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**中國太平洋保險(集團)股份有限公司**

**CHINA PACIFIC INSURANCE (GROUP) CO., LTD.**

*(A joint stock company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 02601)**

### **Overseas Regulatory Announcement**

This overseas regulatory announcement is made pursuant to Rule 13.09 and Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The announcement is attached hereof for information purpose only.

By Order of the Board  
**China Pacific Insurance (Group) Co., Ltd.**  
**KONG Qingwei**  
*Chairman*

Hong Kong, 29 August 2022

*As at the date of this announcement, the Executive Directors of the Company are Mr. KONG Qingwei and Mr. FU Fan; the Non-executive Directors are Mr. HUANG Dinan, Mr. WANG Tayu, Mr. WU Junhao, Mr. CHEN Ran, Mr. ZHOU Donghui, Ms. LIANG Hong, Ms. LU Qiaoling and Mr. John Robert DACEY; and the Independent Non-executive Directors are Ms. LIU Xiaodan, Mr. CHEN Jizhong, Ms. LAM Tyng Yih, Elizabeth, Mr. WOO Ka Bui, Jackson, and Mr. JIANG Xuping.*

# Summary of Quarterly Solvency Report (Excerpts)

**Pacific Health Insurance Co., Ltd.**

**2<sup>nd</sup> Quarter of 2022**

## Company overview and contact information

Company name (Chinese):	太平洋健康保险股份有限公司
Company name (English):	Pacific Health Insurance Co., Ltd.
Legal representative:	MA Xin
Registered address	13th Floor, Building No. 1, 1229 Century Avenue, China (Shanghai) Pilot Free Trade Zone, Shanghai, the PRC
Registered capital	3.6 billion yuan
Business license number	00000117
Date opening for business	December 2014
Business scope	Health and personal accident insurance denominated in RMB yuan and foreign currencies; health insurance commissioned by the government or supplementary to state medical insurance policies; reinsurance of the above said insurance; health insurance-related agency and consulting business; insurance funds investment as approved by relevant laws and regulations; other business as approved by the CIRC.
Business territories	Shanghai, Beijing, Guangdong Province, Sichuan Province.
Contact person:	XIA Bing
Tel. number:	+86-21-33968652
Cell phone:	13761619886
Fax number:	+86-21-68870641
Email:	xiabing-003@cpic.com.cn

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## I. Board and management statement

The report has been approved by the board of directors. The board and the senior management of the Company warrant that the contents of this report are true, accurate and complete and have fully complied with applicable laws and regulations, and that there is no false representation, misleading statement or material omissions; and they severally and jointly accept responsibility for the contents of this report while each of them being directly responsible for the reporting items within their respective responsibilities.

### 1. Director's voting results

Director	For	Against	Abstain
MA Xin	√		
WANG Mingchao	√		
WANG Yong	√		
ZHANG Weidong	√		
ZHANG Yuanhan	√		
PAN Yanhong	√		
Total	6		

Note: the "√" indicates the director's vote.

2. Are there any directors who cannot guarantee or harbor any doubt about the truthfulness, accuracy, completeness or compliance of the contents of this report?

(Yes  No )

## II. Basic information

### (I) Ownership structure and shareholders

#### 1. Ownership structure

Shares held by	Shares or contribution as at the end of reporting period (unit: 10,000 shares)	Percentage (%)	Shares or contribution as at the beginning of reporting period (unit: 10,000 shares)	Percentage (%)
Domestic legal persons	360,000.00	100.00	170,000.00	100.00
Domestic natural persons	-	-	-	-
Foreign	-	-	-	-
Others	-	-	-	-
Total	360,000.00	100.00	170,000.00	100.00

#### 2. Top 5 shareholders as at the end of the reporting period

Names of shareholders	Shares held or contribution made as at the end of the reporting period (unit: 10,000 shares)	Shareholding percentage at the end of the reporting period (%)
China Pacific Insurance (Group) Co., Ltd.	306,183.60	85.051
China Pacific Life Insurance Co., Ltd.	53,816.40	14.949

#### 3. Shareholding by directors, supervisors and senior management

Did any of them hold any shares of the Company during the reporting period? (Yes  No )

#### 4. Share transfer during the reporting period

Did any share transfer occur during the reporting period? (Yes  No )

## **(II) Controlling shareholder or de facto controller**

China Pacific Insurance (Group) Co., Ltd.

