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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, 28 April 2023

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. 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 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

I. Board and management statement

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

II. Basic information

(I) Ownership structure and shareholders

1. Ownership structure

Shares held by	Shares or contribution as at the end of reporting period (unit: 10,000 shares)	Percentage (%)	Shares or contribution as at the beginning of reporting period (unit: 10,000 shares)	Percentage (%)
Domestic legal persons	360,000.00	100.00	360,000.00	100.00
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 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, Transformation Director, Head of Strategic Transformation Office and General Manager of the Strategic Planning Department of CPIC Group, Board Secretary of CPIC Group, Director of CPIC P/C, and Acting Responsible Person of the Company.

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 Section of Human Resources Department of CPIC Life, Assistant General Manager of Human Resources Department of CPIC Life, Deputy Head and 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, General Manager of Shanghai Branch (Operations Department) and Head of Sales of the Company, Head of Individual Life Insurance Cooperation Business Centre (SBU) of the Company, Board Secretary of CPIC P/C, and Head of Board Office of CPIC Group.

Mr. WANG Yong, born in July 1974, holds a master's degree. He has been serving as Director of the Company (approval document: CBIRC [2021] No.942) since December 2021. Mr. WANG currently serves as Head of the Strategic Research Center of CPIC Group. He previously served as Assistant General Manager of the Human Resources Department of CPIC Life, Secretary to Chairman of the CPIC Group, Head of the Party Affairs Department of 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 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 Capital, 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 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 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 General Manager of Shanghai Branch and Senior Director of Key Account Business Center of the Company. Previously, she served as General Manager of Sales Management Department of the Company, 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 (6 in total)

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 Head of Customer Service Centre of the Company, 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 head of Health Care Eco-system Business Centre, head of Health Service Business Centre, and also 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. Mr. SONG is also head of Individual Customer Cooperation Business Centre and head of Key Account Business Center of the Company. He 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 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 document). She also serves as head of the Technology Centre of the Company. 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. TANG Rui, born in October 1977, holds a master's degree and has been serving as Acting Compliance Responsible Person of the Company since March 2023 (no approval document). Mr. TANG is also General Manager of Risk and Compliance Department (Discipline Inspection Office) of the Company. Previously, he served as secretary of Administration Office of CPIC Group, secretary to General Manager of CPIC Group, Senior Manager, Vice General Manager and Vice General Manager (in charge) of Administration of CPIC Group. He also served as head of the Preparatory Office of Sichuan Branch, General Manager of Sichuan Branch 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 Auditing Responsible Person of the Company since January 2019 (approval document: CBIRC [2019] No.128). Mr. JIANG currently serves as General Manager of Digital Audit Technology Department of CPIC Group. Previously, he served as Senior Auditor of Internal Audit Department of CPIC Group, Deputy General Manager of Internal Audit Management Department of CPIC Group, and General Manager of Remote Internal Audit Department of CPIC Group. Prior to that, he served as associate professor of Institute of Applied Mathematics of Guizhou University of Technology.

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

One associate venture: Shanghai Proton & Heavy Ion Hospital. The Company completed an investment of RMB100 million in 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 this quarter	As at the end of last quarter	Next quarter estimates
Admitted assets	1,108,005.24	993,030.41	1,101,145.36
Admitted liabilities	777,830.56	670,483.13	770,648.81
Available capital	330,174.68	322,547.28	330,496.55
Tier-1 core capital	298,884.28	306,929.98	294,353.27
Tier-2 core capital	4,388.24	1,962.26	5,454.17
Tier-1 supplement capital	26,902.16	13,655.04	30,689.10
Tier-2 supplement capital	0.00	-	0.01
Minimum capital	128,283.49	121,578.75	133,775.58
Minimum capital for quantifiable risks	127,388.44	119,927.56	132,842.21
Minimum capital for control risk	895.05	1,651.19	933.37
Minimum capital for supplement capital	-	-	-
Solvency margin surplus			
Core solvency margin surplus	174,989.03	187,313.49	166,031.87
Comprehensive solvency margin surplus	201,891.19	200,968.53	196,720.97
Core solvency margin ratio (%)	236	254	224
Comprehensive solvency margin ratio (%)	257	265	247

