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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 April 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 Biu, Jackson, and Mr. JIANG Xuping.*

# Summary of Quarterly Solvency Report (Excerpts)

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

**1st 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	1.7 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
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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 comply 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 vote on this Report

Director	Agree	Disagree	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 )

Pacific Health Insurance Co., Ltd.

April 25, 2022

## 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 person	170,000.00	100.00	170,000.00	100.00
Domestic natural person	-	-	-	-
Foreign	-	-	-	-
Others	-	-	-	-
Total	170,000.00	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.	144,586.70	85.051
China Pacific Life Insurance Co., Ltd.	25,413.30	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 [2019] 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.

Note: Since 23 March 2022, YIN Yanling has been serving as Acting Actuarial Responsible Person of CPIC Health, and starting from this date, ZHANG Yuanhan no longer served as Chief Actuary of CPIC Health.

**(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	1,104,876.04	1,022,543.80	1,081,171.78
Admitted liabilities	982,512.51	893,939.84	955,127.63
Available capital	122,363.53	128,603.96	126,044.15
Tier-1 core capital	109,874.29	128,603.96	114,319.92
Tier-2 core capital	-	-	-
Tier-1 supplement capital	12,489.24	-	11,724.23
Tier-2 supplement capital	-	-	-
Minimum capital	97,083.56	93,367.59	107,209.37
Minimum capital for capitalizable risks	95,766.77	92,884.59	105,753.34
Minimum capital for control risk	1,316.79	483.00	1,456.03
Minimum capital for supplement capital	-	-	-
Solvency margin surplus	-	-	-
Core solvency margin surplus	12,790.73	35,236.37	7,110.55
Comprehensive solvency margin surplus	25,279.97	35,236.37	18,834.78
Core solvency margin ratio (%)	113	138	107
Comprehensive solvency margin ratio (%)	126	138	118

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

Indicators	Reporting quarter	Last quarter
Actual cash flow (unit:10,000 yuan)	-7,315.22	149,761.94
Retrospective adverse deviation ratio of net cash flows from business activities (%)	-118	40
Overall liquidity coverage ratio under base scenario (3 months)(%)	991	-
Overall liquidity coverage ratio under base scenario (12 months)(%)	290	-
Overall liquidity coverage ratio under mandatory stress scenario (3 months)(%)	1695	-
Overall liquidity coverage ratio under mandatory stress scenario (12 months)(%)	318	-
Overall liquidity coverage ratio under self-assessment stress scenario (3 months)(%)	1424	-
Overall liquidity coverage ratio under self-assessment stress scenario (12 months)(%)	353	-
Overall liquidity coverage ratio before asset disposal under mandatory stress scenario (3 months)(%)	989	-
Overall liquidity coverage ratio before asset disposal under mandatory stress scenario (12 months)(%)	180	-

Overall liquidity coverage ratio before asset disposal under self-assessment stress scenario (3 months)(%)	845	-
Overall liquidity coverage ratio before asset disposal under self-assessment stress scenario (12 months)(%)	251	-
Net cash flow from business activities (unit: 10,000 yuan)	-11,188.84	-23,893.81
GWP year-on-year growth (%)	-18.93	24.85
Share of cash flow and liquidity management tools (%)	19.02	20.88
Quarterly average financial leverage ratio (%)	1.06	0.57
Share of domestic fixed assets rated AA and below (%)	-	-
Share of investments in listed stocks where the Company holds a stake of 5% or above	-	-
Share of receivables (%)	23.53	18.17
Share of related party assets held by the Company (%)	3.82	1.01

### (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	143,217.20	143,217.20
Net profits	1,074.37	1,074.37
Total assets	1,116,856.52	1,116,856.52
Net assets	139,862.45	139,862.45
Insurance contract liabilities	370,276.38	370,276.38
Basic earnings per share (yuan)	0.01	0.01
ROE (%)	0.76	0.76
ROA (%)	0.10	0.10
Investment yield (%)	0.82	0.82
Comprehensive investment yield (%)	0.35	0.35

## **IV. Risk management capabilities**

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

The Company was incorporated in December 2014. As of the end of March 2022, its gross written premiums amounted to 1.4321720 billion yuan (primary premiums: 245.0462 million yuan, ceded premiums: 1.1871258 billion yuan), and its total assets stood at 11.1685652 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 both Q3 and Q4 of 2021.