## **(III) Directors, supervisors and senior management**

### **1. Directors (6 in total)**

Mr. MA Xin, born in April 1973, has a master's degree and the title of Economist. He has been serving as Chairman of the Company since January 2021 (approval document: CBIRC Approval [2021] No.4). He has been serving as the acting Responsible Person of the Company since June 2021. Mr. MA currently serves as Vice President of CPIC Group, Director of CPIC Life and Changjiang Pension respectively. He previously served as Manager of Individual Business Department and Assistant General Manager of CPIC Life Xi'an Branch, Deputy General Manager and General Manager of CPIC Life Shaanxi Branch, and Transformation Director, Head of Strategic Transformation Office and General Manager of the Strategic Planning Department of CPIC Group, Board Secretary of CPIC Group, and Director of CPIC P/C.

Mr. WANG Mingchao, born in October 1976, holds a master's degree and title of senior Human Resources Professional. He has been serving as Director of the Company (approval document: CBIRC [2019] No.856) since October 2019. Mr. WANG currently also serves as Deputy Marketing Officer of CPIC Group. Previously, he served as Head of Cadre's Division of Human Resources Department of CPIC Life, Assistant General Manager of Human Resources Department of CPIC Life, Head, Deputy Head of Party Affairs Department/Organization and Cadre Department of CPIC Life, Senior Deputy General Manager of CPIC Life Shanghai Branch, General Manager of Cooperation Business Department of the Company, General Manager, Head of Sales, SBU Head of the Company's Shanghai Branch (Operations Department), Board Secretary of CPIC P/C, and Head of Board Office of CPIC Group.

Mr. WANG Yong, born in July 1974, holds a master's degree. He has been serving as Director of the Company (approval document: CBIRC [2021] No.942) since December 2021. Mr. WANG currently serves as Head of the Strategic Research Center of CPIC Group. He previously served as Assistant General Manager of the Human Resources Department of CPIC Life, Secretary to Chairman of the CPIC Group, Head of the Party Affairs Department of the CPIC Group, General Manager of the Employee Affairs

Department of the CPIC Group, Deputy Head of the Party Committee Office of the CPIC Group, Head of the Party and Public Department of the CPIC Group, General Manager of CPIC P/C Tianjin Branch, Deputy Party Secretary of the Information Technology Center of the CPIC Group, and Senior Deputy General Manager of CPIC Life Suzhou Branch.

Mr. ZHANG Weidong, born in October 1970, holds a bachelor's degree. He has been serving as Director of the Company since May 2021 (approval document: CBIRC [2021] No.341). Mr. ZHANG currently serves as Compliance Responsible Person and General Counsel of CPIC Group, and Director of CPIC P/C, CPIC Life, CPIC AMC and Changjiang Pension respectively. Mr. ZHANG previously served as General Manager of Legal Compliance Department and Risk Management Department, Risk & Compliance Officer and Chief Risk Officer of CPIC Group, Head of Board Office of CPIC Group, and Board Secretary of CPIC P/C, CPIC Life and CPIC AMC.

Mr. ZHANG Yuanhan, born in November 1967, holds a master's degree and is a member of Society of Actuaries and American Academy of Actuaries respectively, and director of China Association of Actuaries. He has been serving as Director of the Company since April 2021 (approval document: CBIRC [2021] No.280). Mr. ZHANG currently serves as Chief Actuary, Finance Responsible Person of CPIC Group, and Director of CPIC P/C, CPIC Life, and CPIC AMC respectively. Mr. ZHANG previously served as Chief Actuary of the Company, acting Chief Actuary, Chief Risk Officer of the Company, Deputy General Manager, CFO, Chief Actuary of Sun Life Everbright Life Insurance Co., Ltd., Director of Sun Life Everbright Asset Management Co., Ltd, Chief Actuary of Sino Life Insurance Co., Ltd., Chief Actuary, Deputy General Manager and Vice President of MetLife Insurance Company Limited (Shanghai), and Chief Actuary of Citi Group TRV-Citi Insurance headquarters.

