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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.
FU Fan
Chairman

Hong Kong, 29 March 2024

As at the date of this announcement, the Executive Directors of the Company are Mr. FU Fan and Mr. ZHAO Yonggang; the Non-executive Directors are Mr. HUANG Dinan, Mr. WANG Tayu, Mr. CHEN Ran, Mr. ZHOU Donghui, Ms. LU Qiaoling and Mr. John Robert DACEY; and the Independent Non-executive Directors are Ms. LIU Xiaodan, Ms. LAM Tyng Yih, Elizabeth, Ms. LO Yuen Man, Elaine, Mr. CHIN Hung I David and Mr. JIANG Xuping.

**Note: The appointment qualification of Mr. ZHAO Yonggang is subject to the approval by the National Administration of Financial Regulation.*

Summary of Quarterly Solvency Report (Excerpts)

Pacific Health Insurance Co., Ltd.

4th Quarter of 2023

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 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 is directly responsible for contents within their respective scope of responsibilities.

1. Voting results by directors

Name of directors	For	Against	Abstain
MA Xin	√		
MA Boyong	√		
WANG Yong	√		
ZHANG Weidong	√		
ZHANG Yuanhan	√		
CHEN Xiujuan	√		
Total	6		

Note: Mark "√" in corresponding blanks according to opinions of directors.

2. Are there directors who can not warrant that the contents of this report are true, accurate and complete and have fully complied with applicable laws and regulations, or who have raised issues in this regard? (yes no)

II. Basic information

(I) Ownership structure and shareholders

1. Ownership structure

Types of shareholding	Shares or contribution as at the end of the reporting period (unit: 10,000 shares)	Percentage (%)	Shares or contribution as at the beginning of the reporting period (unit: 10,000 shares)	Percentage (%)
Domestic legal	360,000.00	100.00	360,000.00	100.00

persons				
Domestic natural persons	-	-	-	-
Foreign	-	-	-	-
Others	-	-	-	-
Total	360,000.00	100.00	360,000.00	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 as 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. He has been serving as Chairman of the Company since January 2021 (approval document: CBIRC Approval [2021] No.4). 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,

General Manager of the Strategic Planning Department, Head of Strategic Transformation Office, Transformation Director, and Board Secretary of CPIC Group, Director of CPIC P/C, and Acting Responsible Person of the Company.

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 CPIC Group, General Manager of Employee Affairs Department of CPIC Group, Deputy Head of the Party Committee Office of CPIC Group, Head of the Party and People Department of 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, Head of the Board Office, General Manager of Risk Management Department, Risk & Compliance Officer and Chief Risk Officer of CPIC Group, and Board Secretary of CPIC P/C, CPIC Life and CPIC AMC, respectively.

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 Capital, respectively. Mr. ZHANG previously served as Chief Actuary, Acting Chief Actuary, Chief Risk Officer of the Company, Director of CPIC AMC, 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.

Mr. MA Boyong, born in October 1967, holds a master's degree and the title of engineer. Mr. MA began to serve as Director of the Company in October 2023 (approval document: NAFR Approval [2023] No. 362). Mr. MA currently serves as General Manager of Technology Management Department of CPIC Group and Director of CPIC Technology. Previously, he served as Section Head and Assistant General Manager of Information Technology Department of CPIC Group, Assistant General Manager of CPIC P/C Shanghai Branch, General Manager of IT Application Management Department of CPIC Group, General Manager of Information Security and Internal Control Management Department of CPIC Group, Deputy Head of Digitalisation Office of CPIC Group, Head of the Preparatory Team of Chengdu R & D Centre of CPIC Group and General Manager of IT Design Department of CPIC Group.

Ms. CHEN Xiujuan, born in June 1971, holds a master's degree and has professional qualifications of a Chinese actuary. She has been serving as Director of the Company since October 2023 (approval document: NAFR [2023] No.362). Ms. Chen currently is the Chief Actuary of CPIC Life. She previously served as deputy head of Actuarial Section of the Actuarial Department of CPIC Life, senior specialist, Assistant General Manager (in charge), Deputy General Manager (in charge), and General Manager of the Actuarial Department of CPIC Life. During her employment with CPIC Life, Ms. CHEN also worked at the Actuarial Department of AIA Singapore as a visiting actuary.

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 Finance Responsible Person 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 Internal Control, 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 Business Division of Internal Audit Center 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 Chairman of the Trade Union, and Senior Director of Key Account Business Center of the Company. Previously, she served as General Manager of Shanghai Branch, General Manager of Sales Management Department and General Manager of Individual Life Insurance Cooperation Business Centre 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 at head-office level (6 in total)

Mr. SHANG Jiaoyan, born in March 1978, holds a bachelor's degree, and has been serving as General Manager of the Company since May 2023 (approval document: CBIRC [2023] No. 293). Previously, Mr. SHANG served as Vice President of Tencent WeSure, Marketing Director and General Manager of Individual Business Division of Ping An Health Insurance Company, Deputy General Manager (in charge) of Ping An Health Insurance Company Beijing Branch, and Head of Sales of Ping An Health Insurance Company Beijing Branch.

Mr. LI Jieqing, born in November 1968, holds a bachelor's degree. 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 (no approval document). Mr. LI also serves as Director of Shanghai Proton & Heavy Ion Hospital. Previously, Mr. LI served as Director of Risk and Compliance, Compliance Responsible Person and General Manager of Risk Management Department 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 currently Council Member of Shanghai Pacific Blue Charity Foundation. Previously, Mr. ZHOU served as General Manager of Human Resources and Comprehensive Management Department of Information Technology Center 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. He previously served as secretary of the Secretariat of the General Administration 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, 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 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), serving as the Chief Actuary of the Company since August 2022 (approval document: CBIRC [2022] No.532) and Board Secretary the Company since August 2022 (no approval required). Previously, she served as head of the Actuarial Management Section 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 and Acting Actuarial Responsible Person of the Company.