(II) Regulatory indicators for liquidity risk

Indicators	Reporting quarter	Last quarter
Actual cash flow (unit:10,000 yuan)	-6,360.55	20,459.68

Retrospective adverse deviation ratio of net cash flows from business activities (%)	-40	21
Overall liquidity coverage ratio under base scenario (3 months)(%)	123	117
Overall liquidity coverage ratio under base scenario (12 months)(%)	105	104
Overall liquidity coverage ratio under mandatory stress scenario (3 months)(%)	726	573
Overall liquidity coverage ratio under mandatory stress scenario (12 months)(%)	192	140
Overall liquidity coverage ratio under self-assessment stress scenario (3 months)(%)	562	548
Overall liquidity coverage ratio under self-assessment stress scenario (12 months)(%)	231	229
Overall liquidity coverage ratio before asset disposal under mandatory stress scenario (3 months)(%)	149	242
Overall liquidity coverage ratio before asset disposal under mandatory stress scenario (12 months)(%)	79	68
Overall liquidity coverage ratio before asset disposal under self-assessment stress scenario (3 months)(%)	185	279
Overall liquidity coverage ratio before asset disposal under self-assessment stress scenario (12 months)(%)	162	173

(III) Other indicators for liquidity risk

Indicators	Reporting quarter	Last quarter
Net cash flows from operating activities (unit: 10,000 yuan)	19,455.11	-33,976.16
Comprehensive surrender ratio	0.05	0.04
Net cash flows from participating/universal accounts	-	-
GWP year-on-year growth (%)	53.79	79.16
Share of cash flow and liquidity management tools (%)	2.82	3.72
Quarterly average financial leverage ratio (%)	3.45	4.20
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 (%)	18.22	13.84
Share of related party assets held by the Company (%)	3.59	4.04

(IV) 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	163,807.55	163,807.55
Net profits	-1,808.79	-1,808.79
Total assets	1,119,018.79	1,119,018.79

Net assets	334,770.76	334,770.76
Insurance contract liabilities	354,088.92	354,088.92
Basic earnings per share (yuan)	-	-
ROE (%)	-0.54	-0.54
ROA (%)	-0.17	-0.17
Investment yield (%)	0.24	0.24
Comprehensive investment yield (%)	1.32	1.32

IV. Risk management capabilities

(I) Company category

The Company was incorporated in December 2014. As of the end of March 2023, its gross written premiums amounted to 1,638.0755 million yuan (primary premiums: 376.8500 million yuan, inwardly ceded premiums: 1,261.2255 million yuan), and its total assets stood at 11.1901879 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 BB at the IRR (differentiated supervision) for both Q3 and Q4 of 2022.

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

In the first quarter of 2023, to improve risk management, the Company updated its risk management system, set risk appetite, and set forth its annual risk management priorities. To be specific, firstly, the Company assessed and updated its solvency risk management policy, as well as the regulations on the management of insurance, market, credit, liquidity, operational, reputational and strategic risks, which were submitted to the Management Committee of the Company for deliberation and will be submitted to the Board of Directors for approval in the second quarter of 2023. Secondly, it assessed the implementation of its risk appetite for 2022 and developed its risk appetite statement and risk tolerance for 2023 within the framework of the Group's 2023 risk appetite, taking into account its own risk profile. Thirdly, the Company formulated its annual risk management strategy for 2023 in

light of the Group's annual risk management strategy for 2022 and the its strategic plan for 2023 and clarified the annual risk management objectives and plans while conducting its daily risk management.

In Q1 2023, the Company's risk management went on smoothly as per relevant regulations and processes, and no major risk events occurred in the quarter.

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

The Company scored 80.15 points at the 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.