Ms. PAN Yanhong, born in August 1969, holds a master's degree and title of senior accountant and is a Chinese CPA. She has been serving as Director of the Company since March 2015 (approval document: CIRC [2015] No.263). Ms. PAN currently serves as Chairman of CPIC Life, and Director of Changjiang Pension and CPIC AMC respectively. Ms. PAN previously served as Executive Vice President and Finance Responsible Person of CPIC Group, Director of CPIC P/C, and Deputy General Manager, General Manager of Finance Department of CPIC Life, Deputy Head of Finance, Executive Member of Business Management Committee, Head of Finance, Deputy

General Manager, General Manager, and Vice Chairman of CPIC Life.

**2. Supervisors (3 in total):**

Mr. GU Qiang, born in January 1967, holds a master's degree and title of senior accountant. He has been serving as Chairman of the Board of Supervisors of the Company (approval document: CBIRC [2021] No.165) since March 2021. Mr. GU currently serves as Employee Representative Supervisor of CPIC Group, Chairman of the Board of Supervisors of CPIC AMC and Chairman of the Board of Supervisors of Changjiang Pension. Mr. GU formerly was a lecturer at the Department of Finance and Insurance of Shanghai University of Finance and Economics, senior auditor of Pricewaterhouse Da Hua Certified Public Accountants, Manager of the International Business Department of Wanguo Securities Co., Ltd., Vice President and CFO of Shanghai Branch of American International Underwriters, served as Deputy Chief Accountant, CFO, Finance Responsible Person and Deputy General Manager of CPIC P/C, Vice President and CFO of China Pacific Anxin Agricultural Insurance Co., Ltd.

Ms. HU Shuangzhu, born in September 1980, holds a master's degree, is a certified internal auditor, certified information system auditor, financial risk manager, and has CRMA qualification. She has been serving as Supervisor of the Company since August 2016 (approval document: CIRC [2016] No.814). Ms. HU currently serves as Chief Auditor of Audit Technology Division, Internal Audit Center of CPIC Group. Previously, Ms. HU served as Senior Manager of PricewaterhouseCoopers Business Consulting (Shanghai) Co., Ltd., and Chief Auditor of Internal Audit Center, Internal Audit Business Division of CPIC Group.

Ms. XUE Yongxian, born in November 1976, holds a master's degree. She has been serving as Supervisor (employee representative) of the Company (approval document: CIRC [2017] No.161) since February 2017. Ms. XUE currently serves as General Manager of Shanghai Branch and Head of Life Individual Cross-selling Business Center of the Company. Previously, she served as General Manager of Sales Management Department of the Company, Deputy General Manager of Group Business Department Planning and Training Division of CPIC Life, Assistant General Manager of Group Business Department Accident Insurance Division of CPIC Life, Assistant General Manager and Senior Manager of Group Business Department Direct Sales Supervision Division of CPIC Life, and Section Head of Group Business Department of CPIC Life.

### **3. Senior management (8 in total)**

Mr. MA Xin, born in April 1973, has a master's degree and the title of Economist. He has been serving as Chairman of the Company since January 2021 (approval document: CBIRC [2021] No.4). He has been serving as Acting Responsible Person of the Company since June 2021. Mr. MA currently serves as Vice President of CPIC Group, Director of CPIC Life and Changjiang Pension respectively. He previously served as Manager of Individual Business Department and Assistant General Manager of CPIC Life Xi'an Branch, Deputy General Manager and General Manager of CPIC Life Shaanxi Branch, and Transformation Director, Head of Strategic Transformation Office and General Manager of the Strategic Planning Department of CPIC Group, Board Secretary of CPIC Group, and Director of CPIC P/C.