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

Measures taken to improve risk management in Q1 of 2022 mainly included three aspects: risk management system update, risk preference setting and annual risk management work plan formulation. Firstly, for solvency risk management, the Company assessed and updated measures for the management of policy, insurance, market, credit, liquidity, operational, reputation, and strategic risks, and submitted them to the Company's Management Committee for deliberation, and they will also be submitted to the Board of Directors for approval in the second quarter of 2022. Secondly, the Company evaluated the implementation of its risk preference in 2021, and set up its risk preference statement and risk tolerance for 2022 within CPIC Group's 2022 risk preference framework and in view of its own risk profiles and risk status. Thirdly, in line with CPIC Group's risk management work plan and strategic plan for 2022, the Company identified the priorities of its risk management in 2022 and clarified the work objectives and plans for annual risk management to keep improving its risk management in an orderly manner.

In Q1 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 in Q1.

### **(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 reputation risk management, and 8.68 points for liquidity risk management. As per Solvency Regulatory Standards of Insurance Companies No.12: Solvency-aligned Risk Management Requirement and Assessment, the final score of the Company for Q1 of 2022 was 77.25 points.

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

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

The Company was rated A at the IRR by CBIRC for both Q3 and Q4 of 2021, and described as an insurance company that meets the solvency standards and has low levels of operational, reputation, strategic and liquidity risk.

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

In Q1 2022, following the Evaluation Criteria for Unquantifiable Risks of Insurance Companies, the Company continued to take key control measures on the operational and liquidity risks identified in self-assessment as requiring improvement.

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

**Liquidity risk:** The Company's liquidity risk mainly stems from insurance claims, daily operating expenses and impairment of investment assets. As of Q1 2022, the Company hadn't experienced any liquidity risk situation. It has a relatively high proportion of liquid assets and a high five-day liquidity ratio, which helps the Company effectively respond to various liquidity needs. At the same time, the Company maintains a certain level of leverage ratio and financing activity to ensure that it can obtain funds in a timely manner in case of emergencies, so as to relieve liquidity pressure. On the whole, the source of liquidity for the Company is greater than its liquidity demand, thus a low risk of liquidity gap.

**Operational risk:** In terms of compliance and internal control, the Company didn't violate any regulations or receive administrative penalties from regulators in Q1 2022. There was zero violation per 100 million in premiums and zero regulatory penalty per 100 million



standard premiums for the Company. In terms of information systems, the availability 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 Q1, the Company didn't experience any loss incident arising from operational risks in sales, underwriting, policy owner service, claims settlement and investment, or any case of insurance fraud.

Reputation risk: The Company's public opinions monitoring system includes CPIC Group's public opinion monitoring system, the big data financial terminal monitoring system and third-party professional public opinions monitoring services. The system can effectively monitor negative publicity of the Company and its counterparties on a daily basis. In daily work, the Company strictly implements various reputation risk management processes covering pre-assessment, in-process handling and post-event accountability. In Q1 2022, the Company did not experience any reputation risk incident from mainstream or other 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 the Company, it 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 Q1 2022.

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

In Q1 2022, actively responding to the impacts of Covid-19, the Company ensured both pandemic control and business development. It posted 1,432 million yuan in gross written premiums and 11 million yuan in net profits. Core solvency margin ratio and comprehensive solvency margin ratio stood at 113% and 126% respectively at the end of the quarter. The major tasks of 2022 were advancing smoothly as planned. The Company enhanced the infrastructure for its Internet-based business, completed the design of its new core system of Internet business in the first quarter, and improved its

intelligent online services as well as national service capabilities. Its direct Internet sales revenue enjoyed fast growth. The Company carried out an integration of medical insurance, medical treatment and medicine resources and innovation of managed care products by launching on 21 March its first exclusive high-end juvenile insurance "Hemu Xiaoyuanbao", jointly developed with United Family Healthcare. Preparations were under way for the Company's first managed care insurance product. The Company also strengthened the interaction and collaboration for health ecosystem to enhance specialization of its health service products and expand its medical network. During the pandemic, the Company leveraged its professional strength to offer customers services such as home delivery of medicine, online health consultation, and online claims settlement; its CPC members actively participated in various public welfare and volunteer activities, a reflection of the Company's professional responsibility during COVID.

