and liquidity risk. The Group’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group’s financial performance. Risk management is carried out by the senior management of the Group.

5.1 Financial risk factors

(a) Market risk

Currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between the RMB and other currencies in which the Group conducts business may affect its financial position and results of operations. The foreign currency risk assumed by the Group mainly comes from movements in the USD/RMB exchange rates.

The Company and overseas intermediate holding companies’ functional currency is USD. They are mainly exposed to foreign exchange risk arising from their cash and cash equivalents and loans to group companies denominated in RMB. The Group has entered into spot-forward USD/RMB derivative financial instruments to hedge certain portion of its exposure to foreign currency risk arising from loans to group companies denominated in RMB. The Group monitors the size of foreign currency position, and manages foreign currency risk by utilizing hedging strategy.

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 Management of financial risk (Continued)

5.1 Financial risk factors (Continued)

(a) Market risk (Continued)

Currency risk (Continued).

The subsidiaries of the Group are mainly operated in mainland China with most of the transactions settled in RMB. The Group considers that the business in mainland China is not exposed to any significant foreign exchange risk as there are no significant financial assets or liabilities of these subsidiaries denominated in the currencies other than the respective functional currency.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the post-tax impact on profit and equity, after considering hedging strategy.

	At December 31,		
	2021	2022	2023
	RMB'000	Impact on post tax profit RMB'000	RMB'000
USD+5%	(4,028)	1,752	(16,596)
USD -5%	4,028	(1,752)	16,596

Interest rate risk

Interest rate risk is the risk of an adverse impact to earnings or capital due to changes in market interest rates. Floating rate instruments expose the Group to cash flow interest rate risk, whereas fixed rate instruments expose the Group to fair value interest risk.

Interest rate risk of the Group is mainly from mismatches in the interest rate profiles of assets, liabilities and capital instruments in Virtual Bank Business. The sensitivity analysis on earnings and economic value is described as follows:

RMB million	As at December 31, 2023		
	HKD	USD	RMB
Impact on earnings over the next 12 months if interest rates rise by 200 basis points	(15)	3	—
Impact on economic value if interest rates rise by 200 basis points	(43)	(3)	—

RMB million	As at December 31, 2022		
	HKD	USD	RMB
Impact on earnings over the next 12 months if interest rates rise by 200 basis points	(9)	9	1
Impact on economic value if interest rates rise by 200 basis points	(25)	(1)	—

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 Management of financial risk (Continued)

5.1 Financial risk factors (Continued)

(b) Credit risk

(i) Credit risk management

The Group's credit risk is mainly associated with cash and cash equivalents, restricted cash and time deposits over three months, trade receivables, contract assets, other receivables, financial assets measured at amortized cost from Virtual Bank and financial guarantee contracts. The carrying amounts of each class of the above financial assets represent the Group's maximum exposure to credit risk in relation to financial assets as disclosed in Note 5.1 (b) (ii).

To manage this risk arising from cash and cash equivalents and restricted cash and time deposits over three months, the Group mainly transacts with state-owned or reputable financial institutions in the PRC including related parties (Note 36(d)) and reputable international financial institution outside the PRC. The Group considers that there is no significant credit risk and the Group will not suffer any material losses due to the default of these financial institutions.

The Group's trade receivables and contract assets mainly arise from transactions undertaken with customers. The Group mitigates the credit risk by assessing the credit quality, setting a shorter credit period or arranging the instalment payment and prepayment method. The impairment loss allowance for trade receivables and contract assets are disclosed in Note 19 and Note 6.

For other receivables, management make periodic collective assessments as well as individual assessment on the recoverability based on historical settlement records and forward looking information.

For financial assets measured at amortized cost from virtual bank, management developed independent and regular procedures to review the approvals of credit applications, structure levels of credit risk by setting limits on the exposure of risk, and review the ability of borrowers to meet repayment obligations, with monitoring made on a revolving basis and performing periodic reviews. The credit programmes are managed on a portfolio basis, and the limits on the level of credit risk by sectors are approved annually by the management. The exposure to credit risk is mitigated by obtaining relevant financial guarantees. For debt securities and interbank exposure under treasury portfolio, external ratings are used, which are continuously monitored and updated.

(ii) ECL measurement

For financial assets whose impairment losses are measured using expected credit loss ("ECL") model, the Group assesses whether their credit risk has increased significantly since their initial recognition, and applies a three-stage impairment model to calculate their impairment allowance and recognize their ECL, as follows:

– Stage 1: If the credit risk has not increased significantly since its initial recognition, the financial asset is included in stage 1.

– Stage 2: If the credit risk has increased significantly since its initial recognition but is not yet deemed to be credit-impaired, the financial instrument is included in stage 2. The description of how the Group determines when a significant increase in credit risk has occurred is disclosed in the following section of "judgement of significant increase in credit risk".

– Stage 3: If the financial instruments are credit-impaired, the financial instrument is included in stage 3. The definition of credit-impaired financial assets is disclosed in the following section of "the definition of credit-impaired assets".

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 Management of financial risk (Continued)

5.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) ECL measurement (Continued)

The Group considers the credit risk characteristics of different financial instruments when determining if there is significant increase in credit risk. For financial instruments with or without significant increase in credit risk, 12-month or lifetime expected credit losses are provided respectively. The expected credit loss is the result of discounting the product of Exposure at Default, Probabilities of Default and Loss given Default.

According to whether the credit risk has increased significantly or whether the assets have been impaired, the Group measures the impairment loss allowance with the expected credit losses of 12-month or the lifetime due to the credit risk characteristics of different assets.

The Group applies the IFRS 9 simplified approach in measuring expected credit losses which uses a lifetime expected impairment loss allowance for all trade receivables and contract assets.

Judgement of significant increase in credit risk ("SICR")

Under IFRS 9, when considering the impairment stages for financial assets, the Group evaluates the credit risk at initial recognition and also whether there is any significant increase in credit risk for each reporting period.

The Group set quantitative and qualitative criteria to judge whether there has been a SICR after initial recognition. The judgement criteria mainly includes the Probabilities of Default changes of the debtors, changes of credit risk categories and other indicators of SICR, etc.. In the judgement of whether there has been a SICR after initial recognition, the Group has not rebutted the 30 days past due as presumption of SICR.

The definition of credit-impaired assets

Under IFRS 9, in order to determine whether credit impairment occurs, the defined standards adopted by the Group are consistent with the internal credit risk management objectives for relevant financial assets while considering quantitative and qualitative indicators. When the Group assesses whether the debtor has credit impairment, the following factors are mainly considered:

- The debtor has overdue more than 90 days after the contract payment date
- The debtor has significant financial difficulties
- The debtor is likely to go bankrupt or other financial restructuring
- The lender gives the debtor concessions for economic or contractual reasons due to the debtor's financial difficulties, where such concessions are normally reluctant to be made by the lender

The credit impairment of financial assets may be caused by the joint effects of multiple events and may not be caused by separately identifiable event.

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****5 Management of financial risk (Continued)****5.1 Financial risk factors (Continued)****(b) Credit risk (Continued)**

(ii) ECL measurement (Continued)

Forward-looking information

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors that affect the ability of the debtors to settle the receivables. The Group has developed macroeconomic forward-looking adjustment model by establishing a pool of macro-economic indicators, preparing data, filtering model factors and adjusting forward-looking elements, and the indicators include country Gross Domestic Product(GDP), Consumer Price Index(CPI), Producer Price Index(PPI), Investment in Fixed Assets, and Total Retail Sales of Consumer Goods, etc. based on the statistical analysis of historical data. The Group has identified the CPI to be the most relevant factor for evaluating expected credit losses on 31 December 2023, and has also taken into account of the Hong Kong GDP and the unemployment rate in Virtual Bank operations, and accordingly adjusts the historical loss rates based on the expected changes in these factors.

Credit risk exposure

Without considering the impact of collateral and other credit enhancement, for on-balance sheet assets, the maximum exposures are based on net carrying amounts as reported in the consolidated financial statements.

(1) Trade receivables and contract assets

	As at December 31, 2022		
	RMB'000	RMB'000	RMB'000
	Trade receivables	Contract assets	Total
Gross carrying amount			
Applying simplified approach	998,036	182,480	1,180,516
Loss allowance			
Applying simplified approach	57,047	59,852	116,899

	As at December 31, 2023		
	RMB'000	RMB'000	RMB'000
	Trade receivables	Contract assets	Total
Gross carrying amount			
Applying simplified approach	779,458	153,204	932,662
Loss allowance			
Applying simplified approach	68,789	57,379	126,168

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 Management of financial risk (Continued)

5.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) ECL measurement (Continued)

Credit risk exposure (Continued)

(1) Trade receivables and contract assets (Continued)

To measure the expected credit losses, all trade receivables and contract assets have been grouped based on shared credit risk characteristics and the aging analysis. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The impairment loss allowance of trade receivables and contract assets applying simplified approach was determined as follows:

	As at December 31, 2022					Total
	Related parties	Up to 1 year	1 year to 2 year	2 year to 3 year	Above 3 years	
Expected loss rate	2.27 %	3.33 %	42.80 %	68.40 %	97.75 %	9.90 %
Gross carrying amount of trade receivables and contract assets applying simplified approach	391,221	657,723	63,170	26,482	41,920	1,180,516
Loss allowance of trade receivables and contract assets applying simplified approach	8,888	21,885	27,038	18,113	40,975	116,899

	As at December 31, 2023					Total
	Related parties	Up to 1 year	1 year to 2 year	2 year to 3 year	Above 3 years	
Expected loss rate	2.13 %	4.56 %	41.29 %	77.39 %	94.34 %	13.53 %
Gross carrying amount of trade receivables and contract assets applying simplified approach	306,636	476,215	72,327	29,615	47,869	932,662
Loss allowance of trade receivables and contract assets applying simplified approach	6,528	21,698	29,863	22,920	45,159	126,168

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 Management of financial risk (Continued)

5.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) ECL measurement (Continued)

Credit risk exposure (Continued)

(1) Trade receivables and contract assets (Continued)

Movements in the impairment loss allowance of trade receivables and contract assets applying simplified approach are as follows:

	For the year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Beginning of the year	(97,243)	(125,318)	(116,899)
Additions of impairment loss, net	(71,061)	(18,715)	(42,102)
Recovery of amounts written off previously	—	(9,980)	—
Write-off	42,986	37,156	33,402
Exchange difference	—	(42)	(569)
End of the year	(125,318)	(116,899)	(126,168)

(2) Other receivables

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit loss. The credit risk exposure of the other receivables was disclosed in Note 20(a).

(3) Loans and advances to customers

The following table presents the credit risk exposure of the loans and advances to customers from virtual bank.

	As at December 31,	
	2022	2023
	RMB'000	RMB'000
Gross carrying amount		
Financial assets measured at amortized cost	44	3,142
Financial assets measured at fair value through other comprehensive income	1,608,402	1,902,985
	1,608,446	1,906,127
Expected credit loss provision	—	61
Expected loss rate	—	1.94 %

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 Management of financial risk (Continued)

5.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) ECL measurement (Continued)

Credit risk exposure (Continued)

(3) Loans and advances to customers (Continued)

Movements in the impairment loss allowance of loans and advances to customers applying three-stage approach are as follows:

*1 Financial assets measured at amortized cost

	For the year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Beginning of the year	(711)	(190)	—
(Additions)/Reversals of impairment loss	(1,170)	190	(61)
Write-off	1,691	—	—
End of the year	(190)	—	(61)

*2 Financial assets measured at fair value through other comprehensive income

	For the year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Beginning of the year	(712)	(1,962)	(11,528)
Additions of impairment loss	(1,250)	(10,616)	(13,344)
Write-off	—	1,050	12,811
End of the year	(1,962)	(11,528)	(12,061)

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 Management of financial risk (Continued)

5.1 Financial risk factors (Continued)

(c) Liquidity risk

The Group manages liquidity risk by maintaining adequate cash and cash equivalents and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Management believe that the Group's current cash and cash equivalents and anticipated cash flows from operations, investment and financing activities will be sufficient to meet the Group's anticipated working capital requirements and capital expenditures for the next 12 months from December 31, 2023.