Mr. LI Jieqing, born in November 1968, holds a bachelor's degree and the title of Economist. He has been serving as Deputy General Manager of the Company (approval document: CIRC [2016] No.450) since May 2016 and has been serving as Chief Risk Officer of the Company since August 2021. Previously, Mr. LI served as Head of Risk and Compliance, Compliance Responsible Person and Chief Risk Officer of CPIC Group, Director of CPIC P/C, CPIC Life, CPIC AMC and the Company.

Mr. ZHOU Bin, born in April 1966, has received a post-graduate education. He has been serving as Deputy General Manager of the Company (approval document: CIRC [2016] No.450) since May 2016. Mr. Zhou is also Council Member of Shanghai Pacific Blue Charity Foundation. Previously, Mr. ZHOU served as General Manager of Information Technology Center Human Resources and Comprehensive Management Department of CPIC Group, Deputy Head of Cadre and Personnel Division of Shanghai Municipal Commission of Financial Industry (temporary post), General Manager of Human Resources Department of CPIC Group and Chief Risk Officer of the Company.

Mr. SONG Quanhua, born in February 1973, holds a master's degree. He has been serving as Deputy General Manager of the Company (approval document: CBIRC [2021] No.691) since September 2021. Mr. SONG previously served as secretary of the Secretariat of the General Office of China Pacific Insurance Company, Deputy General Manager of CPIC Life Ningbo branch, General Manager of CPIC Life Dalian branch, Director of Party Affairs Department of CPIC Life headquarters, General Manager of New Channel Business Department of CPIC Life, General Manager of Corporate Channel Business Marketing Department of CPIC Life, Deputy General Manager of the

Health and Elderly Care Business Center of CPIC Life, Deputy General Manager of Group Business Center of CPIC Life, and General Manager of Pacific Medical & Healthcare Management Co., Ltd.

Ms. YIN Yanling, born in June 1972, holds a master's degree and is a member of China Association of Actuaries. She has been serving as Finance Responsible Person of the Company since September 2021 (approval document: CBIRC [2021] No.729) and has been serving as Acting Actuarial Responsible Person of the Company since March 2022. Previously, she served as Head of the Actuarial Management Division of Planning and Finance Department of CPIC Group, Assistant General Manager of Planning and Finance Department of CPIC Group, Deputy General Manager (in charge) of Financial Investment Department/Actuarial Department, Deputy General Manager (in charge) of Financial Management Department/Actuarial Department, Deputy General Manager of Risk Management Department/Risk Monitoring Department, General Manager of Financial Management Department/Actuarial Department, and General Manager of Actuarial Department of CPIC Group, General Manager of Actuarial Department of CPIC Life, and Acting Finance Responsible Person of the Company.

Mr. ZHOU Qing, born in January 1978, holds a master's degree and legal professional qualification. He has been serving as Board Secretary of the Company since March 2015 (approval document: CIRC [2015] No.167). Mr. ZHOU is also General Manager of Strategic Development Department of the Company. Previously, Mr. ZHOU served as Deputy General Manager of Investor Relations Department of CPIC Group, General Manager of Administration and Personnel Department of the Company, General Manager of Legal and Compliance Department of the Company, Compliance Responsible Person of the Company, and General Manager of Beijing Branch of the Company.

Ms. WEN Qin, born in October 1975, holds a bachelor's degree and has legal professional qualification. She has been serving as Compliance Responsible Person of the Company since September 2019 (approval document: CBIRC [2019] No.796). Ms. WEN is also Legal Responsible Person and General Manager of Risk and Compliance Department of the Company. Previously, she served as General Manager and Legal Responsible Person of Legal Compliance Department of Lujiazui Cathay Life Insurance Co., Ltd. and Assistant General Manager and Legal Responsible Person of Legal Compliance Department of Cathay Life Insurance Co., Ltd.

Mr. JIANG Honglang, born in November 1964, holds a doctoral degree and title of senior auditor. He has been serving as Internal Auditing Responsible Person of the Company since January 2019 (approval document: CBIRC [2019] No.128). Mr. JIANG currently serves as General Manager of Digital Audit Technology Department of CPIC Group. Previously, he served as Senior Auditor of Internal Audit Department of CPIC Group, Deputy General Manager of Internal Audit Management Department of CPIC Group, and General Manager of Remote Internal Audit Department of CPIC Group. Prior to that, he served as associate professor of Institute of Applied Mathematics of Guizhou University of Technology.