Mr. JIANG Honglang, born in November 1964, holds a doctoral degree and title of senior auditor. He has been serving as Internal Audit 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, General Manager of Remote Internal Audit Department and General Manager of Digital 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: On 31 Oct. 2023, Mr. MA Boyong and Ms. CHEN Xiujuan began to serve as director of the Company, and Ms. PAN Yanhong and Mr. WANG Mingchao ceased to serve as director of the Company.

2. Changes to directors, supervisors and senior management of headquarters

None during the reporting period.

(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 the entity in January 2016, holding 20% of its shares.

There was no change during the reporting period.

(V) 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 the reporting quarter	As at the end of the previous quarter	Next quarter estimates
Admitted assets	1,093,368.89	1,027,867.56	1,120,614.85
Admitted liabilities	744,616.39	686,553.73	767,573.61
Actual capital	348,752.50	341,313.83	353,041.24
Tier-1 core capital	298,459.82	299,449.23	277,728.30
Tier-2 core capital	14,923.71	10,646.44	19,410.80
Tier-1 supplement capital	35,368.96	31,218.15	55,902.13
Tier-2 supplement capital	0.00	0.00	0.01
Minimum capital	135,169.05	126,967.78	143,775.40
Minimum capital for quantifiable risks	134,146.05	126,081.91	142,687.27
Minimum capital for control risk	1,022.99	885.87	1,088.13
Minimum capital for supplement capital	-	-	-
Solvency margin			
Core solvency margin	178,214.48	183,127.89	153,363.70
Comprehensive solvency margin	213,583.45	214,346.05	209,265.84
Core solvency margin ratio (%)	232	244	207
Comprehensive solvency margin ratio (%)	258	269	246

(II) Regulatory indicators for liquidity risk

Indicators	During the reporting quarter	During the previous quarter
Actual cash flow (unit:10,000 yuan)	-10,770.30	87.82
Retrospective adverse deviation ratio of net cash flows from business activities (%)	54	245
Overall liquidity coverage ratio under base scenario (3 months)(%)	118	121
Overall liquidity coverage ratio under base scenario (12 months)(%)	104	105
Overall liquidity coverage ratio under mandatory stress scenario (3 months)(%)	716	645
Overall liquidity coverage ratio under mandatory stress scenario (12 months)(%)	222	176
Overall liquidity coverage ratio under self-assessment stress scenario (3 months)(%)	512	540
Overall liquidity coverage ratio under self-assessment stress scenario (12 months)(%)	213	212
Overall liquidity coverage ratio before asset disposal under mandatory stress scenario (3 months)(%)	119	168
Overall liquidity coverage ratio before asset disposal under	55	64

mandatory stress scenario (12 months)(%)		
Overall liquidity coverage ratio before asset disposal under self-assessment stress scenario (3 months)(%)	160	201
Overall liquidity coverage ratio before asset disposal under self-assessment stress scenario (12 months)(%)	129	148

(III) Other indicators for liquidity risk

Indicators	As at the end of /during the reporting quarter	As at the end of/during the previous quarter
Net cash flows from operating activities (unit: 10,000 yuan)	-15,594.46	-21,773.06
Comprehensive surrender ratio(%)	0.19	0.17
Net cash flows from participating/universal accounts	-	-
Written premiums year-on-year growth (%)	75.85	61.22
Share of cash flow and liquidity management tools (%)	2.48	3.73
Quarterly average financial leverage ratio (%)	4.89	4.16
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 (%)	18.56	16.05
Share of related party assets held by the Company (%)	3.65	3.88

(IV) Key business metrics

Indicators	As at the end of the reporting quarter/during the reporting quarter	unit: 10,000 yuan As at the end of the reporting quarter/YTD
Gross written premiums	174,102.24	615,608.65
Net profits	-866.78	3,050.84
Total assets	912,366.80	912,366.80
Net assets	332,865.61	332,865.61
Insurance contract liabilities	416,261.40	416,261.40
Basic earnings per share (yuan)	0.00	0.01
ROE (%)	-0.26	0.92
ROA (%)	-0.10	0.34
Investment yield (%)	0.28	2.41
Comprehensive investment yield (%)	0.23	3.30

Note: Net profits, total assets, net assets, and insurance contract liabilities listed above were disclosed according to the Financial Report (which was prepared based on Chinese accounting standards such as Accounting Standard for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments revised and promulgated by the Ministry of Finance in 2017, and Accounting Standard for Business Enterprises No. 25 - Insurance Contracts revised and promulgated

by the Ministry of Finance in 2020); basic earnings per share, ROE and ROA were calculated in accordance with the formula prescribed by Article 24 of Solvency Regulatory Standards of Insurance Companies No. 18 - Solvency Report, based on results of afore-mentioned indicators.

(V) (Comprehensive) Investment yield in the past 3 years

Indicators	Results
Average investment yield in the past 3 years	4.70%
Average comprehensive investment yield in the past 3 years	4.68%

The company's average investment yield and average comprehensive investment yield in recent three years were 4.26% and 3.18%, respectively.

IV. Risk management capabilities

(I) Company category

The Company was incorporated in December 2014. As of the end of December 2023, its total assets reached 11,099.9912 million yuan, with written premiums amounting to 1,529.8450 million yuan for 2023. 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.