The liquidity risk of the foreign exchange swap is managed by aligning the critical terms of such swaps with the hedged items.

The table below analyses the Group's financial liabilities into relevant maturity grouping based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table are undiscounted contractual cash flows.

	As at December 31, 2022		
	Within 1 year RMB'000	1 to 5 years RMB'000	Total RMB'000
Short-term borrowings	294,461	—	294,461
Trade and other payables	1,236,571	139,387	1,375,958
- Including: lease liabilities	50,862	47,093	97,955
Other financial liabilities from virtual bank	89,327	—	89,327
Customer deposits	1,929,183	—	1,929,183
Non-derivative financial liabilities	3,549,542	139,387	3,688,929
Gross settled (foreign currency swaps)			
- (inflow)	(198,722)	—	(198,722)
- outflow	208,290	—	208,290
Derivative financial liabilities	9,568	—	9,568
Total	3,559,110	139,387	3,698,497

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 Management of financial risk (Continued)

5.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	As at December 31, 2023		
	Within 1 year RMB'000	1 to 5 years RMB'000	Total RMB'000
Short-term borrowings	257,007	—	257,007
Trade and other payables	1,292,054	30,143	1,322,197
- Including: lease liabilities	24,829	30,143	54,972
Other financial liabilities from virtual bank	54,373	—	54,373
Customer deposits	2,269,261	—	2,269,261
Non-derivative financial liabilities	3,872,695	30,143	3,902,838

5.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders' value in the long-term.

The Group monitors capital (including share capital and reserves) by regularly reviewing the capital structure. As a part of this review, the Company considers the cost of capital and the risks associated with the issued share capital. The Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or repurchase the Company's shares. In the opinion of the Directors of the Company, the Group's capital risk was low as at December 31, 2023.

5.3 Fair value estimation

Fair value estimates are made at a specific point in time based on relevant market information and information about financial instruments. When an active market exists, such as an authorized securities exchange, the market value is the best reflection of the fair values of financial instruments. For financial instruments where there is no active market, fair value is determined using valuation techniques.

The Group's financial assets measured at fair value mainly include financial assets at fair value through profit or loss and financial assets measured at fair value through other comprehensive income.

Determination of fair value and fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchies. The fair value hierarchy categorizes 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.

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 Management of financial risk (Continued)

5.3 Fair value estimation (Continued)

Determination of fair value and fair value hierarchy (Continued).

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 that is 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.

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 measurement 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. To determine the fair value of loans and advances to customers from virtual bank, loans are segregated into portfolios of similar characteristics. Fair values are estimated using discounted cash flow methodology incorporating a range of input assumptions including expected customer prepayment rates, new business interest rate estimates for similar loans. The fair value of loans reflects expected credit losses at the balance sheet date and the fair value effect of repricing between origination and the reporting date. For credit impaired loans, fair value is estimated by discounting the future cash flows over the period they are expected to be recovered.

For assets and liabilities that are recognized at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

	As at December 31, 2022			
	Level 1 RMB’000	Level 2 RMB’000	Level 3 RMB’000	Total RMB’000
Assets measured at fair value				
Financial assets at fair value through profit or loss (Note 22)	—	690,627	—	690,627
Financial assets measured at fair value through other comprehensive income (Note 17)	442,935	—	1,611,606	2,054,541
Derivative financial assets (Note 32)	—	56,363	—	56,363
Financial liabilities				
Derivative financial liabilities (Note 32)	—	9,568	—	9,568

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 Management of financial risk (Continued)

5.3 Fair value estimation (Continued)

Determination of fair value and fair value hierarchy (Continued).

	As at December 31, 2023			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Assets measured at fair value				
Financial assets at fair value through profit or loss (Note 22)	—	925,204	—	925,204
Financial assets measured at fair value through other comprehensive income (Note 17)	319,949	—	1,906,189	2,226,138
Derivative financial assets (Note 32)	—	38,008	—	38,008

For the years ended December 31, 2022 and 2023, there were no transfers among different levels of fair values measurement.

Movements of Level 3 financial instruments measured at fair value are as follows:

	For the year ended		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Beginning of the year	5,676	1,107,340	1,611,606
Additions, net	1,103,460	506,620	295,287
Losses recognized in other comprehensive income	(1,796)	(1,678)	(789)
(Losses)/gain recognized in profit or loss	—	(676)	85
End of the year	1,107,340	1,611,606	1,906,189

Valuation inputs and relationships to fair value

The following table summarises main quantitative and qualitative information about the significant unobservable inputs used in level 3 fair value measurements for loans and advances to customers from virtual bank measured at fair value through other comprehensive income. The impact of changes in unobservable inputs for other level 3 fair value measurement was immaterial.

Unobservable inputs	Range of inputs	
	2022	2023
Financial assets measured at fair value through other comprehensive income		
-Loans and advances to customers from virtual bank		
Discount rate	5.66% - 9.30 %	7.09% - 10.29 %
Prepayment ratio	0.34% - 0.38 %	0.36 %

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****5 Management of financial risk (Continued)****5.3 Fair value estimation (Continued)***Valuation inputs and relationships to fair value (Continued)*

The analysis below is performed for reasonably possible movements in unobservable inputs with all other variables held constant, showing the impact on the assets and other comprehensive income.

	Unobservable inputs	Impact on the assets and other comprehensive income	
		2022	2023
-Loans and advances to customers from virtual bank			
Discount rate	+5 %	(5,941)	(8,845)
	-5%	5,975	8,926
Prepayment ratio	+5 %	(283)	(315)
	-5%	283	315

6 Segment information and revenue**6.1 Description of segments and principal activities**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers ("CODM"), who are responsible for allocating resources and assessing performance of the operating segments and making strategic decisions. The Group's chief operating decision makers have been identified as the executive directors of the Company, they review the Group's internal reporting in order to assess performance, allocate resources, and determine the operating segments based on these reports.

The Group has the following reportable segments for the year ended December 31, 2023:

- Technology Solutions
- Virtual Bank Business

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 Segment information and revenue (Continued)

6.1 Description of segments and principal activities (Continued)

As the Group's assets and liabilities are substantially located in the PRC, substantially all revenues are earned and substantially all expenses incurred in the PRC, no geographical segments are presented.

	Year ended December 31, 2021			Consolidated RMB'000
	Virtual Bank Business RMB'000	Technology Solutions RMB'000	Intersegment eliminations and adjustments RMB'000	
Revenue	34,320	4,098,734	(697)	4,132,357
Cost of revenue	(37,748)	(2,658,655)	697	(2,695,706)
Gross profit	(3,428)	1,440,079	—	1,436,651
Research and development expenses	(33,192)	(1,319,826)	—	(1,353,018)
Selling and marketing expenses	(38,042)	(550,338)	—	(588,380)
General and administrative expenses	(99,796)	(741,889)	—	(841,685)
Net impairment losses on financial and contract assets	(1,250)	(70,979)	—	(72,229)
Other income, gains or loss-net	91	13,830	—	13,921
Operating loss	(175,617)	(1,229,123)	—	(1,404,740)
Finance income	—	28,823	—	28,823
Finance costs	(310)	(76,327)	—	(76,637)
Finance costs – net	(310)	(47,504)	—	(47,814)
Share of gain of associate and joint venture	—	9,946	—	9,946
Loss before income tax	(175,927)	(1,266,681)	—	(1,442,608)
ASSETS				
Segment Assets	2,032,344	7,377,469	(1,041,585)	8,368,228
Goodwill	—	289,161	—	289,161
Deferred income tax assets	—	683,218	—	683,218
Total assets	2,032,344	8,349,848	(1,041,585)	9,340,607
LIABILITIES				
Segment Liabilities	1,459,125	4,097,004	(60,465)	5,495,664
Deferred income tax liabilities	—	9,861	—	9,861
Total Liabilities	1,459,125	4,106,865	(60,465)	5,505,525
Other segment information				
Depreciation of property and equipment	14,195	121,780	—	135,975
Amortization of intangible assets	20,356	282,418	—	302,774
Additions of non-current assets except for goodwill and deferred income tax assets	44,107	201,940	—	246,047

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 Segment information and revenue (Continued)

6.1 Description of segments and principal activities (Continued)

	Year ended December 31, 2022			Consolidated RMB'000
	Virtual Bank Business RMB'000	Technology Solutions RMB'000	Intersegment eliminations and adjustments RMB'000	
Revenue	106,540	4,360,546	(3,084)	4,464,002
Cost of revenue	(56,716)	(2,775,354)	3,084	(2,828,986)
Gross profit	49,824	1,585,192	—	1,635,016
Research and development expenses	(18,276)	(1,399,415)	—	(1,417,691)
Selling and marketing expenses	(41,408)	(369,948)	—	(411,356)
General and administrative expenses	(114,546)	(710,165)	—	(824,711)
Net impairment losses on financial and contract assets	(10,616)	(23,023)	—	(33,639)
Other income, gains or loss-net	(544)	71,362	—	70,818
Operating loss	(135,566)	(845,997)	—	(981,563)
Finance income	—	14,709	—	14,709
Finance costs	(354)	(36,819)	—	(37,173)
Finance costs – net	(354)	(22,110)	—	(22,464)
Share of gain of associate and joint venture	—	24,852	—	24,852
Impairment charges on associate	—	(10,998)	—	(10,998)
Loss before income tax	(135,920)	(854,253)	—	(990,173)
ASSETS				
Segment Assets	2,851,885	6,330,769	(1,355,392)	7,827,262
Goodwill	—	289,161	—	289,161
Deferred income tax assets	—	765,959	—	765,959
Total assets	2,851,885	7,385,889	(1,355,392)	8,882,382
LIABILITIES				
Segment Liabilities	2,093,126	3,521,957	(15,952)	5,599,131
Deferred income tax liabilities	—	5,196	—	5,196
Total Liabilities	2,093,126	3,527,153	(15,952)	5,604,327
Other segment information				
Depreciation of property and equipment	13,191	106,118	—	119,309
Amortization of intangible assets	26,909	135,212	—	162,121
Additions of non-current assets except for goodwill and deferred income tax assets	45,737	98,740	—	144,477

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 Segment information and revenue (Continued)

6.1 Description of segments and principal activities (Continued)

	Year ended December 31, 2023			Consolidated RMB'000
	Virtual Bank Business RMB'000	Technology Solutions RMB'000	Intersegment eliminations and adjustments RMB'000	
Revenue	145,917	3,533,276	(11,685)	3,667,508
Cost of revenue	(134,214)	(2,195,574)	11,685	(2,318,103)
Gross profit	11,703	1,337,702	—	1,349,405
Research and development expenses	—	(955,201)	—	(955,201)
Selling and marketing expenses	(33,739)	(241,612)	—	(275,351)
General and administrative expenses	(129,842)	(375,128)	—	(504,970)
Net impairment losses on financial and contract assets	(13,406)	(40,544)	—	(53,950)
Other income, gains or loss-net	2,672	69,183	—	71,855
Operating loss	(162,612)	(205,600)	—	(368,212)
Finance income	—	29,580	—	29,580
Finance costs	(446)	(20,086)	—	(20,532)
Finance costs – net	(446)	9,494	—	9,048
Share of gain of associate and joint venture	—	4,607	—	4,607
Impairment charges on associate	—	(7,157)	—	(7,157)
Loss before income tax	(163,058)	(198,656)	—	(361,714)
ASSETS				
Segment Assets	2,994,772	5,399,653	(1,383,504)	7,010,921
Goodwill	—	289,161	—	289,161
Deferred income tax assets	—	768,276	—	768,276
Total assets	2,994,772	6,457,090	(1,383,504)	8,068,358
LIABILITIES				
Segment Liabilities	2,388,056	2,754,711	(24,280)	5,118,487
Deferred income tax liabilities	—	2,079	—	2,079
Total Liabilities	2,388,056	2,756,790	(24,280)	5,120,566
Other segment information				
Depreciation of property and equipment	6,179	68,729	—	74,908
Amortization of intangible assets	34,687	91,746	—	126,433
Additions of non-current assets except for goodwill and deferred income tax assets	23,549	35,532	—	59,081

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 Segment information and revenue (Continued)