(IV) Subsidiaries, joint ventures or associate ventures (Yes  No )

One associate venture: Shanghai Proton & Heavy Ion Hospital. The Company completed an investment of RMB100 million in its equity in January 2016, holding 20% of its shares.

There was no change during the reporting period.

(IV) Breaches and administrative penalties during the reporting period (Yes  No )

None during the reporting period.

### III. Main indicators

#### (I) Solvency margin ratios

unit: 10,000 RMB yuan

Items	As at the end of this quarter	As at the end of last quarter	Next quarter estimates
Admitted assets	1,081,102.21	1,104,876.04	1,094,539.03
Admitted liabilities	764,056.76	982,512.51	775,332.04
Available capital	317,045.45	122,363.53	319,206.99
Tier-1 core capital	304,059.56	109,874.29	306,635.25
Tier-2 core capital	-	-	-
Tier-1 supplement capital	12,985.89	12,489.24	12,571.74
Tier-2 supplement capital	-	-	-
Minimum capital	107,676.27	97,083.56	109,984.53
Minimum capital for capitalizable risks	106,206.80	95,766.77	108,490.80
Minimum capital for control risk	1,469.47	1,316.79	1,493.73
Minimum capital for supplement capital	-	-	-
Solvency margin surplus			
Core solvency margin surplus	196,383.29	12,790.73	196,650.72
Comprehensive solvency margin surplus	209,369.18	25,279.97	209,222.46
Core solvency margin ratio (%)	282	113	279
Comprehensive solvency margin ratio (%)	294	126	290

#### (II) Indicators for monitoring liquidity risk

Indicators	Reporting quarter	Last quarter
Actual cash flow (unit:10,000 yuan)	-153,836.93	-7,315.22
Retrospective adverse deviation ratio of net cash flows from business activities (%)	158	-118
Overall liquidity coverage ratio under base scenario (3 months)(%)	116	991
Overall liquidity coverage ratio under base scenario (12 months)(%)	169	290
Overall liquidity coverage ratio under mandatory stress scenario (3 months)(%)	1556	1695
Overall liquidity coverage ratio under mandatory stress scenario (12 months)(%)	328	318
Overall liquidity coverage ratio under self-assessment stress scenario (3 months)(%)	1313	1424
Overall liquidity coverage ratio under self-assessment stress scenario (12 months)(%)	368	353
Overall liquidity coverage ratio before asset disposal under mandatory stress scenario (3 months)(%)	313	989
Overall liquidity coverage ratio before asset disposal under mandatory stress scenario (12 months)(%)	76	180

Overall liquidity coverage ratio before asset disposal under self-assessment stress scenario (3 months)(%)	306	845
Overall liquidity coverage ratio before asset disposal under self-assessment stress scenario (12 months)(%)	199	251
Net cash flow from business activities (unit: 10,000 yuan)	15,180.57	-11,188.84
GWP year-on-year growth (%)	-8.67	-18.93
Comprehensive surrender ratio	0.01	-
Share of cash flow and liquidity management tools (%)	5.28	19.02
Quarterly average financial leverage ratio (%)	2.58	1.06
Share of domestic fixed income assets rated AA and below (%)	-	-
Share of investments in listed stocks where the Company holds a stake of 5% or above	-	-
Share of receivables (%)	17.45	23.53
Share of related party assets held by the Company (%)	3.91	3.82

### (III) Key business metrics

Indicators	unit: 10,000 yuan	
	As at the end of this quarter/during this quarter	As at the end of this quarter/YTD
Gross written premiums	108,626.47	251,843.67
Net profits	1,975.50	3,049.87
Total assets	1,094,059.63	1,094,059.63
Net assets	334,238.90	334,238.90
Insurance contract liabilities	366,538.31	366,538.31
Basic earnings per share (yuan)	0.01	0.01
ROE (%)	0.83	1.28
ROA (%)	0.18	0.29
Investment yield (%)	1.19	2.04
Comprehensive investment yield (%)	1.69	2.07

## **IV. Risk management capabilities**

### **(I) Company category**

The Company was incorporated in December 2014. As of the end of June 2022, its gross written premiums amounted to 2,518.4367 million yuan (primary premiums: 525.9369 million yuan, inward ceded premiums: 1,992.4998 million yuan), and its total assets stood at 10.9405963 billion yuan. It has 4 provincial-level branch offices, and according to Solvency Regulatory Standards of Insurance Companies No.12: Solvency-aligned Risk Management Requirement and Assessment, the Company is in Category II.