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

In Q4 2023, as per Solvency Regulatory Standards of Insurance Companies No. 11: Solvency-aligned Risk Management Requirement and Assessment, based on regulatory feedback on the results of SARMRA assessment, and taking into account of its own risk profiles and risk level, the Company effectively implemented its solvency risk management work and the remedial actions for inadequacies highlighted in the regulatory feedback, continuously improving its solvency risk management mechanisms. Measures taken to improve risk management in Q4 are as follows:

Continued to develop C-ROSS II risk management system as per rectification plans made in light of feed-backs from the regulator, completing all the 15 plans for 2023. Work completed for SARMRA rectification in Q4 included: in respect of related-party transactions, we updated the database of related parties, deleted or amended certain related-party

relationships; in terms of risk appetite, we set risk limits for online and offline combined ratios as well as those of business units, and formulated 13 recommendations for risk management and handling of risk limit breaches in Q3; as for drafting of rules and policies, we organised branches to formulate implementation rules for their operational risk management and contingency plans for emergencies; in risk control mechanisms, we developed the risk assessment framework and methodology for reserve adequacy, and increased the frequency of encrypted investment manager communications from quarterly meetings to monthly meetings.

Carried out emergency drills for reputational risk events. In particular, we designed response strategies and allocated resources for handling of reputational risk events in self-media; formulated concrete measures in verification, response, clarification, accountability and mending to respond to self-media events under 3 types of circumstances, namely, true reports, false reports, and unable to tell; specified available media resources so as to provide strategies and tools for the Company to respond to material adverse publicity in self-media in an orderly and effective manner.

Conducted the 2023 annual risk management self-assessment, reviewing progress made in developing risk management system, and made rectification plans for 2024.

In Q4 2023, the Company's risk management work proceeded smoothly in accordance with relevant regulations and processes. With the implementation of risk management and risk appetite systems, no major risk events occurred in the quarter.

(III) Results of Solvency Aligned Risk Management Requirements and Assessment (SARMRA) of the Company in 2023

The Company scored 80.15 points at SARMRA assessment for 2022. To be specific, it consisted of 16.29 points for risk management infrastructure and environment, 7.69 points for risk management objectives and tools, 7.98 points for insurance risk management, 8.14 points for market risk management, 8.13 points for credit risk management, 8.16 points for operational risk management, 7.81 points for strategic risk management, 7.89 points for reputational risk management, and 8.06 points for liquidity risk management.

(IV) 2023 annual SARMRA self-assessment

As per Article 30 of Solvency Regulatory Standards of Insurance Companies No.18: Solvency Reports, an insurance company shall carry out a self-assessment of its risk management at

least once a year in accordance with the requirements set out in Solvency Regulatory Standards of Insurance Companies No.12: Solvency-aligned Risk Management Requirement and Assessment to objectively evaluate its risk management capabilities and to identify issues and areas for improvement in risk management. In the fourth quarter of 2023, the Risk and Compliance Department of the Company formulated the 2023 work plan for risk management self-assessment, organised relevant lead departments for major risk categories to collect materials and carry out the self-assessment, and systematically and objectively evaluated the self-assessment of the Company's solvency risk management system and capabilities. The assessment was performed with rigour and by high standards, with relevant departments conducting the initial assessment and the Risk and Compliance Department reviewing the results. Through the assessment, the Risk and Compliance Department reviewed the Company's solvency risk management work in 2023, identified weaknesses, and promptly formulated a rectification plan for risk management system and processes. The specifics of the above-mentioned self-assessment are as follows:

A. SARMRA self-assessment

The self-assessment focused on two dimensions: soundness of rules and effectiveness of adherence. The result was 87.88 points out of a full mark of 100, with details as follows:

Infrastructure and environment: 18.37 out of 20.

Objectives and tools: 8.15 out of 10.

Insurance risk management: 8.68 out of 10.

Market risk management: 8.89 out of 10.

Credit risk management: 8.76 out of 10.

Operational risk management: 8.66 out of 10.

Strategic risk management: 8.36 out of 10.

Reputational risk management: 8.94 out of 10.

Liquidity risk management: 9.06 out of 10.

Based on the feedback from the last SARMRA regulatory assessment in 2022, the results of SARMRA internal audit in 2022, and its own risk level and risk management status, the Company conducted a gap analysis of the solvency risk management system in 2023, and formulated a work plan for rectification of the 2022 annual regulatory assessment. The plan set overall annual objectives of the solvency aligned risk management system and priorities of rectification. During the year, under the leadership of the Board of Directors and the Management Committee, and in line with the Group's integrated risk control framework, the Company focused on rectification of its solvency risk management system under C-ROSS II in response to regulatory feed-back.

B. Status of solvency aligned risk management

In compliance with SARMRA requirements, under the guidance of C-ROSS II and based on its own risk profile and management needs, the Company took the opportunity of the assessment and set up a steering committee and work team for solvency risk management capacity-building, further improved the organisational structure and relevant regulations of its risk management system, optimised risk management performance evaluation rules, and strengthened the execution of risk management process. Under regulatory guidance and supervision, the Company further improved its risk management awareness and capability. The details of the SARMRA self-assessment for 2023 are as follows.

1. Infrastructure and environment

Soundness of rules:

In 2023, the Company revised and improved Solvency Aligned Risk Management Policy. The organisational structure of the Company's risk management includes the Board of Directors, the Risk Management Committee under the Board of Directors, the Board of Supervisors, the Management Committee, the Risk Management Working Commission under the Management Committee, the Assets and Liabilities Working Group, and the Risk and Compliance Department of the Company and its branches.