6.2 Revenue

(a) Disaggregation of revenue from contracts with customers

	For the year ended December 31,		
	2021 RMB'000	2022 RMB'000	2023 RMB'000
- Technology Solutions			
Implementation	733,648	861,820	834,620
Transaction based and support revenue			
- Operation support services	1,097,719	1,140,727	861,056
- Business origination services	450,597	383,723	132,112
- Risk management services	534,071	414,849	320,462
- Cloud services platform	1,050,179	1,315,819	1,245,952
- Post-implementation support services	49,447	50,983	52,012
- Others	182,376	189,541	75,377
	4,098,037	4,357,462	3,521,591

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 Segment information and revenue (Continued)

6.2 Revenue (Continued)

(a) Disaggregation of revenue from contracts with customers (Continued)

Disaggregation of revenue by timing of transfer of services over time or at a point in time is set out below:

	At a point in time	Over time	Total
Year ended December 31, 2021			
Implementation	—	733,648	733,648
Transaction based and support revenue			
- Operation support services	399,523	698,196	1,097,719
- Business origination services	450,597	—	450,597
- Risk management services	534,071	—	534,071
- Cloud services platform	—	1,050,179	1,050,179
- Post-implementation support services	—	49,447	49,447
- Others	181,004	1,372	182,376
	1,565,195	2,532,842	4,098,037

	At a point in time	Over time	Total
Year ended December 31, 2022			
Implementation	36,266	825,554	861,820
Transaction based and support revenue			
- Operation support services	376,784	763,943	1,140,727
- Business origination services	383,723	—	383,723
- Risk management services	414,849	—	414,849
- Cloud services platform	—	1,315,819	1,315,819
- Post-implementation support services	—	50,983	50,983
- Others	189,366	175	189,541
	1,400,988	2,956,474	4,357,462

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 Segment information and revenue (Continued)

6.2 Revenue (Continued)

(a) Disaggregation of revenue from contracts with customers (Continued)

	At a point in time	Over time	Total
Year ended December 31, 2023			
Implementation	37,804	796,816	834,620
Transaction based and support revenue			
- Operation support services	240,366	620,690	861,056
- Business origination services	132,112	—	132,112
- Risk management services	320,462	—	320,462
- Cloud services platform	—	1,245,952	1,245,952
- Post-implementation support services	—	52,012	52,012
- Others	75,285	92	75,377
	806,029	2,715,562	3,521,591

During the years ended December 31, 2021, 2022 and 2023, the Group mainly operated in the PRC and most of the revenue were generated in PRC.

The major customers which contributed more than 10% of the total revenue of the Group for the years ended December 31, 2021, 2022 and 2023 are listed as below:

	For the year ended December 31,		
	2021 % of total revenue	2022 % of total revenue	2023 % of total revenue
Ping An Group and its subsidiaries	56.03 %	56.60 %	57.02 %
Lufax Holding Ltd (“Lufax” and its subsidiaries)	11.15 %	10.29 %	7.46 %
	67.18 %	66.89 %	64.48 %

(b) Interest and commission income

	For the year ended December 31,		
	2021 RMB'000	2022 RMB'000	2023 RMB'000
– Virtual Bank Business			
Interest and commission income	34,320	106,540	145,917

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 Segment information and revenue (Continued)

6.2 Revenue (Continued)

(c) Contract assets and liabilities

The Group has recognized the following revenue-related contract assets and liabilities:

	At December 31,	
	2022 RMB'000	2023 RMB'000
Contract assets		
-Implementation	163,769	137,566
-Transaction based and support	18,711	15,638
- Business origination services	1,404	—
- Operation support services	12,085	12,149
- Post implementation support services	5,222	3,489
	182,480	153,204
Less: Impairment loss allowance		
-Implementation	(52,385)	(50,712)
-Transaction based and support	(7,467)	(6,667)
- Operation support services	(4,779)	(4,750)
- Post implementation support services	(2,688)	(1,917)
	(59,852)	(57,379)
	<u>122,628</u>	<u>95,825</u>

	At December 31,	
	2022 RMB'000	2023 RMB'000
Contract liabilities		
-Implementation	42,014	37,427
-Transaction based and support	144,613	118,262
-Post implementation support services	21,679	10,609
-Risk management services	20,997	18,801
-Operation support services	87,562	69,825
-Others	14,375	19,027
	186,627	155,689
Less: Non-current contract liabilities	(19,977)	(17,126)
	<u>166,650</u>	<u>138,563</u>

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 Segment information and revenue (Continued)

6.2 Revenue (Continued)

(c) Contract assets and liabilities (Continued)

During the years ended December 31, 2021, 2022 and 2023, there were no material cumulative catch-up adjustments to revenue that affect the corresponding contract asset or contract liability, including adjustments arising from a change in the measure of progress, a change in an estimate of the transaction price or a contract modification, there were also no revenue recognized in the reporting year from performance obligations satisfied (or partially satisfied) in previous years.

(i) Revenue recognized in relation to contract liabilities

Revenue recognized in relation to contract liabilities	For the year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Revenue recognized that was included in the contract liability balance at the beginning of the year	138,547	153,844	166,650

(ii) Remaining performance obligations of long-term contracts

Remaining performance obligations of long-term contracts	For the year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Aggregate amount of the transaction price allocated to long-term contracts that are partially or fully unsatisfied at the end of each year			
Expected to be recognized within one year	455,294	670,991	386,278
Expected to be recognized in one to two years	89,762	237,126	112,605
Expected to be recognized in two to three years	33,937	99,208	38,900
Expected to be recognized beyond three years	31,523	44,365	13,992
	610,516	1,051,690	551,775

The remaining performance obligations disclosed above represent implementation, post-implementation support services, risk management services and operation support services that have an original contractual term of more than one year. Moreover, the amount disclosed above does not include variable consideration which is constrained.

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 Expenses by nature

	For the year ended December 31,		
	2021 RMB'000	2022 RMB'000	2023 RMB'000
Technology service fees	2,021,238	2,261,498	1,689,549
Employee benefit expenses (Note 8)	1,629,375	1,601,989	1,302,848
Outsourcing labor costs	437,081	528,582	426,148
Amortization of intangible assets (Note 14)	302,774	162,121	126,433
Depreciation of property and equipment (Note 13)	135,975	119,309	74,908
Purchase costs of products	176,224	183,956	60,902
Business origination fees to channel partners	276,966	251,427	53,419
Travelling expenses	76,987	38,873	40,633
Marketing and advertising fees	110,775	50,246	38,183
Professional service fees	48,001	50,596	32,564
Auditor's remuneration			
—Audit related	14,657	16,501	17,961
—Non-audit	1,957	3,150	1,693
Impairment loss of intangible assets (Note 14)	5,646	10,208	5,851
Listing expenses	12,467	69,857	—
Others	228,666	134,431	182,533
Total cost of revenue, research and development expenses, selling and marketing expenses, general and administrative expenses	5,478,789	5,482,744	4,053,625

	For the year ended December 31,		
	2021 RMB'000	2022 RMB'000	2023 RMB'000
Research and development costs			
- Employee benefit expenses	514,456	469,320	351,475
- Technology service fees	859,324	946,700	597,244
- Amortization of intangible assets	3,396	6,282	4,438
- Depreciation of property and equipment	11,182	14,168	7,023
- Impairment loss of intangible assets	3,747	3,837	2,004
- Others	23,200	22,334	14,726
Amounts incurred	1,415,305	1,462,641	976,910
Less: capitalized			
- Employee benefit expenses	(45,016)	(19,827)	(3,892)
- Technology service fees	(17,271)	(25,123)	(17,817)
	(62,287)	(44,950)	(21,709)
	1,353,018	1,417,691	955,201

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 Employee benefit expenses

	For the year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Wages and salaries	1,276,205	1,235,714	971,060
Welfare and other benefits	330,552	353,099	319,671
Share-based payments (Note 27)	22,618	13,176	12,117
	1,629,375	1,601,989	1,302,848

9 Other income, gains or loss - net

	For the year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Net foreign exchange gain/ (loss)	77,143	(312,843)	(11,171)
Government grants and tax rebates (Note a)	51,080	58,013	41,454
Net gain on financial assets at fair value through profit or loss	45,644	30,687	20,007
Loss on disposal of property and equipment and intangible asset	(266)	(6,198)	(6,058)
Remeasurement of redemption liability (Note 28(ii))	—	37,874	—
Guarantee gain, net	10,757	—	—
Net (loss)/gain on derivatives	(169,545)	262,769	30,592
Others	(892)	516	(2,969)
	13,921	70,818	71,855

(a) Government grants and tax rebates

Government grants and tax rebates were related to income. There were no unfulfilled conditions or contingencies related to these subsidies.

	For the year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Government grants	28,871	27,421	23,922
- Technology development incentives	14,391	10,493	12,906
- Operation subsidies	14,480	16,928	11,016
Tax rebates	22,209	30,592	17,532
	51,080	58,013	41,454

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 Finance costs — net

	For the year ended December 31,		
	2021 RMB'000	2022 RMB'000	2023 RMB'000
Finance income			
Interest income on bank deposits	28,823	14,709	29,580
Finance costs			
Interest expense on borrowings	(56,534)	(17,303)	(12,073)
Interest expense on lease liabilities	(5,803)	(7,578)	(3,448)
Interest expense on redemption liability	(12,406)	(10,287)	(4,014)
Bank charges	(1,894)	(2,005)	(997)
	(76,637)	(37,173)	(20,532)
	(47,814)	(22,464)	9,048

11 Income tax benefit/(expense)

The income tax benefit/(expense) of the Group for the years ended December 31, 2021, 2022 and 2023 is analyzed as follows:

	For the year ended December 31,		
	2021 RMB'000	2022 RMB'000	2023 RMB'000
Current income tax	(16,780)	(25,259)	(15,196)
Deferred income tax	128,875	87,406	5,434
Income tax benefit/ (expense)	112,095	62,147	(9,762)

The tax on the Group's loss before income tax differs from the theoretical amount that would arise using the statutory tax rate applicable to loss of the consolidated entities as follows:

	For the year ended December 31,		
	2021 RMB'000	2022 RMB'000	2023 RMB'000
Loss before income tax	1,442,608	990,173	361,714
Tax calculated at PRC statutory income tax rate of 25%	360,652	247,543	90,429
Differential of income tax rates applicable to subsidiaries	(161,199)	(119,211)	(36,590)
Expense not deductible for tax purposes	(10,169)	(5,659)	(3,863)
Incomes not subject to tax	1,732	542	191
Tax losses and temporary differences for which no deferred income tax asset was recognized	(87,237)	(73,690)	(73,942)
Derecognition of deferred tax assets on tax losses	(23)	—	—
Additional deductible allowance for research and development expenses	8,255	10,164	12,474
Utilization of previously unrecognized tax losses	84	2,458	1,539
Income tax benefit/ (expense)	112,095	62,147	(9,762)

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 Income tax benefit/(expense) (Continued)

The unused tax losses for the years ended December 31, 2022 and 2023 is analyzed as follows:

	At December 31,	
	2022	2023
	RMB'000	RMB'000
Unused tax losses for which no deferred tax asset has been recognized	2,248,748	2,695,910

The expiry dates of the unused tax losses not recognized as deferred tax assets for the years ended December 31, 2022 and 2023 are listed as follows:

	At December 31,	
	2022	2023
	RMB'000	RMB'000
Year 2023	118,796	—
Year 2024	419,866	419,866
Year 2025	83,576	83,576
Year 2026	208,346	208,346
Year 2027	67,745	67,745
Year 2028	1,826	113,129
Year 2029	7,149	7,149
Year 2030	8,049	8,049
Year 2031	56,195	56,195
Year 2032	122,036	122,036
Year 2033	—	220,273

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 Income tax benefit/(expense) (Continued)

(a) PRC Enterprise Income Tax (“EIT”)

The income tax provision of the Group in respect of operations in Mainland China has been calculated at the tax rate of 25%, unless preferential tax rates were applicable.

Shenzhen OneConnect, Vantage Point Technology, BER Technology, OneConnect Cloud Technology, Shenzhen OneConnect Technology and Shenzhen CA as subsidiaries of the Group, were established in mainland China. They were eligible for preferential tax policies applicable for the qualification of “High and New Technology Enterprise” and were entitled to a preferential income tax rate of 15%.