The Company was rated A at the IRR for Q4 of 2021 and B for Q1 of 2022.

### **(II) Measures taken to improve risk management and the latest status**

In Q2, as per C-ROSS II, the Company vigorously promoted and implemented risk management measures, while continuously enhancing risk management systems and processes in Risk Appetite Framework (RAF) and risk management reporting. Firstly, in compliance with C-ROSS II requirements and Group risk management policies, it completed the amendments to solvency risk management policies and measures for the management of 7 key risk categories, marking the transition towards a C-ROSS II-oriented risk management system; at the same time, the Company steadily proceeded with the updating of supportive policies, such as establishing the training system, revising rules on RAF, risk management performance evaluation, risk management reporting procedures, solvency information disclosure, and development planning, etc. Secondly, the Company further improved its RAF, optimised the transmission mechanism and models for risk appetite in light of the Risk Appetite Statement for 2022, formulated the Risk Upper Limits based on risk tolerance, regulatory requirements and risk management needs of the Company, using both qualitative and quantitative methods, and drafted and issued the 2022 Annual Risk Appetite Framework. It conducted advocacy and training of the mechanisms and requirements of Risk Upper Limits across the entire organisation, defining the concrete risk management objectives for all departments and branches in 2022, enhancing the integration of RAF requirements and business decision-making. Thirdly, the Company improved the risk management reporting system within Group integrated framework to increase the primary responsibilities of relevant departments. Reporting duties would be aligned with management responsibilities, and the lead departments for major risk

categories would be responsible for risk monitoring, risk data calculation, risk alerts, formulation of mitigation measures, preparation of risk reports, while risk & compliance departments make recommendations on key high-risk areas based on ERM principle. Thus, risk management can be more closely intertwined with risk defense functionalities, especially in front-line defense lines.

In Q2 of 2022, all the Company's risk management measures and processes were effectively implemented in accordance with the provisions of the Company's risk management system, and there were no major risk incidents.

### **(III) The latest result of Solvency Aligned Risk Management Requirements and Assessment (SARMRA) of the Company**

As per the notification from CBIRC, the Company used its SARMRA assessment result from 2017 for the year of 2021, which was 78.96 points. To be specific, it consisted of 14.07 points for risk management infrastructure and environment, 7.54 points for risk management objectives and tools, 8.02 points for insurance risk management, 8.00 points for market risk management, 8.00 points for credit risk management, 8.36 points for operational risk management, 8.08 points for strategic risk management, 8.22 points for reputational risk management, and 8.68 points for liquidity risk management.

## **V. Integrated risk rating (differentiated supervision)**

### **(I) The last two IRR results**

The Company was rated A at the IRR by CBIRC for Q4 of 2021, and was rated B for Q1 of 2022.

### **(II) Measure taken or to be taken for improvement**

In Q2 2022, the Company reviewed the gaps as detected by the IRR against C-ROSS II indicator criteria, and based on its realities, classified the indicators into 4 categories, i.e., top priority, priority, stable and long-term targets, with formulation of prioritised rectification measures.

### **(III) Findings of self-assessment of operational, strategic and reputational risks**

Liquidity risk: For this quarter, net cash flow was -1.538 billion yuan, mainly because the

capital increase of 1.9 billion yuan was approved by the regulator and cash at hand became invested assets, causing large cash outflows. Of this, net cash flow was better than estimates by 162 million yuan, meaning a favourable deviation of 158%, mainly due to combined settlement of reinsurance funds by CPIC Life and corporate income tax rebate. During the reporting period, all LCRs under various scenarios and all liquidity indicators were within regulatory limits.