In the year, the Company continued to improve the matrix-based organisational structure of its risk management system, thus refining the vertical management structure (from decision-making level to execution level) and the horizontal management structure (from pre-emptive intervention to risk handling).

The vertical management structure is the risk governance structure of the Company. It is the ultimate responsibility of the Board of Directors and falls under direct leadership of the Management Committee, with the Assets and Liabilities Working Group responsible for quantitative risk management, the Risk Management Working Commission for non-quantitative risk management, the Risk and Compliance Department as the lead department, and all headquarters departments and branches cooperating in risk control according to risk management requirements, covering all business units.

The horizontal management structure refers to the Company's three lines of defense.

The first line of defense consists of functional departments of headquarters and branches, and all business units, responsible for identifying, assessing, controlling and reporting risks in earlier business stages.

The second line consists of the board special committee responsible for risk management, the Risk Management Working Commission and the Assets and Liabilities Working Group under the Management Committee, and the Risk Management Department at headquarters. They are responsible for effective and objective supervision of various risks managed by the Company and assisting the Management Committee in controlling each risk so that it is in line with the Company's risk appetite.

The third line refers to the Internal Audit Center of CPIC Group entrusted by the Company to monitor the effectiveness of the Company's risk management process and risk control procedures and activities.

In 2023, all rules and policies related to infrastructure and environment complied with SARMRA standards, and the self-assessment indicated that the status in soundness of rules was in full compliance with standards of the assessment.

Effectiveness of adherence

The self-assessment of the effectiveness of adherence of risk management by the Company's Board of Directors, Board of Supervisors, senior management and Risk Management Department in 2023 is as follows.

(1) Board of Directors

During 2023, the Company's Board of Directors approved the updated version of its annual risk appetite, risk management policies and risk management regulations for 7 categories of risks; kept tabs on the Company's solvency risk status by reviewing monthly information updates for directors and supervisors, quarterly solvency reports, interim and annual risk management reports; urged senior management to enhance the effectiveness of risk management and supervised the implementation, and approved the quarterly solvency reports for Q4 2022 and Q2 2023 in accordance with the Rules of Procedure. The board diligently assumed its responsibility for risk management and actively performed its decision-making duties relating to risk management.

(2) Risk Management Committee of the Board of Directors

The special committee under the Board of Directors in charge of risk management, i.e., the Audit, Risk Management and Related Party Transactions Control Committee is chaired by a director with rich experience in risk management. In 2023, the committee reviewed the Company's risk appetite, risk tolerance, 2022 annual risk management report, 2023 interim risk management report; evaluated risks relating to the Company's major operation and management matters; paid continued attention to various types of risks faced by the Company and their management status; reviewed the audit and assessment report on solvency risk management system; and assessed the implementation effectiveness of the

solvency risk management system. The committee diligently performed all its duties.

(3) Board of Supervisors

During 2023, the Board of Supervisors reviewed reports approved by the Board of Directors on the Company's risk appetite, risk tolerance, 2022 annual risk management report and 2023 interim risk management report, etc. The Board of Supervisors effectively supervised the risk management performance of the Company's Board of Directors and senior management.

(4) Senior management

In 2023, the Company's Management Committee, following the management and approval process set forth in the Solvency Aligned Risk Management Policy, led and organised the implementation of the risk management work. The committee reviewed the risk appetite statement and approved the risk limit system of 2023, evaluated the solvency risk status based on quarterly solvency reports and quarterly risk management reports; organised the implementation of measures for breaches of risk limits; organised special meetings on a regular basis to formulate solutions to solvency risk events; and invested resources to develop tools for risk management, including the risk rating system, risk management big data visualization platform, risk monitoring platform, risk management information system and media monitoring system. The Company's senior management fully performed its risk management duties.

(5) Risk management departments and their responsibilities

In 2023, the Company's Risk and Compliance Department was staffed with two risk management personnel. The risk management departments of provincial branches in Shanghai, Beijing, Guangdong and Sichuan have at least one full-time risk management personnel at all times. The Company's risk management departments and team are stable and operating effectively.

As per relevant assessment requirements and its own risk profile, the Company formulated 14 documents in major risk management regulations: 3 in risk governance-related regulations, 7 in level-1 risk management regulations, and 4 in basic management rules. Assessment confirmed that the organisational structure of risk management, risk level and the corresponding solvency risk management system were compatible with SARMRA rules under C-ROSS II.

The Company's risk management system currently consists of three levels.

Level 1: General framework. The Company has formulated Solvency Aligned Risk Management Policy and the Measures for Risk Appetite Management, clarifying requirements on risk management organisational structure, risk appetite system, risk

classification, risk management standards and processes, emergency response, assessment and accountability, etc.

Level 2: differentiated management. The Company has formulated risk management regulations for major risk categories including insurance, market, credit, operational, liquidity, strategic, and reputational risks, as well as regulations on insurance fraud risk and money laundering risk, measures for risk management performance appraisal, work procedures for risk management and reporting, measures for integrated risk rating, etc; put in place risk management regulations specific to risk classification and work flows, covering assignment of responsibilities, identification, analysis, evaluation, control, monitoring and reporting of different risks.

Level 3: supportive regulations. In 2023, business centres and functional departments of the Company revised their risk management rules within their scope of responsibilities in accordance with SARMRA requirements.