Shenzhen OneConnect Technology and OneConnect Cloud Technology as subsidiaries of the Group, were established in the Shenzhen Qianhai Shenzhen-Hong Kong Cooperation Zone and accordingly is entitled to a reduced income tax rate of 15%.

(b) Cayman Islands Income Tax

The Company is incorporated under the laws of the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and is not subject to Cayman Islands income tax.

(c) Hong Kong Income Tax

The Hong Kong income tax rate is 16.5%. No Hong Kong profits tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax during the years ended December 31, 2021, 2022 and 2023.

(d) Singapore Income Tax

The Singapore income tax rate is 17%. No Singapore profits tax was provided for as there was no estimated taxable profit that was subject to Singapore profits tax during the years ended December 31, 2021, 2022 and 2023.

(e) Indonesia Income Tax

The income tax provision in respect of the Group’s operations in Indonesia was calculated at the tax rate of 22% on the taxable profits for the year ended December 31, 2021, 2022 and 2023.

(f) Malaysia Income Tax

The Malaysia income tax rate is 24%. No Malaysia profits tax was provided for as there was no estimated taxable profit that was subject to Malaysia profits tax during the years ended December 31, 2021, 2022 and 2023.

(g) Philippines Income Tax

The Philippines income tax rate is 25%. No Philippines profits tax was provided for as there was no estimated taxable profit that was subject to Philippines profits tax during the years ended December 31, 2021, 2022 and 2023.

(h) PRC Withholding Tax

According to the EIT Law, distribution of profits earned by PRC companies since January 1, 2008 to overseas investors is subject to withholding tax of 5% or 10%, depending on the region of incorporation of the overseas investor, upon the distribution of profits to overseas-incorporated immediate holding companies.

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

The Group plans to indefinitely reinvest undistributed earnings earned from its PRC subsidiaries in its operations in PRC. Therefore, no withholding income tax for undistributed earnings of its subsidiaries were provided as at December 31, 2021, 2022 and 2023 respectively.

12 Loss per share

	Year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Net loss for the year attributable to owners of the Company	(1,281,699)	(872,274)	(362,715)
Weighted average number of ordinary shares in issue (in '000 shares)	1,108,291	1,094,748	1,089,589
Basic loss per share (RMB yuan)	(1.16)	(0.80)	(0.33)
Diluted loss per share (RMB yuan)	(1.16)	(0.80)	(0.33)
Basic loss per ADS (RMB yuan) (Note)	(34.69)	(23.90)	(9.99)
Diluted loss per ADS (RMB yuan) (Note)	(34.69)	(23.90)	(9.99)

Note: One ADS represent thirty ordinary shares of the Company.

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the years ended December 31, 2021, 2022 and 2023.

Shares held for share incentive scheme purpose have been treated as treasury shares. Accordingly, for purpose of calculation of loss per share, the issued and outstanding number of ordinary shares as at December 31, 2021, 2022 and 2023, taking into account the shares held for share incentive scheme purpose, were 1,109,938,973 shares, 1,089,589,125 shares, 1,089,589,125 shares, respectively.

The effects of all outstanding share options granted under the Share Option Scheme and Restricted Share Units Scheme (Note 27) for the years ended December 31, 2021, 2022 and 2023, have been excluded from the computation of diluted loss per share as their effects would be anti-dilutive. Accordingly, dilutive loss per share for the years ended December 31, 2021, 2022 and 2023 were the same as basic loss per share for the years.

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

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13 Property and equipment

	Office and telecommunication equipment RMB'000	Right-of-use properties RMB'000	Leasehold improvements RMB'000	Total RMB'000
As at January 1, 2022				
Cost	126,626	461,605	108,805	697,036
Accumulated depreciation	(65,102)	(316,267)	(65,625)	(446,994)
Exchange difference	(3,076)	(1,337)	(1,217)	(5,630)
Net book amount	58,448	144,001	41,963	244,412
Year ended December 31, 2022				
Opening net book amount	58,448	144,001	41,963	244,412
Additions	15,481	76,534	6,585	98,600
Disposals, net	(9,467)	(57,952)	(8,292)	(75,711)
Depreciation charge	(23,027)	(75,519)	(20,763)	(119,309)
Exchange difference	420	2,510	479	3,409
Closing net book amount	41,855	89,574	19,972	151,401
As at December 31, 2022				
Cost	120,373	358,173	115,390	593,936
Accumulated depreciation	(75,862)	(269,772)	(94,680)	(440,314)
Exchange difference	(2,656)	1,173	(738)	(2,221)
Net book amount	41,855	89,574	19,972	151,401
Year ended December 31, 2023				
Opening net book amount	41,855	89,574	19,972	151,401
Additions	2,987	21,612	2,994	27,593
Disposals, net	(877)	(17,718)	(696)	(19,291)
Depreciation charge	(18,761)	(45,082)	(11,065)	(74,908)
Exchange difference	42	186	53	281
Closing net book amount	25,246	48,572	11,258	85,076
As at December 31, 2023				
Cost	111,470	303,092	118,384	532,946
Accumulated depreciation	(83,610)	(255,879)	(106,441)	(445,930)
Exchange difference	(2,614)	1,359	(685)	(1,940)
Net book amount	25,246	48,572	11,258	85,076

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 Property and equipment (Continued)

During the different periods, the approximate depreciation which were charged to cost of revenue, research and development expenses, selling and marketing expenses and general and administrative expenses were as follows:

	Year ended December 31,	
	2022	2023
	RMB'000	RMB'000
Cost of revenue	2,750	6,747
Research and development expenses	14,168	7,023
Selling and marketing expenses	4,814	4,306
General and administrative expenses	97,577	56,832
	119,309	74,908

Depreciation of office and telecommunication equipment is allocated to different functional expenses based on usage of equipment by different functional divisions. Right-of-use properties and leasehold improvement are primarily related to business office buildings leased by the Group and used as corporate headquarters. For leased business office buildings which are for general and administrative use, the depreciation of the related right-of-use properties and leasehold improvement is charged to general and administrative expense.

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 Intangible assets

	Application and platform								Total
	Contributed by Ping An Group	Developed internally	Acquired	Purchased Software	Development costs in progress	Goodwill	Business license	Others	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Year ended December 31, 2022									
Opening net book amount	—	226,943	2,231	27,041	45,389	289,161	92,341	4,088	687,194
Additions	—	—	—	927	44,950	—	—	—	45,877
Write-off	—	(6,371)	—	—	(3,837)	—	—	—	(10,208)
Transfer	—	58,528	—	—	(58,528)	—	—	—	—
Amortization	—	(110,801)	(2,231)	(15,729)	—	—	(31,315)	(2,045)	(162,121)
Exchange differences	—	7,907	—	582	1,205	—	—	—	9,694
Closing net book amount	—	176,206	—	12,821	29,179	289,161	61,026	2,043	570,436
As at December 31, 2022									
Cost	690,910	773,332	61,078	149,734	28,699	289,161	155,492	80,263	2,228,669
Accumulated amortization	(690,910)	(602,065)	(61,078)	(136,885)	—	—	(94,466)	(78,220)	(1,663,624)
Exchange differences	—	4,939	—	(28)	480	—	—	—	5,391
Net book amount	—	176,206	—	12,821	29,179	289,161	61,026	2,043	570,436

	Application and platform								Total
	Contributed by Ping An Group	Developed internally	Acquired	Purchased Software	Development costs in progress	Goodwill	Business license	Others	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Year ended December 31, 2023									
Opening net book amount	—	176,206	—	12,821	29,179	289,161	61,026	2,043	570,436
Additions	—	—	—	9,779	21,709	—	—	—	31,488
Write-off	—	(1,400)	—	—	(4,451)	—	—	—	(5,851)
Transfer	—	30,764	—	—	(30,764)	—	—	—	—
Amortization	—	(77,975)	—	(15,509)	—	—	(30,906)	(2,043)	(126,433)
Exchange differences	—	1,265	—	138	328	—	—	—	1,731
Closing net book amount	—	128,860	—	7,229	16,001	289,161	30,120	—	471,371
As at December 31, 2023									
Cost	690,910	802,696	61,078	159,513	15,193	289,161	155,492	80,263	2,254,306
Accumulated amortization	(690,910)	(680,040)	(61,078)	(152,394)	—	—	(125,372)	(80,263)	(1,790,057)
Exchange differences	—	6,204	—	110	808	—	—	—	7,122
Net book amount	—	128,860	—	7,229	16,001	289,161	30,120	—	471,371

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 Intangible assets (Continued)

The Group assesses at each reporting date whether there is an indication that intangible assets may be impaired. During the year ended December 31, 2023, impairment charge of RMB3,847,000 and RMB2,004,000 has been charged to cost of revenue and research and development expenses, respectively. The impairment charge was charged against development costs for certain intangible assets developed internally, following a decision to reduce the output of certain products in 2023.

During the years ended December 31, 2021, 2022 and 2023, the amount of amortization charged to cost of revenue, research and development expenses and general and administrative expenses are as follows:

Amortization of intangible assets	Year ended December 31,		
	2021 RMB'000	2022 RMB'000	2023 RMB'000
Cost of revenue	297,406	146,466	114,512
Research and development expenses	3,396	6,282	4,438
General and administrative expenses	1,972	9,373	7,483
	<u>302,774</u>	<u>162,121</u>	<u>126,433</u>

(a) Impairment tests for goodwill

Goodwill arises from the Group's acquisitions of Vantage Point Technology on July 31, 2018, BER Technology on June 30, 2019, and View Foundation on August 30, 2019.

The goodwill of the Group is attributable to the acquired workforce and synergies expected to be derived from combining with the operations of the Group. During the year ended December 31, 2022 and 2023, the goodwill is regarded as attributable to the CGU of Technology Solutions segment. The Group carries out its impairment testing on goodwill by comparing the recoverable amounts of groups of CGUs to their carrying amounts.

The management did the value-in-use calculations to determine the recoverable amounts. Value-in-use is calculated based on discounted cash flows. The discounted cash flows calculations of group of CGUs use cash flow projection developed based on financial budgets approved by management of the Group covering a five-year period, after considering the current and historical business performance, the future business plan and market data. Cash flows beyond the five-year period are extrapolated using the estimated long term growth rates stated below.

The significant assumptions used for value-in-use calculations are as follows:

	For the year ended December 31,	
	2022 RMB'000	2023 RMB'000
Revenue growth rate	-15%-13 %	-10%-13 %
Profit margin	-15%-10 %	-2%-14 %
Long term growth rate	2 %	2 %
Pre-tax discount rate	17.50 %	19.73 %
Recoverable amount of the CGU exceeding its carrying amount (RMB'000)	<u>781,499</u>	<u>1,153,821</u>

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 Intangible assets (Continued)

(a) Impairment tests for goodwill (Continued)

The following table sets forth the impact of reasonable possible changes in absolute value in each of the significant assumptions, with all other variables held constant, of goodwill impairment testing at the dates indicated.

Possible changes of significant assumptions	Recoverable amount of the CGU exceeding its carrying amount	
	Year ended December 31,	
	2022	2023
	RMB'000	RMB'000
Revenue growth rate decrease by 5%	373,790	597,067
Profit margin decrease by 1%	459,556	886,786
Long term growth rate decrease by 1%	669,058	1,039,101
Pre-tax discount rate increase by 1%	616,950	989,962

15 Investments accounted for using the equity method

(a) Investment in associate

	For the year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
At beginning of year	172,757	184,907	199,200
Share of gain of associate	12,150	25,291	7,157
Impairment charges on associate	—	(10,998)	(7,157)
Disposal	—	—	(199,200)
At end of the year	184,907	199,200	—

- (i) On March 28, 2017, Shanghai OneConnect set up Pingan Puhui Lixin Asset Management Co., Ltd. (“Puhui Lixin”) with Pingan Puhui Enterprise Management Co., Ltd. (“Puhui Management”), a subsidiary of Lufax, by investing a capital amount of RMB40,000,000. In January 2019, Shanghai OneConnect made an additional capital injection of RMB100,000,000 into Puhui Lixin. On February 20, 2020, Puhui Management made another additional capital injection of RMB40,000,000 into Puhui Lixin. Accordingly, the Group’s equity interests in the investee were diluted from 35% to 31.82%, resulting in a dilution gain amounting to RMB2,511,000. In March 2020, Shanghai OneConnect made an additional capital injection of RMB60,000,000 into Puhui Lixin, and the Group’s equity interests in the investee were increased to 40%.