Operational risk: In terms of compliance and internal control, the Company didn't violate any regulations or receive administrative penalties from regulators in Q2 2022. There was zero violation per 100 million yuan in premiums and zero regulatory penalty per 100 million yuan in standard premiums for the Company. In terms of information systems, the reliability rate of the Company's core systems remained at 100%, and no economic losses were incurred due to IT system failures. It also maintained a relatively stable workforce. In Q2, the Company didn't experience any losses arising from operational risk in sales, underwriting, post-sales service, claims settlement or investment, and there was no occurrence of insurance fraud.

Reputational risk: The Company's media monitoring system includes CPIC Group's own system, and third-party monitoring services, which can effectively monitor negative publicity of the Company and its insurance and investment counter-parties on a daily basis. In daily work, the Company strictly implements various reputation risk management processes covering pre-assessment, risk handling and post-event accountability. In Q2 2022, the Company did not experience any reputational risk incident on mainstream or other types of media.

Strategic risk: The Company formulated the "2021-2023 Development Plan" and annual business goals, and made decisions on its strategic positioning, implementation path, and expected results. The Company has a clear strategic direction and put in place specific implementation arrangements. Guided by the strategic goals of the Group and its own goals, the Company expects to achieve further development and business breakthrough via transformation. By target break-down and implementation, regular business performance analysis, and active analysis of the external environment and internal strengths and weaknesses, the Company made timely strategic decisions to adapt to the market environment and promptly identified, evaluated and controlled its strategic risks. No strategic risk event occurred in the Q2 2022.

## **VI. Management analysis and discussions**

On 11 May 2022, the capital increase of 1.9 billion yuan was approved by the regulator. (CBIRC Approval[2022]No. 301), and with this, the registered capital of the Company increased to 3.6 billion yuan, greatly enhancing its capital position.

### **(I) Solvency Analysis**

#### **1. Available capital**

As of 30 June 2022, the Company's net assets was 3,342.3890 million yuan, and after deducting items such as intangible assets other than land use rights, long-term deferred expenses, and the differences in reserves under the accounting standards and C-ROSS II standards (amounting to 171.9345 million yuan), the available capital stood at 3,170.4545 million yuan, a sharp increase from the previous quarter mainly due to capital increase of 1.9 billion yuan as approved by the regulator.

#### **2. Minimum capital**

The minimum capital of the Company at the end of Q2 was 1,076.7627 million yuan, rising by 10.91% from the previous quarter, mainly as a result of fast growth of investable assets after the capital injection, and increased minimum capital for market risk. Of this, minimum capital for insurance risk was 1,102.5564 million yuan, that for market risk 289.3887 million yuan, that for credit risk 257.5661 million yuan, diversification effect for quantifiable risk 587.4432 million yuan, that for control risk 14.6947 million yuan.

#### **3. Solvency margin ratio**

As of 30 June 2022, the Company's core solvency margin surplus was 1,963.8329 million yuan, and the core solvency margin ratio was 282%; comprehensive solvency margin surplus was 2,093.6918 million yuan, and the comprehensive solvency margin ratio was 294%. In Q2 of 2022, the core and comprehensive solvency margin ratios rose considerably by 169pt and 168pt respectively from the previous quarter, mainly due to share capital increase of 1.9 billion yuan which was approved by the regulator.

### **(II) Liquidity risk**

For this quarter, net cash flow was -1.538 billion yuan, mainly because the capital increase of 1.9 billion yuan was approved by the regulator and cash at hand became invested assets,

causing large cash outflows. Of this, net cash flow was better than estimates by 162 million yuan, meaning a favourable deviation of 158%, mainly due to combined settlement of reinsurance funds by CPIC Life and corporate income tax rebate. During the reporting period, all LCRs under various scenarios and all liquidity indicators were within regulatory limits.

The Company will strictly follow the regulatory requirements on solvency cash flow forecasting, comprehensively consider factors such as business development and market changes, regularly evaluate the effectiveness of its liquidity risk management mechanisms and systems, and make appropriate adjustments to ensure a reasonable liquidity risk level.