In accordance with the Company's strategic development requirements, to enhance the Company's capital strength, meet business development needs and maintain sufficient solvency, in December 2021 the Company issued to its shareholders - China Pacific Insurance (Group) Co., Ltd. and China Pacific Life Insurance Co., Ltd. - 1.9 billion additional shares with a face value of 1 yuan per share, to be subscribed by China Pacific Insurance (Group) Co., Ltd. and China Pacific Life Insurance Co., Ltd. in cash in proportion to their respective shareholding percentages, i.e. China Pacific Insurance (Group) Co., Ltd. contributed 1,615,969,000 yuan in cash and China Pacific Life Insurance Co., Ltd. contributed 284,031,000 yuan in cash. After the completion of this capital injection, the Company's registered capital will increase to 3,600,000,000 yuan, and China Pacific Insurance (Group) Co., Ltd. will still hold 85.051% of the shares, and China Pacific Life Insurance Co., Ltd. will hold 14.949% of the shares. On 20 December 2021, the total capital increase of 1.9 billion yuan from the two shareholders was paid in full and is now pending approval from the China Banking and Insurance Regulatory Commission.

## **(I) Solvency Analysis**

### **1. Available capital**

As of 31 March 2022, the Company's net assets was 1,398,624,500 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 174,989,200 yuan), the available capital stood at 1,223,635,300 yuan.

### **2. Minimum capital**

The minimum capital of the Company at the end of Q1 was 970,835,600 yuan, including 1,097,829,100 yuan for insurance risk, 134,135,200 yuan for market risk, 203,376,900 yuan for credit risk, 477,673,500 yuan for quantitative risk diversification, and 13,167,900 yuan for control risk.

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

1) As of 31 March 2022, the Company's core solvency margin surplus was 127,907,300 yuan, and the core solvency margin ratio was 113%; the Company's comprehensive solvency margin surplus was 252,799,700 yuan, and the comprehensive solvency margin ratio was 126%. In Q1 of 2022, the core solvency margin ratio dropped 25pt from the previous quarter, mainly due to the implementation of C-ROSS II regulations, and the reclassification of deferred income tax assets from tier-1 core capital to tier-1 supplement capital; comprehensive solvency margin ratio dropped 12pt from last quarter, mainly because that after the implementation of C-ROSS II, the adjustment of relevant factors and expanded range of assets occupied by relevant minimum assets in interest rate risk calculation led to significant increase in the respective minimum capital for insurance risk, market risk and credit risk.

2) At the end of this quarter, the minimum capital of the Company was 970,835,600 yuan, an increase of 3.98% from the end of the previous quarter. Although C-ROSS II exerts a huge impact on the Company, we have applied for and been granted a transition period. So the occupation of the minimum capital was not significantly increased.

To ensure a smooth development of businesses while reducing capital consumption, the Company will explore and take corresponding measures on tactical asset allocation, counterparty selection and transaction settlement efficiency arrangements.

## **(II) Liquidity risk**

Under the base scenario and the stress scenario, the net cash flow of the Company in the next quarter will be greater than zero. The company's liquidity coverage ratio indicators and various liquidity monitoring indicators under various scenarios are within the normal range.

For this quarter, the net cash flow was -73,152,200 yuan, the net cash flow from operating activities was -111,888,400 yuan, the net cash flow from investing activities was -144,806,600 yuan, and the net cash flow from financing activities was 183,542,800 yuan.

According to the prediction from the last quarter, the net cash flow from operating activities under the base scenario for this quarter would be 620,903,400 yuan, but the actual result was -111,888,400 yuan, the deviation was -732,791,800 yuan. So the retrospective adverse deviation ratio of net cash flows from operating activities was -118%, mainly due to the fact that about 700 million of reinsurance receivables did not arrive as expected in the first quarter due to the changes in the settlement method, thus causing the large negative deviation in operating cash flow in Q1.

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 presentation of the its liquidity risk level.