On November 24, 2022, Shanghai OneConnect entered into the Equity Transfer Agreement with Puhui Management, pursuant to which Shanghai OneConnect conditionally agreed to sell, and Puhui Management conditionally agreed to purchase, the Group’s 40% equity interest in Puhui Lixin at a consideration of RMB199,200,000. Upon the completion, Shanghai OneConnect will no longer hold any equity interest in Puhui Lixin. The transaction has been approved by the extraordinary general meeting and completed in 2023.

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 Investments accounted for using the equity method (Continued)

(a) Investment in associate (Continued)

(ii) Summarised financial information for associate

Summarised balance sheet	As at December 31,		
	2021 RMB'000	2022 RMB'000	2023 RMB'000
Total assets	1,075,852	1,686,575	*
Total liabilities	(682,979)	(1,230,475)	*
Net assets	392,873	456,100	*

Summarised income statement	For the year ended December 31,		
	2021 RMB'000	2022 RMB'000	2023 RMB'000
Operating income	96,372	144,762	*
Profit or loss from continuing operations	30,375	63,228	*
Group's share %	40 %	40 %	*
Group's share in net assets	157,149	182,440	*
Goodwill	27,758	27,758	*
	184,907	210,198	*
Less: impairment charges on associate	—	(10,998)	*
Carrying amount	184,907	199,200	*

*2023 information not presented as the associate was disposed of as described above.

(b) Investment in joint venture

	For the year ended December 31,		
	2021 RMB'000	2022 RMB'000	2023 RMB'000
At beginning of year	2,976	439	—
Additions	—	—	2,550
Share of losses of joint venture	(2,204)	(439)	(2,550)
Exchange difference	(333)	—	—
At end of the year	439	—	—

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 Investments accounted for using the equity method (Continued)

(b) Investment in joint venture (Continued)

On August 23, 2019, the Group entered into an investment in SBI OneConnect Japan Co., Ltd. (“SBI Japan”) with SBI Holdings, Inc., (“SBI”) by investing a capital of RMB4,321,000 (JPY65,100,000), and held the equity interest as to 31%. The Group shares control with SBI and accounts for the investment as a joint venture. In October 2021, the Company disposed of the investment to SBI at no consideration as it was fully impaired considering accumulated losses.

The Group entered into an agreement of setting up Financial Open Portal (Guangxi) Cross-border Financial Digital Co., Ltd. (“Open Portal Guangxi”) with Digital Guangxi Group Co., Ltd. (“Digital Guangxi”) on April 10, 2020. The Group made a capital injection of RMB2,040,000 in 2020 and additional capital injection of RMB2,550,000 in 2023. The Group and Digital Guangxi owned the equity interest in Open Portal Guangxi as to 51% and 49%, respectively. The Group shares control with Digital Guangxi and accounts for the investment as a joint venture. The decisions on major operational and financial activities require the unanimous consent of the Group and Digital Guangxi pursuant to the provisions of the article of association of Open Portal Guangxi.

16 Financial instruments by category

The Group holds the following financial instruments:

	Note	As at December 31,	
		2022	2023
		RMB'000	RMB'000
Financial assets			
Financial assets at amortized cost			
- Trade receivables	19	940,989	710,669
- Prepayments and other receivables (excluding non-financial asset items)	20	816,179	661,123
- Financial assets measured at amortized cost from virtual bank	21	44	3,081
- Restricted cash and time deposits over three months	23	343,814	447,564
- Cash and cash equivalents	24	1,907,776	1,379,473
Financial assets measured at fair value through other comprehensive income (FVOCI)	17	2,054,541	2,226,138
Financial assets at fair value through profit or loss (FVPL)	22	690,627	925,204
Derivative financial asset			
- Held at FVPL	32	56,363	38,008
Total		6,810,333	6,391,260
Financial liabilities			
Liabilities at amortized cost			
- Trade and other payables (excluding non-financial liability items)	28	1,355,329	1,318,449
- Short-term borrowings	29	289,062	251,732
- Customer deposits	30	1,929,183	2,261,214
- Other financial liabilities from virtual bank	31	89,327	54,373
Derivative financial liability			
- Held at FVPL	32	9,568	—
Total		3,672,469	3,885,768

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 Financial assets measured at fair value through other comprehensive income

	As at December 31,	
	2022	2023
	RMB'000	RMB'000
Loans and advances to customers	1,608,402	1,902,985
Equity securities (Note a)	3,204	3,204
Debt securities	442,935	319,949
	2,054,541	2,226,138
Less: Non-current financial asset measured at fair value through other comprehensive income	(821,110)	(1,372,685)
	1,233,431	853,453

(a) On August 4, 2016, the Group acquired 5% equity interest in Fujian Exchange Settlement Centre Co., Ltd. (福建交易場所清算中心股份有限公司) at a consideration of RMB5,000,000. The fair value change of the equity interest was recognized in other comprehensive income.

18 Leases

(a) Amounts recognized in the consolidated balance sheet

	As at December 31,	
	2022	2023
	RMB'000	RMB'000
Right-of-use assets (Note 13)		
- Properties	89,574	48,572
Lease liabilities (Note 28)		
- Non current	44,553	28,283
- Current	47,030	22,941
	91,583	51,224

Additions to the right-of-use assets during the years ended December 31, 2022 and 2023 were RMB76,534,000 and RMB21,612,000, respectively.

The weighted average lessee's incremental borrowing rate applied to the lease liabilities on December 31, 2022 and 2023 was 4.79% and 4.26%.

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 Leases (Continued)

(b) Amounts recognized in the consolidated statement of profit or loss

	For the year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Depreciation charge of right-of-use assets	88,974	75,519	45,082
Interest expenses (included in finance cost)	5,803	7,578	3,448
	<u>94,777</u>	<u>83,097</u>	<u>48,530</u>

The total cash outflow for leases in 2021, 2022 and 2023 were RMB97,551,000, RMB79,618,000 and RMB67,180,000, respectively.

Expenses recognized in relation to short-term leases for the years ended December 31, 2021, 2022 and 2023 amounted to RMB1,412,000, RMB2,884,000, and RMB6,258,000, respectively.

19 Trade receivables

	As at December 31,	
	2022	2023
	RMB'000	RMB'000
Trade receivables	998,036	779,458
Less: impairment loss allowance (Note 5.1(b))	(57,047)	(68,789)
	<u>940,989</u>	<u>710,669</u>

Trade receivables and their aging analysis, based on recognition date, are as follows:

	As at December 31,	
	2022	2023
	RMB'000	RMB'000
Up to 1 year	932,479	694,157
1 to 2 years	42,752	55,187
2 to 3 years	13,857	21,103
Above 3 years	8,948	9,011
	<u>998,036</u>	<u>779,458</u>

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 Prepayments and other receivables

	As at December 31,	
	2022	2023
	RMB'000	RMB'000
Deposit receivable *	776,481	625,371
Value-added-tax deductible	143,338	188,501
Advance to suppliers	71,755	49,492
Advance to staff	47,332	13,238
Receivables for value-added-tax paid on behalf of wealth management products	455	—
Others	46,519	41,471
Less: impairment loss allowance	(7,276)	(5,719)
	1,078,604	912,354
Less: Non-current portion of other receivables	—	(6,663)
	1,078,604	905,691

* Deposit receivable mainly represents deposit paid to the Group's service vendors according to the contractual agreements and such receivables will contractually be repaid within one year.

(a) Movements in the impairment loss allowance of prepayments and other receivables are as follows:

	For the year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Beginning of the year	(3,349)	(2,968)	(7,276)
Reversals/ (Additions)	2	(4,308)	1,557
Write-off	365	—	—
Exchange differences	14	—	—
End of the year	(2,968)	(7,276)	(5,719)

21 Financial assets measured at amortized cost from virtual bank

	As at December 31,	
	2022	2023
	RMB'000	RMB'000
Loans and advances to customers	44	3,142
Less: expected credit loss provision	—	(61)
	44	3,081

The balance represents financial assets measured at amortized cost carried out by OneConnect Bank, a wholly owned subsidiary from the Group, since 2020.

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 Financial assets at fair value through profit or loss

	As at December 31,	
	2022	2023
	RMB'000	RMB'000
Wealth management products	690,627	925,204

As at December 31, 2022 and 2023, out of the wealth management products which the Group invested in, RMB690,627,000 and RMB532,147,000 were managed by subsidiaries of Ping An Group which are redeemable upon request by the holders, respectively.

23 Restricted cash and time deposits over three months

	As at December 31,	
	2022	2023
	RMB'000	RMB'000
Restricted bank deposits	198,320	39,005
Accrued interests	1,238	446
Time deposits with initial terms over three months	144,256	413,432
	343,814	452,883
Less: Non-current restricted cash	—	(5,319)
	343,814	447,564

As at December 31, 2022, RMB192,989,000 (USD27,710,000) were pledged for currency swaps, and RMB5,331,000 was pledged for business guarantee.

As at December 31, 2023, RMB22,594,000 (USD3,190,000) were pledged for currency swaps, and RMB16,412,000 was pledged for business guarantee.

24 Cash and cash equivalents

	As at December 31,	
	2022	2023
	RMB'000	RMB'000
Cash on hand	12	12
Cash at central bank	214,768	134,486
Cash at banks	1,692,996	1,244,975
	1,907,776	1,379,473

	At December 31,	
	2022	2023
	RMB'000	RMB'000
USD	313,559	771,502
RMB	1,045,135	379,629
HKD	530,861	210,492
SGD	13,821	5,796
IDR	1,680	941
MYR	1,585	4
PHP	1,135	11,109
	1,907,776	1,379,473

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 Share capital

	Number of shares	USD	
Authorized			
Ordinary shares of USD0.00001 at December 31, 2021, 2022 and 2023	5,000,000,000	50,000	
Issued			
	Number of shares	USD	Equivalent to RMB
Ordinary shares of USD0.00001 at December 31, 2017	900,000,000	9,000	59,838
Newly issued ordinary shares (Note a)	99,999,999	1,000	6,331
Ordinary shares of USD0.00001 at December 31, 2018	999,999,999	10,000	66,169
Newly issued ordinary shares (Note b)	3,720,665	37	257
Newly issued ordinary shares upon initial public offering (Note c)	93,600,000	936	6,549
Ordinary shares of USD0.00001 at December 31, 2019	1,097,320,664	10,973	72,975
Newly issued ordinary shares (Note d)	72,660,000	727	5,033
Surrendered ordinary shares (Note e)	(3)	—	—
Ordinary shares of USD0.00001 at December 31, 2020	1,169,980,661	11,700	78,008
Surrendered ordinary shares (Note f)	(8)	—	—
Ordinary shares of USD0.00001 at December 31, 2021 and 2022 and 2023	1,169,980,653	11,700	78,008

- (a) The Company completed its Round A investments (“Round A Investments”) in April 2018 with 12 investors. 99,999,999 ordinary shares were issued to the Round A Investors at a price of USD7.5 per share for an aggregate consideration of approximately USD750 million (approximately RMB4,750,965,000). These shares rank pari passu in all respects with the shares then in issue.
- (b) On March 11, 2019, the Company issued 1,748,501 ordinary shares to National Dream Limited, the offshore entity of Vantage Point Technology, for a total subscription price of USD13,114,000 (approximately RMB88,030,000) pursuant to a share subscription agreement entered into in July 2018. On November 26, 2019, the Company issued 1,267,520 ordinary shares to Great Lakes Limited, the offshore entity of View Foundation’s selling shareholder, for a total subscription price of USD9,506,400 (approximately RMB66,877,000) pursuant to a share subscription agreement entered into in August, 2019. On November 27, 2019, the Company issued 563,714 and 140,930 ordinary shares to Blossom View Limited and Gold Planning Limited, respectively, which are the offshore entities designated by certain selling shareholders of BER Technology, for a total subscription price of USD5,284,830 (approximately RMB37,175,000) pursuant to a share subscription agreement entered into in September, 2019.
- (c) On December 13, 2019, the Company completed its IPO on the New York Stock Exchange. In the offering, 31,200,000 ADSs, representing 93,600,000 ordinary shares, were newly issued.
- (d) On January 14, 2020, the over-allotment options for the IPO were partially exercised and an addition of 3,520,000 ADSs were newly issued, which represented 10,560,000 ordinary shares. On August 17, 2020, the Company completed its underwritten public offerings of 18,000,000 ADSs issued and 2,700,000 ADSs issued pursuant to the over-allotment options, which totally represented 62,100,000 ordinary shares.
- (e) On December 11, 2020 and December 24, 2020, the Company bought back and cancelled 3 ordinary shares from Round A Investors.
- (f) On April 1, 2021 and April 2, 2021, the Company bought back and cancelled 8 ordinary shares from Round A Investors.