As of the end of 2023, all regulatory requirements relating to risk management systems and relevant implementation were met; corresponding departments were designated for different solvency risk management processes; and all the departments implemented their risk management processes as per relevant regulations.

(6) Appraisal

In 2023, the Company conducted a quarterly appraisal of all centres and departments at headquarters and branch offices on their risk management performance according to regulations such as the Solvency Aligned Risk Management Policy, the Measures for Risk Management Performance Appraisal and the 2023 Plan for Risk Control and Compliance Performance Appraisal. According to the plan, the appraisal is based on solvency margin ratios (comprehensive/core), IRR/SARMRA results, LCR, Group Risk Upper Limits, major risk events, risk losses, risk mitigation status, progress in C-ROSS II, quality of regulatory data, and ESG assessment. Of this, SARMRA is based on results of regulatory assessment for solvency risk management in soundness of rules and effectiveness of adherence. The performance appraisal of the Company's senior management was conducted by CPIC Group, and the appraisal indicators included results for solvency risk management system in soundness of rules and effectiveness of adherence.

(7) Training

In 2023, the Company implemented various forms of training on risk management. During the year, it organised risk management training for new employees, training on C-ROSS II, risk appetite system, and reputational risk management for heads of headquarters

departments and units, etc., with participation of regulatory training on risk management. The Company's Chief Risk Officer and head of the risk management department attended at least one such training recognised by the regulator. In 2023, the Company conducted a self-assessment of its training on risk management which indicated full adherence with relevant regulatory requirements.

2. Objectives and tools

Soundness of rules: The Company has formulated the Solvency Aligned Risk Management Policy and the Management Measures of Risk Appetite System, defining processes relating to objectives and tools, covering all regulatory requirements. In the self-assessment, the Company found that further process refinement and clarification of responsibilities are needed for regulations to incorporate solvency risk management objectives into assets and liabilities management process, and for rules on capital management.

Effectiveness of adherence:

(1) Risk appetite system

In 2023, the Company further strengthened the application of its risk appetite system through the Solvency Aligned Risk Management Policy and the Measures for Risk Appetite System Management. Its regulations and major decisions were all assessed in terms of risk appetite before being approved to ensure that risk appetite has a substantial restraining effect on the Company's business decisions, and risk control measures were taken without delay for matters that may have a negative impact on risk appetite. In 2023, the Company reviewed the Risk Appetite Statement for 2022 and the implementation of its risk appetite in 2022, assessed the effectiveness of the risk tolerance and risk limit indicators in 2022, and formulated the Risk Appetite Statement for 2023 based on the assessment results and its strategic objectives in 2023, with certain adjustment of the risk appetite statement and risk tolerance. The risk tolerance covers overall risks, quantitative risks and non-quantitative risks. With approval of the Board of Directors, the Risk Limit System for 2023 covering all the Company's business lines was approved by the senior management. The Risk and Compliance Department tracks the implementation of the risk appetite on a quarterly basis, formulates response plans for risk limit breaches, and submits foreseeable breaches to senior management for approval in advance following relevant procedures. In 2023, the management of the Company's risk appetite system was led by the Risk and Compliance Department, with step-by-step implementation by all departments, and no breach of risk appetite occurred. The overall risk level of the Company was under control and within expected range. The self-assessment found that more work is needed to ensure the

integration of the risk appetite system into the Company's business decision-making.

(2) Risk management tools

1) Business planning and comprehensive budgeting

In 2023, amid business transformation, the Company made meticulous planning, and formulated a comprehensive budget. During the formulation process, testing procedures such as profit testing models and multiple-scenario stress testing were fully evaluated and applied, and all relevant working papers were filed for future reference. The Company's Risk and Compliance Department conducted an independent risk assessment of the comprehensive budget based on risk appetite requirements and prepared a risk assessment report for submission to the Chief Risk Officer, who approved this report and the business planning and budget report before the comprehensive budget was submitted to the Board of Directors.

2) Assets and liabilities management

In 2023, the Company conducted both qualitative and quantitative assessments on adherence in accordance with regulatory requirements, monitored matching in duration, cash flows and risk and reward on a quarterly basis, and prepared quarterly and annual assets and liabilities management reports. Decisions relating to major assets and liabilities management matters were all made following procedures stipulated in relevant regulations. The Risk and Compliance Department is responsible for identifying risks in assets and liabilities matching, as well as early warning and risk control recommendations. The self-assessment found that the Company should further improve assets and liabilities matching to prove the effectiveness of ALM.

3) Capital planning and allocation

The Company has formulated a three-year rolling capital plan for 2023-2025 in accordance with its three-year business plan and development strategy, and submitted it to regulators in a timely manner. The self-assessment found that the uncertainty of the Company's capital planning is still relatively high, and capital planning and performance appraisal need to be further strengthened.

4) Stress testing

In 2023, the Company completed various solvency stress testing processes in accordance with the Management Measures for Solvency Stress Testing and proposed control measures to senior management based on the testing results. The self-assessment found that the Company should further improve the application of the results and take more effective management measures.

(3) Credit rating and emergency management

External credit rating requirements are set out in the Company's risk management policies. In 2023, the Company formulated and implemented the Measures for External Credit Rating Management. In emergency management, in 2023, the Company amended the master plan for emergency response and its component plans, organised drills on solvency deterioration, liquidity contingency plan and reputation risk events, and drafted reports and updated response measures. The Company's solvency emergency response was further improved. The self-assessment found that the Company's emergency response capability still needs strengthening.

3. Insurance risk management

Soundness of rules.