V. Integrated risk rating (differentiated supervision)

(I) The last two IRR results

The Company was rated BB at the IRR (differentiated supervision) by CBIRC for both Q3 and Q4 of 2022. It met regulatory requirements in solvency, with low level of operational risk, reputational risk, strategic risk and liquidity risk.

(II) Measure taken or to be taken for improvement

In Q1 2023, the Company continued to focus on measures as identified in self-assessment with regard to operational risk and strategic risk indicators as per Evaluation Criteria for the Unquantifiable Risks of Insurance Companies. In terms of operational risk, the Company continued to improve operational efficiency while maintaining the effectiveness and quality of all its operational processes. Another focus is customer complaints. It took measures to handle customer complaints appropriately to prevent possible complaints. On strategic risk, the Company continued to pay attention to and enhance the stability of its workforce at the headquarters.

(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. As of the end of Q1 2023, there were no events 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, its 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 Q1 2023. There was zero violation 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 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 Q1 2023, the Company did not experience any reputational risk incidents on mainstream or other types of media.

Strategic risk: The Company formulated its 2021-2023 Development Plans and Annual Business Targets, which set forth details on its strategic positioning, implementation plan and expected results. With a clear strategic direction and implementation plan, it aims to achieve further transformation and business breakthroughs under the guidance of the strategic objectives of the Group and the Company. By breaking down the targets, regularly reviewing business performance and analyzing market conditions and its own strengths, the Company formulated strategies aligned with the market environment to identify, assess and manage strategic risks. As of Q1 2023, no business indicators exceeded risk limits, and there was no occurrence of strategic risk events.

VI. Management analysis and discussions

(I) Solvency Analysis

1. Available capital

As of 31 March 2023, the Company's net assets was 3,347.7076 million yuan, and after deducting items such as intangible assets other than land use rights, long-term deferred expenses, and the differences in reserves under the accounting standards and C-ROSS II standards (which in total amounting to 45.9608 million yuan), the available capital stood at 3,301.7468 million yuan, an increase of 76.2739 million yuan from the previous quarter, which was mainly due to the increase in the fair value of available-for-sale financial assets as a result of the equity market movement.

2. Minimum capital

The minimum capital of the Company at the end of Q1 2023 was 1,282.8349 million yuan, up 5.51% from the previous quarter, mainly as a result of continued growth of long-term insurance business, which in turn led to increase in life insurance risk; the phasing out of the transitional policy for interest rate risk caused increased market risk, and newly added non-standard assets and deposits led to increased credit risk; of this, minimum capital for insurance risk of life business was 687.0447 million yuan, that for insurance risk of non-life business was 660.1108 million yuan, that for market risk 286.8358 million yuan, that for credit risk 337.02 million yuan, diversification effect for quantifiable risk was 697.1269 million yuan, and that for control risk was 8.9505 million yuan.

3. Solvency margin ratio

As of 31 March 2023, the Company's core solvency margin surplus was 1,749.8903 million yuan, and the core solvency margin ratio was 236%; the comprehensive solvency margin surplus was 2,018.9119 million yuan, and the comprehensive solvency margin ratio was 257%. In Q1 2023, the core and comprehensive solvency margin ratios fell by 18pt and 8pt respectively from the previous quarter, mainly due to the phasing out of the policy on transitional period.

(II) Liquidity risk

For this quarter, net cash flow was -64 million yuan, mainly because of the investment cash outflows arising from asset allocation; the difference between actual net cash flow from operating activity and the estimate was -129 million yuan, meaning an adverse variance of -40%. This was mainly due to postponed reinsurance payments till Q2 of approximately 80 million yuan originally planned to be settled with CPIC Life in Q1, which, if excluded, would result in an adverse variance of less than -30% for the quarter. As of the end of Q1, all liquidity coverage ratios under various scenarios and all liquidity indicators were within regulatory limits.

The Company will strictly follow the 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 adjustments to ensure a reasonable liquidity risk level.