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 Other reserves

	Recapitalization reserve RMB'000	Share premium RMB'000	Share-based compensation reserve RMB'000	Foreign currency translation differences RMB'000	Others RMB'000	Total RMB'000
As at January 1, 2021	1,200,000	9,627,159	173,577	(133,132)	(227,673)	10,639,931
Other comprehensive income						
-Foreign currency translation differences	—	—	—	(152,542)	—	(152,542)
-Fair value changes on financial assets measured at fair value through other comprehensive income	—	—	—	—	(1,812)	(1,812)
Share-based payments:						
- Value of employee services and business cooperation arrangements(Note 27)	—	—	25,409	—	—	25,409
- Exercise of shares under share option Scheme	—	—	2,345	—	—	2,345
- Vesting of shares under Restricted Share Unit Scheme	—	—	(700)	—	—	(700)
As at December 31, 2021	1,200,000	9,627,159	200,631	(285,674)	(229,485)	10,512,631
Other comprehensive income						
-Foreign currency translation differences	—	—	—	426,145	—	426,145
-Fair value changes on financial assets measured at fair value through other comprehensive income	—	—	—	—	5,324	5,324
Share-based payments:						
- Value of employee services and business cooperation arrangements (Note 27)	—	—	13,361	—	—	13,361
- exercise of shares under share option Scheme	—	—	331	—	—	331
- Vesting of shares under Restricted Share Unit Scheme	—	—	(4,720)	—	—	(4,720)
As at December 31, 2022	1,200,000	9,627,159	209,603	140,471	(224,161)	10,953,072
Other comprehensive income						
-Foreign currency translation differences	—	—	—	26,216	—	26,216
-Fair value changes on financial assets measured at fair value through other comprehensive income	—	—	—	—	500	500
Share-based payments:						
- Value of employee services and business cooperation arrangements (Note 27)	—	—	14,497	—	—	14,497
Transactions with equity holders:						
- Transactions with non-controlling interests	—	—	—	—	(4,434)	(4,434)
As at December 31, 2023	1,200,000	9,627,159	224,100	166,687	(228,095)	10,989,851

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****27 Share-based payments**

For the purpose of establishing the Group's share incentive scheme, a special purpose vehicle was set up in 2017 to indirectly hold ordinary shares of the Company. As the Company has the power to govern the relevant activities of the special purpose vehicle and can derive benefits from the services to be rendered by the grantees, the directors of the Company consider that it is appropriate to consolidate the special purpose vehicle. In September 2020, the Company purchased at par value of the 66,171,600 ordinary shares indirectly held by the special purpose vehicle and deposited these shares to the depository of its ADS program. The aggregate consideration of RMB88,280,000 for 66,171,600 shares had been recognized as "shares held for share incentive scheme" before the respective shares were effectively transferred to grantees under share incentive scheme. This payment of RMB88,280,000 has been settled in December 2023.

On November 7, 2017, equity-settled share-based compensation plan ("the Share Option Scheme") was set up with the objective to recognize and reward the contribution of eligible directors, employees and other persons (collectively, the "Grantees") for the growth and developments of the Group. On September 10, 2019, the Board of Directors of the Company approved to amend and restate the equity-settled share-based compensation plan to supplement the Share Option Scheme with performance-based shares to grant to the Grantees ("the Restricted Share Units Scheme"). The 66,171,600 shares reserved for the share incentive scheme comprise the options previously granted under the Share Option Scheme and the remaining shares for grant under the Restricted Share Units Scheme. Both the Share Option Scheme and the Restricted Share Units Scheme are valid and effective for 10 years from the grant date. In 2022, the Company approved the increase of the number of ordinary shares available for award grant purpose under its share incentive scheme by 35,099,420. As such, the total number of ordinary shares which may be issued under the share incentive scheme is 101,271,020 shares.

In 2022, the Board of Directors of the Company approved a new share repurchase program in which the Company may purchase its own ADSs for award grant purpose. For the year ended December 31, 2022, the Company repurchased 8.02 million ADSs for a total cost of RMB74,992,000.

Share-based compensation expenses for the years ended December 31, 2021, 2022 and 2023 were allocated as follows:

	For the year ended December 31,		
	2021 RMB'000	2022 RMB'000	2023 RMB'000
-Cost of revenue	935	—	3,233
-Research and development expenses	5,185	—	2,975
-Selling and marketing expenses	2,854	1,002	1,938
-General and administrative expenses	16,435	12,359	6,351
Total	25,409	13,361	14,497
Value of employee's services (Note 8)	22,618	13,176	12,117
Value of non-employee's services	2,791	185	2,380
Total	25,409	13,361	14,497

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 Share-based payments (Continued)

(a) Share Option Scheme

Subject to the Grantee continuing to be a service provider, 100% of these options will be vested over 4 years upon fulfilling the non-market performance conditions prescribed in the grantee agreement.

The exercisable period of options starts no earlier than 12 months after the Company successfully completes an initial public offering and the Company's shares get listed in the stock exchange ("IPO and Listing") and no later than 10 years from the grant date. The vesting date is determined by the Board of Directors of the Company.

Movements in the number of share options granted to employees are as follows:

	Number of share options		
	For the year ended		
	December 31,		
	2021	2022	2023
At the beginning of the year	19,459,994	12,725,995	10,137,344
Exercised	(5,181,306)	(621,930)	—
Forfeited	(1,552,693)	(1,966,721)	(1,995,534)
At the end of the year	12,725,995	10,137,344	8,141,810

For the outstanding share options, the weighted-average exercise price was RMB21.00 and RMB18.02 per share and the weighted-average remaining contractual life was 5.28 and 4.22 years, respectively, as of December 31, 2022 and 2023, respectively.

Share options outstanding at the balance sheet dates have the following expiry dates and exercise prices.

Grant Year	Expiry Year	Exercise price	Fair value of options	Number of share options	
				As at December 31,	
				2022	2023
2017	2027	RMB1.33	RMB0.62	977,951	944,490
2017	2027	RMB2.00	RMB0.52	5,295,021	4,576,500
2018	2028	RMB52.00	RMB26.00	3,044,462	2,068,320
2019	2029	RMB52.00	RMB23.42	819,910	552,500
				10,137,344	8,141,810

The Company have used the discounted cash flow method to determine the underlying equity fair value of the Company to determine the fair value of the underlying ordinary share before its IPO. Key assumptions, such as discount rate and projections of future performance, are required to be determined by the Company with best estimate.

Based on fair value of the underlying ordinary share, the Company have used Binomial option-pricing model to determine the fair value of the share option as at the grant date. Key assumptions are set as below:

	2017	2018	2019
Discount rate	24.0 %	17.0 %	17.0 %
Risk-free interest rate	4.0 %	4.0 %	3.0 %
Volatility	52.0 %	51.0 %	46.0 %
Dividend yield	0.0 %	0.0 %	0.0 %

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****27 Share-based payments (Continued)****(a) Share Option Scheme (Continued)**

The Binomial Model requires the input of highly subjective assumptions. The risk-free rate for periods within the contractual life of the option is based on the China Treasury yield curve in effect at the time of grant. The expected dividend yield was estimated based on the Company's expected dividend policy over the expected life of the options. The Company estimates the volatility of its ordinary shares at the respective dates of grant based on the historical volatility of similar U.S. public companies for a period equal to the expected life preceding the grant date.

(b) Restricted Share Units Scheme

Subject to the Grantee continuing to be a service provider, 100% of these restricted share units will be vested over 4 years upon fulfilling the service conditions and performance conditions prescribed in the grantee agreement.

Movements in the number of restricted share units granted to employees are as follows:

	Number of restricted share units		
	For the year ended December 31,		
	2021	2022	2023
At the beginning of the year	1,751,702	16,552,829	36,232,094
Granted	17,033,120	28,745,900	230,000
Vested	(524,358)	(3,538,551)	—
Forfeited	(1,707,635)	(5,528,084)	(5,935,971)
At the end of the year	16,552,829	36,232,094	30,526,123

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 Share-based payments (Continued)

(b) Restricted Share Units Scheme (Continued)

Restricted share units outstanding at the balance sheet dates have the following expiry dates and fair value prices.

Grant Year	Expiry Year	Fair value of restricted share units RMB	Number of restricted share units	
			As at December 31,	
			2022	2023
09/10/2019	09/10/2029	35.22	204,503	158,807
01/01/2020	01/01/2030	16.18	11,509	11,502
04/01/2020	04/01/2030	16.98	45,008	42,505
07/01/2020	07/01/2030	38.67	1,502	1,500
06/01/2021	06/01/2031	13.69	248,043	155,040
06/01/2021	06/01/2031	14.31	7,502	7,500
06/01/2021	06/01/2031	14.93	112,500	112,500
07/01/2021	07/01/2031	15.16	147,751	99,001
09/01/2021	09/01/2031	5.53	4,198,965	3,335,253
10/01/2021	10/01/2031	5.25	116,593	70,001
10/01/2021	10/01/2031	4.68	3,973,655	3,444,091
01/02/2022	01/02/2032	2.40	126,862	103,397
01/02/2022	01/02/2032	2.41	1,740,001	1,740,001
01/02/2022	01/02/2032	3.29	567,700	462,265
01/02/2022	01/02/2032	2.64	300,000	365,760
04/02/2022	04/02/2032	1.78	130,000	130,000
07/02/2022	07/02/2032	2.72	40,000	40,000
10/02/2022	10/02/2032	0.98	80,000	80,000
12/16/2022	12/16/2032	0.81	24,180,000	19,977,000
01/02/2023	01/02/2033	0.71	—	190,000
			36,232,094	30,526,123

Based on fair value of the underlying ordinary share, the Company have used the Monte Carlo model to determine the fair value of the restricted share units as at the grant date. Key assumptions are set as below:

	2021	2022	2023
Risk-free interest rate	2.0%~3.0 %	2.0%~3.0 %	2.0%~3.0 %
Volatility	43.0%~49.0 %	43.0%~49.0 %	48.0%~49.0 %
Dividend yield	0.0 %	0.0 %	0.0 %

The Monte Carlo model requires the input of highly subjective assumptions. The risk-free rate for periods within the contractual life of the restricted share units is based on the China Treasury Bond Yield Curve in effect at the time of grant. The expected dividend yield was estimated based on the Company's expected dividend policy over the expected life of the restricted share units. The Company estimates the volatility of its ordinary shares at the date of grant based on the historical volatility of similar US public companies for a period equal to the expected life preceding the grant date.

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 Share-based payments (Continued)

(c) Share Repurchase

In 2022, the Board of Directors of the Company approved a new share repurchase program in which the Company may purchase its own ADSs for award grant purpose. For the year ended December 31, 2022, the Company repurchased 8.02 million ADSs as 24.07 million ordinary shares for a total cost of RMB74,992,000.

