Disclosure Statement at 31 December 2025

This disclosure statement is prepared in accordance with the requirements under the Insurance (Valuation and Capital) Rules and the Insurance (Public Disclosure) Rules.

1 Company profile

(a) Authorized insurer's name

Paofoong Insurance Company (Hong Kong) Limited

(b) Nature of the business, and places of business operations

Paofoong Insurance Company (Hong Kong) Limited ("the Company") is a limited company engaging in general insurance business.

Accident & Health, Property Damage and Employees' Compensation are the major insurance products offered to customers.

Both its place of principal activities and place of business operations are entirely localised within Hong Kong.

(c) Description of corporate structure

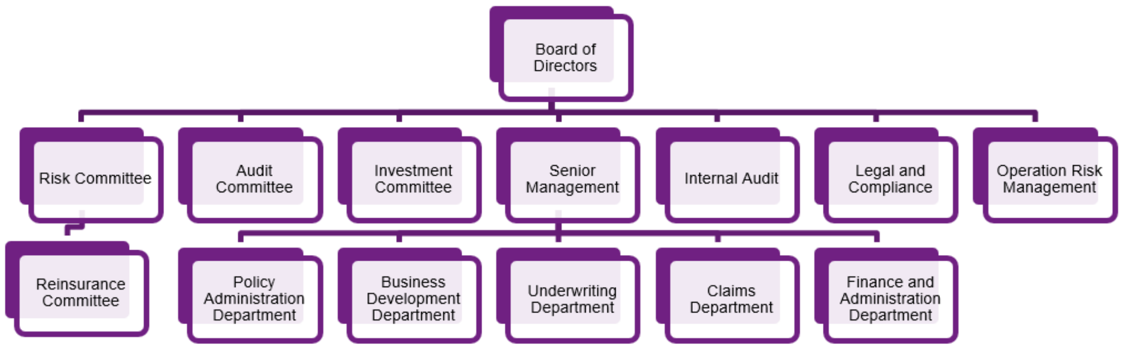
The Company is incorporated and domiciled in Hong Kong.

The ultimate holding company is The Shanghai Commercial & Savings Bank, Ltd., which is incorporated in Taiwan. The Shanghai Commercial & Savings Bank, Ltd. was established in Shanghai in 1915 with the aspiration "to serve society, to support industry, and to promote international trade." It is the premier choice for small- and medium-sized enterprises and is recognized for its efficient trade financing and remittance services.

The immediate holding company is Shanghai Commercial Bank Limited, which is incorporated in Hong Kong. Incorporated in November 1950, Shanghai Commercial Bank Limited has been one of the most distinguished local Chinese banks in Hong Kong. At present, there are nearly 50 branches across Hong Kong, mainland China and overseas, with a business network reaching the United Kingdom, the United States of America, Shanghai and Shenzhen, to offer the customers comprehensive banking services with convenience.

2 Corporate governance framework

The corporate governance framework of the Company is outlined as below.



Risk Committee:
The Risk Committee is authorized by the Board to oversee the establishment and operation of the risk management system effectively and report to the Board.

Reinsurance Committee:
The Reinsurance Committee has been established to formulate the Reinsurance Management Strategy to manage and control the reinsurance risks. The Reinsurance Committee reports to the Risk Committee for the reinsurance arrangement.

Investment Committee:
The Investment Committee is primarily responsible for overseeing the investment return to ensure the Company a stable investment income.

3 Financial position

(a) Balance sheet determined under the Insurance (Valuation and Capital) Rules

(Unit: in HKD thousands)	As at 31 December 2025	As at 31 December 2024
	Total (General Insurance)	Total (General Insurance)
Total assets	394,325	365,883
Cash and deposits	89,465	264,325
Debt securities	263,326	56,253
Equities (including portfolio investments)	34,246	34,952
Derivative financial instruments	-	-
Properties	-	-
Loans and advances	-	-
Reverse repurchase agreement	-	-
Other financial assets	4,265	7,755
Policyholder's account assets in respect of unit linked products or retirement scheme	-	-
Reinsurance assets	2,693	2,341
Tax assets	105	31
Other assets	225	226
Total liabilities	87,994	84,022
Insurance liabilities	80,834	79,581
Reinsurance liabilities	-	-
Repurchase agreement	-	-
Derivative financial instruments	-	-
Other financial liabilities	675	-
Tax liabilities	4,357	250
Other liabilities	2,128	4,191
Net assets	306,331	281,861

(b) Material change or other commentary on balance sheet items (if any)

Most of fixed deposits was using to purchase debt securities during 2025.