The Company has formulated Measures on Insurance Risk Management, which specifies the lead department, responsible departments and coordinating departments of insurance risk management, and stipulates the procedures for setting limits, measurement, monitoring and reporting of insurance risks. The Measures covered all the relevant regulatory requirements and the Company's actual needs for insurance risk management.

Effectiveness of adherence:

The Company improved regulations and optimised their implementation in areas including underwriting, post-sales service, claims and reinsurance. The Risk and Compliance Department conducted quarterly measurement, monitoring, evaluation and reporting of insurance risks. The self-assessment found that the Company needs further improvement in responsible persons and approval process of the above-mentioned areas, implementation of regulations in those areas, formulation of risk upper limits and handling of breaches, management of outstanding claims, sales policy and adjustment of underwriting policy in light of retrospective reviews, etc.

4. Market risk management

Soundness of rules.

The Company has developed Measures on Market Risk Management to ensure the matching of its market risk management policies and its business nature, scale and risk profiles in light of its investment management model and size of investment assets. It defined the lead department, responsible departments and coordinating departments of market risk management, refined and standardized processes and operational norms in risk limits management, internal control, risk measurement and monitoring, assets and liabilities management, risk management work flow, interest rate risk management, equity

price risk management, real estate price risk management, and overseas asset price management, etc. In terms of soundness of rules, the Measures covered all relevant regulatory requirements and the Company's actual management needs. Given the model of outsourced investment, the Company needs to further refine the implementation rules for equity price risk management to enhance their enforceability.

Effectiveness of adherence:

In terms of effectiveness of adherence, the Company has set risk limits for each asset class within the constraints of risk appetite, and broken them down into level-1 limits and level-2 limits. It also developed and implemented methods for setting limits and procedures for adjustment and breach approval, etc. The Company engages external parties to manage its investments, and conducts internal control of market risks in accordance with the Measures on Investment Management. External investment managers strictly followed the risk management process relating to interest rate and equity, and the Company, shouldering the primary responsibility, measured, monitored, evaluated and reported on market risks on a quarterly basis. The self-assessment indicated that the Company studied macroeconomic conditions and monetary policies, analyzed the characteristics and patterns of interest rate risk using methods such as duration, convexity, residual maturity, scenario analysis, and VAR, etc. The investment manager plays an important role in market risk management, and it is difficult for the Company to fully control the effectiveness of market risk management on its own.

5. Credit risk management

Soundness of rules:

The Company has formulated Measures on Credit Risk Management, and specified the lead department, responsible departments and coordinating departments of credit risk management. It set out stipulations on various aspects of credit risk management such as the internal credit-rating system, credit risk limits management, investment counter-party management, reinsurance counter-party management, management of premiums receivables and other receivables, as well as identification, measurement, monitoring and reporting of credit risks. The Measures covered all the relevant regulatory requirements as well as the Company's actual needs for credit risk management.

Effectiveness of adherence:

The Company has set the overall credit risk limits under the risk appetite and broken them down into level-1 limits and level-2 limits. It also has developed methods for setting limits

and procedures for adjustment and breach approval, etc. It has formulated and implemented regulations relating to credit risk management including Interim Measures for Management of Investment-related Credit Risks, Measures for Reinsurance Counter-party Credit Management, and Measures for Management of Receivables. The Investment Management Department measures, monitors, evaluates and reports on credit risks on a quarterly basis. The Financial Management Department continued to improve the premium receivables management platform and strengthen the IT systems for risk management. The self-assessment found that in terms of adherence, the Company has difficulty in establishing its own database of counter-parties due to the model of fully-entrusted investment, and that it needs to further strengthen break-down of risk limits, early warning of credit risk and enhance performance appraisal of premium receivables collection.

6. Operational risk management

Soundness of rules:

The Company has formulated Measures on Operational Risk Management, which specified the lead department and supportive departments for operational risk management and set out stipulations in management methods and processes, identification, analysis, monitoring and reporting mechanisms, management norms, and differentiated management standards, etc. It also has formulated the Internal Control Management Measures for Public Disclosure of Solvency Information covering all aspects of solvency information disclosure. The above regulations fully cover all relevant regulatory requirements and the Company's actual needs for operational risk management.

Effectiveness of adherence:

The Company organises its departments to identify and analyse operational risks through risk limits (key risk indicators) and collection of operational risk-related loss events on a quarterly basis. The Risk and Compliance Department conducts risk reviews on operational risk matters, organises annual internal control and risk control self-assessment, identifies high-risk areas and significant business matters and works out key control measures. Each department of the Company has developed work management regulations and processes for their respective business lines in accordance with the basic guidelines for internal control. The Company has established the information system required for its operations, the HO and branch delegation system, and training and job-rotation rules. It measures, monitors, evaluates and reports on operational risks on a quarterly basis, and completes quarterly solvency reports and annual solvency reports in a timely, comprehensive and accurate manner. It also collects operational risk-related loss events on a quarterly basis

and includes them in a database after approval. In terms of adherence, the self-assessment found that the Company, being aware that it can't possibly identify all the existing operational risks, focuses on identifying and analyzing factors that may lead to operational risks such as business processes, personnel, systems and external events. The Company made continuous improvements in collection and analysis of loss events and operational risk control. More comprehensive operational risk identification tools are needed to better control operational risks in high-risk areas, thus further enhancing operational risk management effectiveness.