28 Trade and other payables

	As at December 31,	
	2022	2023
	RMB'000	RMB'000
Trade payables (i)		
Due to related parties	442,007	119,434
Due to third parties	311,610	127,125
	<u>753,617</u>	<u>246,559</u>
Redemption liability (ii, iii)	243,937	232,951
Accrued expenses	516,240	436,846
Security deposits	160,814	136,813
Lease liabilities (Note 18(a))	91,583	51,224
Amounts payable for purchase of shares held for share incentive scheme (Note 27)	88,280	—
Income and other tax payables	51,913	45,057
Amounts due to related parties	644,900	744,604
Others	112,822	115,517
	<u>2,664,106</u>	<u>2,009,571</u>
Less: non - current portion		
Lease liabilities	(44,553)	(28,283)
Amounts payable for purchase of shares held for share incentive scheme (Note 27)	(88,280)	—
	<u>(132,833)</u>	<u>(28,283)</u>
	<u>2,531,273</u>	<u>1,981,288</u>

(i) As at December 31, 2022, and 2023, based on recognition date, the aging of the trade payables are mainly within 1 year.

(ii) According to the shareholders agreement of BER Technology, the non-controlling shareholders shall have the right to request the Group to purchase the remaining 20% equity interests in BER Technology in an agreed period from June 30, 2022 to December 31, 2022. The purchase price was determined based on the financial performance of BER Technology and a pre-determined formula that set out in the respective shareholders agreement. Accordingly, the redemption liability of approximately RMB44,105,000 was initially recognized by the Group upon completion of acquisition as at the present value of the estimated future cash outflows, and the same amount was debited to other reserve. The redemption liability was subsequently measured at amortized cost. On December 30, 2022, the Group entered into a share purchase agreement with non-controlling shareholders of BER Technology to acquire the remaining 20% equity interests of BER Technology after renegotiation. The Group acquired the remaining 20% equity interests of BER Technology for RMB15,000,000 and relevant redemption liability has been settled in 2023.

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****28 Trade and other payables (Continued)**

(iii) The Group wrote a put option on the equity in Vantage Point Technology pursuant to the relevant transaction documents entered into with certain non-controlling shareholders of Vantage Point Technology, which provides each of such non-controlling shareholders with the right to require the Group to purchase the equity interest subject to the terms and conditions of the put option. A financial liability (redemption liability) of RMB183,569,000 was initially recognized on the acquisition date to account for the put option and other reserve of the same amount were debited accordingly. The redemption liability was subsequently measured at amortized cost. As at December 31, 2023, the redemption liability of RMB232,951,000 was estimated based on the estimation of matters relating to the terms and conditions of the put option which is in the process of renegotiation as of the date of this report.

29 Short-term borrowings

	As at December 31,	
	2022	2023
	RMB'000	RMB'000
Unsecured	<u>289,062</u>	<u>251,732</u>

The weighted average interest rate of short-term borrowings was 4.61%, 4.48% per annum as at December 31, 2022, 2023.

30 Customer deposits

	As at December 31,	
	2022	2023
	RMB'000	RMB'000
Current and savings accounts	243,231	437,153
Fixed deposit	1,685,952	1,824,061
	<u>1,929,183</u>	<u>2,261,214</u>

It represented customer deposits held by OneConnect Bank.

31 Other financial liabilities from virtual bank

	As at December 31,	
	2022	2023
	RMB'000	RMB'000
Repurchase agreements	<u>89,327</u>	<u>54,373</u>

As at December 31, 2023, the repurchase agreements of OneConnect Bank amounting to RMB54,373,000 (HKD60,000,000) were secured by debt securities included in "Financial assets measured at fair value through other comprehensive income".

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 Derivative financial assets and liabilities

	As at December 31,			
	2022		2023	
	Nominal amount	Fair value	Nominal amount	Fair value
	RMB'000		RMB'000	
Foreign exchange swaps	648,404	19,279	5,666	388
Currency forwards	741,937	37,084	358,636	37,620
Derivative financial assets	1,390,341	56,363	364,302	38,008
Foreign exchange swaps	208,938	9,568	—	—
Derivative financial liabilities	208,938	9,568	—	—

33 Dividends

No dividends had been paid or declared by the Company during the years ended December 31, 2022 and 2023.

34 Deferred income tax

(a) Deferred tax assets

The movements of deferred tax assets were as follows:

	Tax losses	Accelerated amortization of intangible assets	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2021	312,908	212,035	59,751	584,694
Recognized in the profit or loss	116,993	(5,513)	8,644	120,124
At December 31, 2021	429,901	206,522	68,395	704,818
Recognized in the profit or loss	112,340	(21,274)	(16,489)	74,577
At December 31, 2022	542,241	185,248	51,906	779,395
Recognized in the profit or loss	40,384	(27,336)	359	13,407
At December 31, 2023	582,625	157,912	52,265	792,802

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 Deferred income tax (Continued)

(b) Deferred tax liabilities

The movements of deferred tax liabilities were as follows:

	Intangible assets acquired through business combination RMB'000	Others RMB'000	Total RMB'000
At January 1, 2021	20,080	18,141	38,221
Recognized in the profit or loss	(10,219)	3,459	(6,760)
At December 31, 2021	9,861	21,600	31,461
Recognized in the profit or loss	(4,665)	(8,164)	(12,829)
At December 31, 2022	5,196	13,436	18,632
Recognized in the profit or loss	(3,117)	11,090	7,973
At December 31, 2023	2,079	24,526	26,605

(c) Offsetting of deferred tax assets and deferred tax liabilities

	As at 31 December		
	2021 RMB'000	2022 RMB'000	2023 RMB'000
Deferred tax assets	704,818	779,395	792,802
Set-off of deferred tax liabilities	(21,600)	(13,436)	(24,526)
	683,218	765,959	768,276
	As at 31 December		
	2021 RMB'000	2022 RMB'000	2023 RMB'000
Deferred tax liabilities	31,461	18,632	26,605
Set-off of deferred tax assets	(21,600)	(13,436)	(24,526)
	9,861	5,196	2,079

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 Cash flow information

(a) Cash used in operations

	For the year ended December 31,		
	2021 RMB'000	2022 RMB'000	2023 RMB'000
Loss before income tax	(1,442,608)	(990,173)	(361,714)
Depreciation and amortization	438,749	281,430	201,341
Net impairment losses on financial and contract assets	72,229	33,639	53,950
Net impairment losses on intangible assets	—	10,208	5,851
Losses on disposal of property and equipment and intangible asset	266	14,490	6,058
Share-based payments expenses (Note 27)	25,409	13,361	14,497
Net losses/ (gain) on derivatives (Note 9)	169,545	(262,769)	(30,592)
Net gain on financial assets at fair value through profit or loss (Note 9)	(45,644)	(30,687)	(20,007)
Share of gain of associate and joint venture (Note 15)	(9,946)	(24,852)	(4,607)
Impairment charges on associate(Note 15)	—	10,998	7,157
Remeasurement of redemption liability(Note 9)	—	(37,874)	—
Finance costs	74,743	35,168	19,535
Interest from investing activities	(22,983)	(6,646)	(26,252)
Exchange (gain)/losses (Note 9)	(77,143)	312,843	11,171
Changes in working capital:			
Trade receivables	(123,371)	(63,884)	185,745
Contract assets	45,855	106,135	29,276
Prepayments and other receivables	(353,480)	(335,419)	165,244
Trade and other payable	530,095	106,952	(817,507)
Contract liabilities	17,032	13,365	(30,938)
Customer deposits	944,318	579,012	332,031
Other financial liabilities from virtual bank	—	89,327	(34,954)
Financial assets measured at amortized cost from virtual bank	586,953	13,341	(3,098)
Financial assets measured at fair value through other comprehensive income from virtual bank	(1,103,460)	(504,942)	(294,583)
Payroll and welfare payables	(110,263)	(83,809)	(45,350)
	(383,704)	(720,786)	(637,746)

(b) Non-cash investing and financing activities

	For the year ended December 31,		
	2021 RMB'000	2022 RMB'000	2023 RMB'000
Acquisition of right-of-use properties by leasing (Note 13)	118,030	76,534	21,612

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 Cash flow information (Continued)

(c) Reconciliation of cash and liquid investments and gross debt

This section sets out an analysis of cash and liquid investments and gross debt as of December 31, 2022 and 2023 and the movements in cash and liquid investments and gross debt for the years ended December 31, 2021, 2022 and 2023.

	As at December 31,	
	2022	2023
	RMB'000	RMB'000
Restricted cash and time deposits over three months	343,814	447,564
Cash and cash equivalents	1,907,776	1,379,473
Financial assets at fair value through profit or loss	690,627	925,204
Lease liabilities (Note 18)	(91,583)	(51,224)
—due within one year	(47,030)	(22,941)
—due after one year	(44,553)	(28,283)
Borrowings — repayable within one year	(289,062)	(251,732)
	2,561,572	2,449,285
Cash and liquid investments	2,942,217	2,752,241
Gross debt — fixed interest rates	(380,645)	(302,956)
	2,561,572	2,449,285

	Restricted cash (ii) RMB'000	Cash and cash equivalents RMB'000	Financial assets at fair value through profit or loss RMB'000	Liabilities from financing activities		
				Lease liabilities RMB'000	Borrowings RMB'000	Total RMB'000
As at January 1, 2021	2,280,499	3,055,194	1,487,871	(134,219)	(2,283,307)	4,406,038
Cash flows	(1,206,607)	(1,627,680)	538,138	96,139	1,524,899	(675,111)
Acquisition of right-of-use assets	—	—	—	(118,030)	—	(118,030)
Other Changes (i)	(13,465)	(28,144)	45,644	1,220	(56,852)	(51,597)
As at December 31, 2021	1,060,427	1,399,370	2,071,653	(154,890)	(815,260)	3,561,300
Cash flows	(788,828)	433,119	(1,411,713)	76,734	543,501	(1,147,187)
Acquisition of right-of-use assets	—	—	—	(76,534)	—	(76,534)
Other Changes (i)	72,215	75,287	30,687	63,107	(17,303)	223,993
As at December 31, 2022	343,814	1,907,776	690,627	(91,583)	(289,062)	2,561,572
Cash flows	77,533	(543,432)	214,570	60,922	49,403	(141,004)
Acquisition of right-of-use assets	—	—	—	(21,612)	—	(21,612)
Other Changes (i)	26,217	15,129	20,007	1,049	(12,073)	50,329
As at December 31, 2023	447,564	1,379,473	925,204	(51,224)	(251,732)	2,449,285

(i) Other changes include accrued interests, disposal, foreign currency translation differences and other non-cash movements.

(ii) Cash flows include restricted cash and time deposits over three months movements recognized in cash flows from operating activities and investing activities.

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

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36 Related party transactions

The following significant transactions were carried out between the Group and its related parties during the years ended December 31, 2021, 2022 and 2023.

(a) Names and relationships with related parties

The following companies are related parties of the Group that had balances and/or transactions with the Group during the years ended December 31, 2021, 2022 and 2023.

Name of related parties	Relationship with the Group
Sen Rong Limited(i)	A shareholder that has significant influence over the Group
Rong Chang Limited(i)	A shareholder that has significant influence over the Group
Bo Yu	A shareholder that has significant influence over the Group
Ping An Group	Ultimate parent company of Bo Yu
Subsidiaries of Ping An Group	Controlled by Ping An Group
Open Portal Guangxi	Significant influenced by the Group

(i) Sen Rong Limited and Rong Chang Limited has entered into an acting-in-concert agreement in 2020 and an amended and restarted agreement in 2021. As a result, Rong Chang and Sen Rong as a concert group had significant influence over the Group.