4 Investments

(a) Assumptions and methods used for valuation of investments

The table below analyses the Company's financial instruments carried at fair value at the reporting date by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs) (level 3).

(a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the last traded market price. These instruments are included in level 1.

(b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable data, the instrument is included in level 3.

(b) Material change in assumptions and methods, or other commentary on investments (if any)

5 Insurance liabilities

(a) Total insurance liabilities determined under the Insurance (Valuation and Capital) Rules

Insurance Liabilities of General Business

(Unit: in HKD thousands)	As at 31 December 2025									
	Direct insurance							Reinsurance		Total general business
	Accident and health	Motor vehicle	Marine, aviation, and transport	Property damage	Employees' compensation	General liability	Pecuniary loss	Proportional	Non-proportional	
Total general insurance liabilities (gross of reinsurance)										80,834
Total general insurance liabilities excluding other general insurance liabilities (gross of reinsurance)	7,657	4,683	345	15,003	39,064	9,112	636	4,334	-	80,834
Outstanding claims liabilities	5,963	3,614	295	11,391	31,929	7,186	479	3,794	-	64,651
Premium liabilities	933	429	22	2,383	2,842	853	70	70	-	7,602
Margin over current estimate for outstanding claims liabilities	641	562	26	954	3,887	940	74	460	-	7,544
Margin over current estimate for premium liabilities	120	78	2	275	406	133	13	10	-	1,037
Total general insurance liabilities excluding other general insurance liabilities (net of reinsurance)	7,577	4,734	344	12,823	38,882	8,802	644	4,336	-	78,142

(Unit: in HKD thousands)	As at 31 December 2024									
	Direct insurance							Reinsurance		Total general business
	Accident and health	Motor vehicle	Marine, aviation, and transport	Property damage	Employees' compensation	General liability	Pecuniary loss	Proportional	Non-proportional	
Total general insurance liabilities (gross of reinsurance)										79,581
Total general insurance liabilities excluding other general insurance liabilities (gross of reinsurance)	6,611	4,050	366	11,801	46,229	5,671	478	4,375	-	79,581
Outstanding claims liabilities	4,826	2,972	316	8,707	36,601	4,259	341	3,818	-	61,840
Premium liabilities	1,138	521	21	2,182	4,537	737	74	88	-	9,298
Margin over current estimate for outstanding claims liabilities	516	461	27	687	4,432	563	50	457	-	7,193
Margin over current estimate for premium liabilities	131	96	2	225	659	112	13	12	-	1,250
Total general insurance liabilities excluding other general insurance liabilities (net of reinsurance)	6,529	4,126	357	9,654	46,147	5,625	474	4,329	-	77,241

(b) Assumptions and method used to derive the assumptions for determining insurance liabilities

Judgement is involved in assessing the most appropriate technique to estimate insurance liabilities for the claims incurred. The Company relies on the paid and incurred loss development methods, supplemented by the Bornhuetter-Ferguson method, which use historical patterns of claim emergence to project future emergence of losses. The Bornhuetter-Ferguson method relies on a gradual transition from an expected loss ratio to an experience-related development. It is applied to the more recent accident years, for which the paid and incurred loss development methods may yield less accurate results. The initial expected loss ratios were selected based on the projected ultimate loss ratios for all historical years for which the premium information is available. In its claims incurred assessments, the Company uses internal and market data. Internal data is derived mostly from the Company's claims reports. This information is used to develop scenarios related to the latency of claims that are used for the projections of the ultimate number of claims. Market data consists of inflation projections, large claims threshold, large claims quantity, market claims ratios and others. The Company adopts the bottom-up approach in the determination of discount rate and applies the discount rates and the risk-free yield curves as published by the Insurance Authority for determination of Risk Based Capital. The liquidity premium that is required to be added to the risk-free rate is considered to be insignificant and therefore not to be applied in its determination of discount rate. The discount rate is reviewed and adjusted as necessary at the end of each year or when there is a significant change to the risk-free rate published by the Insurance Authority and the cash flow and liquidity characteristics of the insurance contracts.