7. Strategic risk management

Soundness of rules:

The Company has formulated Measures on Strategic Risk Management, which specified the management structure and division of responsibilities in strategic risk management, the management process for strategy formulation and implementation, and work flows. In June 2022, the Company formulated Management Measures for Development Planning, which specified the processes for formulation, implementation, evaluation and control of strategic planning, and set out the "eight elements" of development planning. In terms of soundness of rules, the Measures fully covered all the relevant regulatory requirements and the Company's actual management needs. In 2023, the Company improved the systems of performance evaluation, business and investment, further enhanced talent development and strategic management of business and investment.

Effectiveness of adherence:

The Company has established a risk management governance structure for major risk categories that is compatible with the characteristics of strategic risk, and strictly enforced performance appraisal rules in accordance with the guidelines of C-ROSS II and the assessment feedback. It further enhanced business and investment strategy management through measures such as clarifying responsibilities in business strategies, increasing the frequency of communication with investment managers, etc. The Company's strategic planning has always been in line with CPIC Group's strategic objectives. Under the guidance of the Group's health business strategy, the Company proceeded with strategic risk management in an orderly manner, based on a complete system of risk identification, assessment, monitoring and reporting. In 2023, the Company's business indicators continued to improve, with enhanced capability for sustainable development. The Company's overall strategic risk was under control, with no occurrence of risk events.

8. Reputational risk management

Soundness of rules:

The Company has formulated Measures on Reputational Risk Management and the Implementation Rules, which specified the responsibilities of the Board of Directors, Board of Supervisors, senior management, lead/supportive departments, and branch offices in reputational risk management. The Company has set up a full-process closed-loop management system for reputational risk management that covers areas including pre-emptive assessment, risk monitoring, risk classification, response and handling, information reporting, appraisal and accountability, and constantly improves the system. The Measures on Reputational Risk Management covered all the relevant regulatory requirements and the Company's actual needs for reputational risk management.

Effectiveness of adherence:

The Company carries out real-time media monitoring through third-party service suppliers and CPIC Group and organises risk screening and evaluation on a regular basis to effectively prevent reputation risks. The Company has established a reputational risk monitoring team consisting of part-time reputational risk managers from all functional departments and units, and carries out training and drills to enhance front-line reputational risk awareness and strengthen response and handling capabilities. In 2023, no level-1 or level-2 reputational risk events occurred, and no triggers of major reputational risk was detected in the Company. Media publicity of the Company was of a positive or neutral nature. The self-assessment found that in terms of adherence, the Company failed to set a separate parameter for reputational risk in stress testing, and thus could not accurately measure its impact.

9. Liquidity risk management

Soundness of rules:

The Company has formulated Measures on Liquidity Risk Management, which specified the responsibilities of the Board of Directors and senior management in liquidity risk management, with definition of the lead department, responsible departments and coordinating departments. The document also contains stipulations on risk appetite and limits management, performance appraisal and accountability, daily cash flow management, liquidity assessment for insurance business, financing, investment business, reinsurance business, and various risks, significant matters assessment, cash flow stress testing, liquidity contingency plan, and identification, analysis, monitoring, assessment and reporting of liquidity risks. The Measures covered all the relevant regulatory requirements and the

Company's actual management needs. The Company needs to further improve mechanisms on coordination in liquidity stress testing and clarify methods of analysis and information-sharing, so as to enhance joint effort in risk monitoring and management.

Effectiveness of adherence:

The Company's Board of Directors and senior management approved Measures on Liquidity Risk Management and the liquidity risk appetite, assumed respective responsibilities for liquidity risk management, familiarised themselves with liquidity risk assessment results through various channels such as solvency information, IRR information and financial statements on a quarterly basis, and approved liquidity risk information disclosure. The senior management organised the handling of breaches of liquidity risk limits. The liquidity risk management work was led by the Financial Management Department and was divided among relevant departments, which mainly involved cash flow monitoring, control of liquid assets ratio, reinsurance tools application, quarterly cash flow stress testing, updating of liquidity contingency plan and conducting drills, etc. The Company measures, monitors, evaluates and reports on liquidity risks on a quarterly basis. The self-assessment found that in terms of adherence, the Company needs to refine and strengthen work in areas of building liquidity management information system, daily cash flow needs forecast, pre-emptive liquidity risk assessment for insurance, investment and financing business, liquidity risk correlation assessment between different risks, and liquidity risk assessment for significant matters.

C. Rectification plan for 2024

The self-assessment indicates that the risk management system of the Company is essentially in line with requirements of C-ROSS II. The key is to enhance effectiveness of adherence. Based on gaps identified in the self-assessment, the Company formulated an initial rectification plan for improvement of solvency risk management capabilities in 2024.

1. Infrastructure & environment

The Company will continue to improve its risk management organisational structure and systems, optimise risk management performance appraisal and strengthen mechanisms for training in solvency risk management based on progress of its transformation.

2. Objectives & tools

The Company will further optimise its risk appetite system, continuously push for its integration into business decision-making, leverage the role of ALM in business operation, step up use of stress testing results, and enhance capability for capital planning.

3. Insurance risk management

The Company will further improve and refine its insurance risk limits to achieve effective control of insurance risks, and at the same time, continue to make effective adjustments to its sales and underwriting policies based on an analysis of claims and expenses of products on offer.

4. Market risk management

The Company will seek improvement in internal control process for market risk, interest rate risk management, asset liability risk management and overall market risk management.

5. Credit risk management

The Company will further enhance execution of credit risk management, and the credit risk management system for funds receivables as well.

6. Operational risk management

The Company will further enhance identification of potential operational risks and events of losses, identify the risks of each business line in a more comprehensive and in-depth manner, and strengthen the tracking and supervision of rectification and status of control of high-risk areas.