(b) Key management personnel compensations

Key management includes directors (executive and non-executive) and senior officers. The compensations paid or payable by the Group to key management for employee services are shown below:

	For the year ended December 31,		
	2021 RMB'000	2022 RMB'000	2023 RMB'000
Wages and salaries	28,163	21,123	20,806
Welfare and other benefits	772	614	654
Share-based payments	4,187	8,401	4,909
	<u>33,122</u>	<u>30,138</u>	<u>26,369</u>

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 Related party transactions (Continued)

(c) Significant transactions with related parties

	For the year ended December 31,		
	2021 RMB'000	2022 RMB'000	2023 RMB'000
Revenue			
Ping An Group and its subsidiaries	2,315,220	2,526,682	2,091,039
	For the year ended December 31,		
	2021 RMB'000	2022 RMB'000	2023 RMB'000
Purchase of services			
Ping An Group and its subsidiaries	1,534,302	1,706,436	1,423,367
Net loss on disposal of property and equipment			
Ping An Group and its subsidiaries	—	(599)	(1,359)
Net gain from wealth management products consolidated by related parties			
Ping An Group and its subsidiaries	26,249	18,890	12,996
Net (loss)/gain on derivatives			
Ping An Group and its subsidiaries	(169,545)	262,769	30,592
Investment income from loan to related party			
Open Portal Guangxi	—	283	—
Interest income on bank deposits			
Ping An Group and its subsidiaries	12,037	9,234	17,637
Leasing payment			
Ping An Group and its subsidiaries	19,849	20,957	12,131
Interest expenses			
Ping An Group and its subsidiaries	15,914	2,672	—
Net gain on financial assets measured at fair value through other comprehensive income			
Ping An Group and its subsidiaries	—	315	—

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 Related party transactions (Continued)

(d) Year end balances with related parties

	As at December 31,	
	2022	2023
	RMB'000	RMB'000
Trade receivables		
Ping An Group and its subsidiaries (i)	372,456	299,098
Contract assets		
Ping An Group and its subsidiaries	9,876	7,538
Prepayment and other receivables		
Ping An Group and its subsidiaries	771,137	599,671
Financial assets at fair value through profit or loss (Note 22)		
Ping An Group and its subsidiaries	405,960	417,956
Cash and restricted cash and time deposits over three months		
Ping An Group and its subsidiaries	787,916	784,840
Trade and other payables		
Ping An Group and its subsidiaries (i)	1,086,907	864,038
Contract liabilities		
Ping An Group and its subsidiaries	27,517	25,550
Derivative financial assets		
Ping An Group and its subsidiaries	56,363	38,008
Derivative financial liabilities		
Ping An Group and its subsidiaries	9,568	—

(i) The balances with related parties were unsecured, interest-free and repayable on demand.

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 The Group's maximum exposure to unconsolidated structured entities

The Group has determined that all of assets management products managed by the Group and its investments in wealth management products, which are not controlled by the Group, are unconsolidated structured entities.

The Group invests in wealth management products managed by related parties for treasury management purposes. The Group also managed some assets management fund products as fund manager to generate fees from managing assets on behalf of other investors, mainly Ping An Group and its subsidiaries. The assets management fund products are financed by capital contribution from investors.

The following table shows the Group's maximum exposure to the unconsolidated structured entities which represents the Group's maximum possible risk exposure that could occur as a result of the Group's arrangements with structured entities. The maximum exposure is contingent in nature and approximates the sum of direct investments made by the Group. The direct investments made by the Group are classified as FVPL.

The size of unconsolidated structured entities and the Group's funding and maximum exposure are shown below:

	Unconsolidated structured entities			
	Size	Carrying amount	The Group's maximum exposure	Interest held by the Group
	RMB'000	RMB'000	RMB'000	
31 December 2022				
Asset management products managed by the Group	594,058	—	—	Service fee
Wealth management products managed by related parties	Note a	690,627	690,627	Investment income
31 December 2023				
Wealth management products managed by related parties	Note a	532,147	532,147	Investment income

Note a: The wealth management products are sponsored by related financial institutions and the information related to size of these structured entities were not publicly available. The carrying amount is recorded in financial assets at fair value through profit or loss.

38 Contingencies

The Group did not have any material contingent liabilities as at December 31, 2022 and 2023.

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

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39 Restricted net assets

Relevant PRC laws and regulations permit payments of dividends by the subsidiaries, the VIEs and Subsidiaries of VIEs incorporated in the PRC only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. In addition, each of the Company's subsidiaries, the VIEs and Subsidiaries of VIEs is required to annually appropriate 10% of net after-tax income to the statutory general reserve fund prior to payment of any dividends, unless such reserve funds have reached 50% of its respective registered capital. As a result of these and other restrictions under PRC laws and regulations, the subsidiaries and the Consolidated Affiliated Entities are restricted in their ability to transfer a portion of their net assets to the Company either in the form of dividends, loans or advances of the Group's total consolidated net assets. As at December 31, 2023, the total restricted net assets of the Company's subsidiaries and the VIEs and Subsidiaries of VIEs incorporated in PRC and subjected to restriction amounted to approximately RMB 6,338,242,000. Even though the Company currently does not require any such dividends, loans or advances from the PRC entities for working capital and other funding purposes, the Company may in the future require additional cash resources from them due to changes in business conditions, to fund future acquisitions and development, or merely to declare and pay dividends or distributions to its shareholders. Except for the above, there is no other restriction on the use of proceeds generated by the Company's subsidiaries and the VIEs and Subsidiaries of VIEs to satisfy any obligations of the Company.

40 Parent company only condensed financial information

Parent Company only financial statements have been provided pursuant to the requirements of Securities and Exchange Commission Regulation S-X Rule 12-04(a), which require condensed financial information as to financial position, cash flows and results of operations of a parent company as of the same dates and for the same periods for which audited consolidated financial statements have been presented, as the restricted net assets of the Company's consolidated subsidiaries, including VIEs, as of December 31, 2023 exceeded the 25% threshold, using the same accounting policies as set out in the Group's consolidated financial statements, except that the Company uses the equity method to account for investments in its subsidiaries and VIEs. Certain information and footnote disclosures generally included in financial statements prepared in accordance with IFRSs have been condensed and omitted. The footnote disclosures contain supplemental information relating to the operations of the Company, as such, these statements are not the general-purpose financial statements of the reporting entity and should be read in conjunction with the notes to the consolidated financial statements of the Company.

The Company did not have significant capital and other commitments or guarantees as at December 31, 2023. The subsidiaries did not pay any dividend to the Company for the years presented.

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40 Parent company only condensed financial information (Continued)

(a) Condensed Statements of Comprehensive Income

	Year ended December 31,		
	2021 RMB'000	2022 RMB'000	2023 RMB'000
Selling and marketing expenses	(439)	(387)	(90)
General and administrative expenses	(53,621)	(104,653)	(32,965)
Net impairment losses on amount due from subsidiaries	—	(465,457)	(281,288)
Other income, gains or loss-net	834	2,555	(457)
Operating loss	(53,226)	(567,942)	(314,800)
Finance (costs)/income – net	(32)	(573)	196
Share of losses of joint venture	(2,896)	—	—
Share of losses of subsidiaries and VIEs	(1,225,545)	(303,759)	(48,111)
Loss before income tax	(1,281,699)	(872,274)	(362,715)
Income tax expenses	—	—	—
Loss for the year	(1,281,699)	(872,274)	(362,715)
Other comprehensive income, net of tax			
Items that may be subsequently reclassified to profit or loss			
– Foreign currency translation differences	(152,542)	69,454	3,880
– Changes in the fair value of debt instruments measured at fair value through other comprehensive income	(16)	5,324	500
Items that will not be subsequently reclassified to profit or loss			
– Foreign currency translation differences	—	356,691	22,336
– Changes in the fair value of equity investments measured at fair value through other comprehensive income	(1,796)	—	—
Total comprehensive loss	(1,436,053)	(440,805)	(335,999)

ONECONNECT FINANCIAL TECHNOLOGY CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40 Parent company only condensed financial information(Continued)

(b) Condensed Balance Sheets

	Note	As at December 31,	
		2022	2023
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Interest in subsidiaries	40(d)	1,764,074	2,181,554
Total non-current assets		1,764,074	2,181,554
Current assets			
Amount due from subsidiaries	40(d)	1,641,677	803,173
Prepayments and other receivables		448	435
Cash and cash equivalents		7,327	3,267
Total current assets		1,649,452	806,875
Total assets		3,413,526	2,988,429
EQUITY AND LIABILITIES			
Equity			
Share capital	25	78	78
Shares held for share incentive scheme	27	(149,544)	(149,544)
Reserves	26	10,953,072	10,989,851
Accumulated loss		(7,510,899)	(7,873,614)
Total equity		3,292,707	2,966,771
Liabilities			
Non-current liabilities			
Trade and other payables		88,280	—
Total non-current liabilities		88,280	—
Current liabilities			
Trade and other payables		32,539	21,658
Total current liabilities		32,539	21,658
Total liabilities		120,819	21,658
Total equity and liabilities		3,413,526	2,988,429

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40 Parent company only condensed financial information (Continued)

(c) Condensed Statements of Cash Flows

	Year ended December 31,		
	2021 RMB'000	2022 RMB'000	2023 RMB'000
Cash used in operating activities			
Cash used in operations	(51,132)	(139,011)	(44,284)
Net cash used in operating activities	(51,132)	(139,011)	(44,284)
Cash flows from investing activities			
Payment for interest in subsidiaries, net of cash acquired	(1,333,804)	(3,005,546)	(1,117,823)
Proceeds from loan to subsidiaries	1,350,654	3,218,655	1,157,947
Net cash generated from investing activities	16,850	213,109	40,124
Cash flows from financing activities			
Proceeds from exercise of shares under share incentive scheme	9,257	1,161	—
Payments for shares repurchase	—	(74,992)	—
Net cash generated from/ (used in) financing activities	9,257	(73,831)	—
Net (decrease)/increase in cash and cash equivalents	(25,025)	267	(4,160)
Cash and cash equivalents at the beginning of the year	31,857	6,454	7,327
Effects of exchange rate changes on cash and cash equivalents	(378)	606	100
Cash and cash equivalents at the end of year	6,454	7,327	3,267

(d) Interest in subsidiaries and amount due from subsidiaries

	As at December 31,	
	2022 RMB'000	2023 RMB'000
Interest in subsidiaries		
Equity investment in subsidiaries	1,764,074	2,181,554
Amount due from subsidiaries		
Loan receivables	1,641,677	803,173

41 Subsequent events

On November 13, 2023, the Company entered into the Share purchase Agreement with Lufax Holding Ltd (the Purchaser), pursuant to which the Company conditionally agreed to sell, and the Purchaser conditionally agreed to acquire OneConnect Bank through transferring the entire issued share capital of the Jin Yi Tong Limited (the “Disposal Company”, a company indirectly holds 100% of the issued share capital of OneConnect Bank through its 100% owned subsidiary Jin Yi Rong Limited) at a consideration of HK \$933,000,000 in cash, subject to the terms and conditions of the Share Purchase Agreement. Upon closing, the Company will cease to hold any interest in the Disposal Company. Accordingly, the Disposal Company, Jin Yi Rong Limited and OneConnect Bank and any company that is directly or indirectly controlled by OneConnect Bank (the “Disposal Group”) will cease to be subsidiaries of the Company and will no longer be consolidated into the financial statements of the Group. The transaction was approved by shareholders of the Company through an extraordinary general meeting held on January 16, 2024 and was completed on April 2, 2024. The relevant disposal gain is approximately RMB 262 million.

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Chongfeng Shen, certify that:

1. I have reviewed this annual report on Form 20-F of OneConnect Financial Technology Co., Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: July 18, 2024

By: /s/ Chongfeng Shen

Name: Chongfeng Shen

Title: Chairman of the Board of Directors and Chief Executive Officer

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Yongtao Luo, certify that:

1. I have reviewed this annual report on Form 20-F of OneConnect Financial Technology Co., Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: July 18, 2024

By: /s/ Yongtao Luo
Name: Yongtao Luo
Title: Chief Financial Officer

**CERTIFICATION BY THE PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of OneConnect Financial Technology Co., Ltd. (the "Company") on Form 20-F for the fiscal year ended December 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Chongfeng Shen, Chairman of the Board of Directors and Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 18, 2024

By: /s/ Chongfeng Shen

Name: Chongfeng Shen

Title: Chairman of the Board of Directors and Chief Executive Officer

**CERTIFICATION BY THE PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of OneConnect Financial Technology Co., Ltd. (the "Company") on Form 20-F for the fiscal year ended December 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Yongtao Luo, Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 18, 2024

By: /s/ Yongtao Luo
Name: Yongtao Luo
Title: Chief Financial Officer

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (File Nos. 333-248252, 333-265754, and 333-265307) of OneConnect Financial Technology Co., Ltd. of our report dated April 23, 2024 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 20-F.

/s/PricewaterhouseCoopers Zhong Tian LLP
Shenzhen, the People's Republic of China
July 18, 2024