(c) Material change in assumptions and methods used to derive the assumptions, or other commentary on insurance liabilities (if any)

6 Financial performance

(a) Financial performance in total and at a segmented level, including premiums, investment returns and claims

Performance Analysis on Premiums and Claims

(Unit: in HKD thousands)	For the financial year ended 31 December 2025	For the financial year ended 31 December 2024
	Total (General Business)	Total (General Business)
Gross premiums[1]	83,781	81,528
Net premiums	72,478	69,469
Gross claims paid	39,432	40,462
Net claims paid	38,604	38,574

Performance Analysis on Investment Returns

(Unit: in HKD thousands)	For the financial year ended 31 December 2025	For the financial year ended 31 December 2024
	Total (General Business)	Total (General Business)
Investment returns	20,170	14,365

(b) Material change or other commentary on financial performance (if any)

The increase in investment returns was primarily driven by the unrealized gains from equity securities during the year.

[1] For general business, it refers to written premiums.

(c) Underwriting Results for general business (for pricing adequacy disclosure purposes)

Underwriting Results of General Business

(Unit: in HKD thousands)	For the financial year ended 31 December 2025									
	Direct insurance							Reinsurance		Total general Business
	Accident and health	Motor vehicle	Marine, aviation, and transport	Property damage	Employees' compensation	General liability	Pecuniary loss	Proportional	Non-proportional	
Gross premium	39,682	1,365	1,163	20,593	14,584	5,136	808	450	-	83,781
Net premium	39,180	1,155	963	13,667	12,062	4,480	591	380	-	72,478
Net undiscounted best estimate combined business results, relating to current year	4,044	(267)	383	(1,389)	633	(816)	(108)	8	-	2,488
Net undiscounted best estimate combined business results, relating to prior year	1,051	133	103	1,809	4,415	522	68	109	-	8,210
Undiscounted underwriting results – profit / (loss)	4,970	(234)	487	154	5,593	(672)	(65)	113	-	10,346

(Unit: in HKD thousands)	For the financial year ended 31 December 2024									
	Direct insurance							Reinsurance		Total general Business
	Accident and health	Motor vehicle	Marine, aviation, and transport	Property damage	Employees' compensation	General liability	Pecuniary loss	Proportional	Non-proportional	
Gross premium	32,053	1,737	1,432	20,471	18,478	5,541	846	970	-	81,528
Net premium	31,650	1,490	1,196	13,343	15,608	4,741	627	814	-	69,469
Net undiscounted best estimate combined business results, relating to current year	(5,224)	(260)	487	1,243	(746)	1,215	101	220	-	(2,964)
Net undiscounted best estimate combined business results, relating to prior year	502	491	115	3,054	4,546	1,395	145	1,149	-	11,397
Undiscounted underwriting results – profit / (loss)	(4,815)	308	602	4,527	3,482	2,845	245	1,490	-	8,684

(d) Material change or other commentary on underwriting results (if any)

The improvement in the accident and health business was primarily driven by favorable claims experience.