7. Strategic risk management

The Company will formulate its strategic objectives and implementation measures of the new 3-year development plan considering factors such as market environment, its own risk appetite, capital position and capabilities, and will further enhance strategic risk management in the business and investment areas, as well as mechanisms for identifying, analysing, monitoring and reporting day-to-day risks.

8. Reputational risk management

The Company will further strengthen the assessment of correlation between reputational risk and other risks, and study and design a separate parameter for reputational risk in stress testing.

9. Liquidity risk management

The Company will improve information systems for liquidity risk management. At the same time, business centres will be involved as a key player of liquidity risk management, supervising functional departments, communicate management philosophies, and enhance liquidity risk assessment of insurance business, investment & financing activities and significant matters.

V. Integrated risk rating (differentiated supervision)

(I) The last two IRR results

The Company was rated BB at the IRR (differentiated supervision) by the regulator for both Q2 and Q3 of 2023, which met regulatory requirements in solvency, with a low level of operational risk, reputational risk, strategic risk and liquidity risk.

(II) Measure taken or to be taken for improvement

In Q4 2023, in light of Assessment Criteria for Unquantifiable Risks of Insurance Companies, the Company took control measures focusing on operational risk and strategic risk indicators that the self-assessment found can be improved. In terms of operational risk, it continued to maintain the efficiency and quality of operation, focusing on improving the efficiency of claims payment, insurance fraud response and complaint risk mitigation. With regard to strategic risk, senior management turnover was low, and business development was relatively stable. For reputational risk, there was no media crisis in the quarter.

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

Liquidity risk of the Company mainly stems from claims and maturity payments on insurance contracts, daily expenditures and investment asset impairment losses. As of the end of Q4 2023, there were no incidents which may trigger liquidity risk. The Company maintained a high proportion of highly-liquid assets in investments, with the 5-day liquidation ratio at sound levels, which enabled it to meet various needs for liquidity. At the same time, the Company maintained a certain level of gear ratio and financing activities to ensure sufficient borrowing in the unlikely event of emergencies. Overall, the sources of liquidity outweigh needs for liquidity, indicating a low level of liquidity gap risk.

Operational risk: In terms of compliance and internal control, there were no breaches of regulations or administrative penalties from regulators in Q4 2023. There was zero violation of regulatory rules per 100 million yuan in standard premiums and zero regulatory penalty per 100 million yuan in standard premiums for the Company. On the IT side, all its core systems were 100% usable, and there was no financial losses incurred due to system failure. In terms of personnel, the workforce was relatively stable. There was no losses resulting from operational risk incidents in the area of sales, underwriting, POS, claims settlement or investment, or occurrence of insurance frauds in this quarter.

Reputational risk: The Company's media monitoring system includes CPIC Group's own system, and third-party monitoring services, which can effectively monitor, on a daily basis, negative publicity of the Company and its insurance and investment counter-parties. In daily work, the Company strictly implements various reputational risk management processes covering assessment, risk handling and post-crisis accountability. In Q4 2023, the Company did not experience any reputational risk events on mainstream or other types of media.

Strategic risk: The Company sets its strategic objectives based on macro-economic environment, market trends, its own positioning and competitive advantage, and the strategic objectives of the Group. In light of its 2021-2023 Development Plans and Annual Business Targets, the Company formulated strategic decisions aligned with the market environment to identify, assess and manage strategic risks by means of target breakdown, review of business performance on a regular basis, analysis of market conditions and its own strengths and weaknesses. In Q4 of 2023, strategic risk management was proceeding in strict accordance with relevant regulations and rules of the Company. While it helps the board to supervise strategy implementation, strategic risk management was intertwined with strategy implementation, covering the full range of assessment, monitoring and reporting, with no occurrence of risk incidents.

VI. Management analysis and discussions

(I) Solvency Analysis

1. Actual capital

As of 31 December 2023, the actual capital of the Company amounted to 3,487.5250 million yuan, an increase of 74.3866 million yuan from the previous quarter, which was mainly due to the increase in surplus of insurance policies and contribution from net profits.

2. Minimum capital

The minimum capital of the Company at the end of Q4 2023 was 1,351.6905 million yuan, up by 6.5% from the previous quarter, mainly due to fast business growth, which led to increase in minimum capital for insurance risk of life business and non-life business;

increase in minimum capital for market risk due to larger equity investments; rise in assets included in calculation of interest rate risk, which led to increase in minimum capital for interest rate risk. Of this, minimum capital for insurance risk of life business was 893.4409 million yuan, that for non-life business was 713.9225 million yuan, that for market risk 355.9699 million yuan, that for credit risk 301.7444 million yuan, diversification effect for quantifiable risk was 774.5660 million yuan, and that for control risk was 10.2299 million yuan.

3. Solvency margin ratios

As of 31 December 2023, the Company's core solvency margin was 1,782.1448 million yuan, and the core solvency margin ratio was 232%; comprehensive solvency margin was 2,135.8345 million yuan, and the comprehensive solvency margin ratio was 258%. In Q4 2023, the core and comprehensive solvency margin ratios dropped by 12pt and 11pt respectively from the previous quarter, mainly due to impact of business growth which led to increase in minimum required capital.

(II) Liquidity risk

For this quarter, net cash flow was -108 million yuan, mainly because of large cash inflows from investment activities; the difference between actual net cash flow from operating activity and the estimate was 22 million yuan, meaning a retrospective adverse deviation ratio of 54%, in compliance with regulatory requirements. As of the end of Q4, all liquidity coverage ratios under various scenarios and all liquidity indicators for monitoring were within regulatory limits.

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