7 Capital adequacy

(a) Prescribed capital amount at total level and risk capital amount ("RCA") by sub-risk, determined in accordance with the Insurance (Valuation and Capital) Rules (without applying the transitional arrangement under Part 7 of the Insurance (Valuation and Capital) Rules)

Prescribed Capital Amount

(Unit: in HKD thousands)	As at 31 December 2025	As at 31 December 2024
Market risk (diversified RCA)	20,591	16,224
Interest rate risk RCA	3,742	1,365
Credit spread risk RCA	3,474	470
Equity risk RCA	16,965	15,138
Property risk RCA	-	-
Currency risk RCA	1,585	-
Diversification benefits within market risk	(5,175)	(749)
General Insurance Risk (diversified RCA)	29,133	30,880
Reserve and premium risk RCA	17,091	18,705
Natural catastrophe risk RCA	6,679	6,884
Man-made non-systemic catastrophe risk RCA	18,538	19,134
Man-made systemic catastrophe risk RCA	-	-
Mortgage insurance risk RCA	-	-
Diversification benefits within general insurance risk	(13,175)	(13,843)
Counterparty default and other risk RCA	1,549	4,516
Diversification benefits among risk modules	(11,103)	(11,694)
Operational risk RCA	2,304	2,242
Adjustment for loss absorbing capacity cap	-	-
Adjustment for tax effect	(4,212)	(1,065)
Any other items which the IA may specify to adjust	-	-
Prescribed capital amount	38,262	41,103

(b) Composition of capital base determined in accordance with the Insurance (Valuation and Capital) Rules

Capital Base

(Unit: in HKD thousands)	As at 31 December 2025	As at 31 December 2024
Unlimited Tier 1 capital	306,226	281,830
Limited Tier 1 capital	-	-
Tier 2 capital	105	31
Capital base	306,331	281,861

(c) Ratio of capital base to prescribed capital amount

	As at 31 December 2025	As at 31 December 2024
Ratio of capital base to prescribed capital amount	801%	686%

(d) Material change or other commentary on prescribed capital amount, capital base, and ratio of capital base to prescribed capital amount (if any)

The decrease in the prescribed capital amount was driven by changes in the investment product mix and an increase in the effective tax rate. Coupled with the net profit increasing the capital base, the ratio of capital base to prescribed capital amount improved.

8 Risk Management

(a) Risk appetite and risk governance framework

The Company is a subsidiary of the Bank and in general follows the Bank's direction in adopting a "low" level of risk appetite, which reflects the alignment of the overall business development strategies and capital requirements between the Bank and the Company.

As such, the Company has a "low to medium" appetite for overall risk. The Company makes resources available to control the risks to an acceptable level. The Company also recognizes that it is not possible or necessarily desirable to eliminate some of the risk inherent in its activities. Acceptance of some "medium" risks is necessary to foster innovation and efficiencies within business practices. The risk appetite statement supports the strategy development of the Company which is to aim at reasonable return as well as a healthy growth.

The risk appetite statement is an articulation of the Company's principal behavior toward its assumption of risk while pursuing its business objectives. The pursuing of "low to medium" risk appetite largely reflects from the Company's strengthened underwriting risk selection, prudent investment strategies and controlled operational procedures with checks and balances.

All business strategies and plans, underwriting acceptance limit, underwriting guidelines, investment strategies, reinsurance arrangements and all reasonably foreseeable risks must be aligned to the risk appetite stipulated.

Risk governance refers to the formal structure used to support risk-based decision making and oversees across all operations of the Company and forms an integral part of the risk management framework.

The Board has the ultimate responsibility for the effective management of risk and approves and oversees the Company's overall risk management framework. The Board has delegated its power to the Risk Committee to supervise the Company's major functional areas. The Risk Committee in particular then has the authority and responsibility to oversee and guide the overall management of the collective set of different risks undertaken by the Company.

(b) Insurance risk management

Insurance risk refers to the failure of the operation of the Company in generating underwriting profit. Medical, Employees' Compensation and Property Damage business are the classes with the highest premium and the net claims incurred of the first two occupy over 60% of the total claims incurred. As the underwriting performances of these three classes have significant impact on the overall performance of the Company, they are selected to be controlled.

The portfolio mix control ensures a well balance of the business without accepting too many long-tailed liability and risky business of Employees' Compensation and the high frequency of claims of Medical business. Considering the nature, scale and complexity of the business operations, Manuals have been developed to guide the business activities decision making.

Despite the Company's prudence in risk selection, severe loss is inevitable. The Company has arranged adequate treaty and facultative reinsurance to protect the bottom line of the Company against severe and catastrophic loss.

As the overall performance of Employees' Compensation is material in underwriting profitability, the Company selects to control the overall premium retention of this line after the reinsurance arrangement. The Property Damage line is always subject to the catastrophe risk such as strong typhoon and therefore, the retention after reinsurance should be managed. The retention rate of all business lines forms an overall control.

A Reinsurance Committee has been established to formulate the Reinsurance Management Strategy to manage and control the reinsurance risks and review the Reinsurance Management Strategy at least annually. The Reinsurance Committee reports to the Risk Committee for the reinsurance arrangement.

The Company has set up the acceptance limits and arranged treaty reinsurance program such that the Company's net loss shall not exceed HK$2 million for Motor, Employees' Compensation, Property Damage and Medical business line and HK$1 million for other lines. With such arrangement, the impact to the profit and loss account caused by a severe loss or by multiple claims caused by one event can be mitigated and therefore the target capital solvency of the Company can be protected.

(c) Investment risk management

The investment objectives are to create a positive return after tax to the Company through producing investment income and capital appreciation on both short-term and long-term basis.

Concentration risk refers to the risk that the investment of the Company is too focus on a portfolio and/or on an investment instrument and the investment return shall be highly impacted by the adverse result of such portfolio or instrument.

The Investment Guideline compiled and managed by the Investment Committee has adopted the principal of diversification and clearly stipulated the maximum amount and percentage of each investment assets as well as the maximum maturity to avoid concentration of risk causing significant investment loss.

All along the investment strategy adopted by the Company on equities is prudent seeking stable income. Only the blue chip stocks with sound financial position are selected to be held. Considering the strong financial strength of the stocks as well as the strong holding power of the Company, the Investment Committee has adopted the Management Action Trigger (MAT) to manage the equities portfolio. The market price of the equity shall be monitored by the Operation Risk Management and once the market price of the equity has reached the MAT level, Investment Committee shall be notified and mitigation actions, if required, shall be carried out.

Interest rate risk is the financial condition resulting from adverse movements in interest rates that affect the Company’s financial position. The risk mainly has impact on the bond market value and fixed deposit interest rate return. A proper and regular monitoring with trend analysis is required.

The Company does not utilize any risk transfer strategies, such as hedging instruments or financial derivatives, at this stage.

There are no investment products newly invested or planned to invest.

An Investment Committee has been established to manage the investment strategies of the Company. It is accountable for the ongoing review of the identification, monitoring, assessment, and management of the investment risk. An Investment Guideline has been compiled stipulating the investment objectives, strategies, guidelines which align with the risk appetite and long term strategy of the Company.

(d) Other risk management (if any)

9 Statement of Compliance

(i) I am satisfied with the completeness, accuracy and consistency of the information disclosed in this disclosure statement in respect of Paofoong Insurance Company (Hong Kong) Limited;

(ii) I am satisfied that the information in this disclosure statement is prepared in accordance with the Insurance (Public Disclosure) Rules and the Insurance (Valuation and Capital) Rules (subject to any variation or relaxation applied thereto);

(iii) I am satisfied that the information in this disclosure statement can be reconciled with the relevant specified annual forms, on each of which an auditor's report is provided, of Paofoong Insurance Company (Hong Kong) Limited's annual returns for the financial year to which this disclosure statement relates, as submitted under rule 4(1) of the Insurance (Submission of Statements, Reports and Information) Rules; and

(iv) I am satisfied that Paofoong Insurance Company (Hong Kong) Limited has complied with all capital requirements that apply to it under the Insurance (Valuation and Capital) Rules (as relaxed or varied, if applicable), during the financial year to which this disclosure statement relates.

Name:	**Ryan Yuk Lung Fung**
Position:	**Director**
Company Name:	**Paofoong Insurance Company (Hong Kong) Limited**