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

Avo Insurance Company Limited

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

Avo Insurance Company Limited ("Avo Insurance" or "The Company") carries on direct and reinsurance business in general insurance, with major lines including Accident, Sickness, Fire and Natural Forces, Damage to Property, General Liability, Miscellaneous Financial Loss, and Legal Expenses. Its principal activities, business sources and operations are based in Hong Kong, while reinsurance business is primarily sourced from overseas markets. No material changes occurred during the financial year.

(c) Description of corporate structure

Avo Insurance was incorporated in Hong Kong and commenced operations in 2019 as the first virtual licensed general insurer in Hong Kong. The Company is backed by prominent shareholder controllers including Asia Insurance Company, Limited, a leading general insurer in Hong Kong and Macau and owned by Asia Financial Holdings Limited (0662.HK), as well as Mr. Zhang Lei, Founder and Chairman of Hillhouse Investment.

2 Corporate governance framework

The Company is committed to maintaining a high standard of corporate governance. The Board of Directors (the "Board") strives to adhere the principles of corporate governance and adopt sound corporate governance practices for effective management, successful business growth and a healthy corporate culture, thereby leading to safeguard the stakeholders' interests.

The Board currently comprises eight directors, consisting of five directors (including the Chairman and the Chief Executive Officer) and three independent non-executive directors. The Board has a diverse range of business and professional expertise.

The overall management of the Company's operation is vested in the Board. The Board takes overall responsibilities to oversee all major matters of the Company, including the formulation of the Company's strategic objectives, making policy decisions, overseeing the Company's operation and financial performance, risk management and internal control systems, cybersecurity, compliance functions, and supervising the management performance.

As an important part of a sound corporate governance practice, the Board has set up several Board committees including the Audit Committee, Claims Settlement Committee, Executive Committee, Investment Committee, Reinsurance Committee, Risk Committee, Technology Committee and Underwriting Committee to assist it in carrying out its responsibilities. Each of the Board committees has its specific written terms of reference which set out their respective roles and responsibilities in details.

The primary duties of Audit Committee are, to review and to supervise the financial reporting system and monitor and review the effectiveness of internal control systems, as well as, review audit and compliance matters.

Risk Committee assists the Board to oversee the establishment and operation of the risk management system for the Company. It reviews the Company's risk identification, risk appetite and risk treatment and oversees the adequacy and effectiveness of the Company's risk management framework.

The primary duties of Investment Committee include the formulation and review of investment policy and strategies, together with review and monitor the investment portfolio and investment results.

The Board has delegated the daily operations of the Company to the Executive Committee. It is responsible for implementing and reviewing the laid down policies as determined by the Board, ensuring operations of the Company are complied with all statutory requirements, industry practices, codes or guidelines, and overseeing the Company's operational and financial performance in accordance with the directions of the Board.

Claims Settlement Committee oversees the claims position of the Company, devises claims settling policy and ensure adequate claims reserves are made.

Reinsurance Committee assists the Board to ensure adequate reinsurance arrangements are made for the Company's business. It peruses the proposed reinsurance arrangements prior to execution, review reinsurance arrangements and assess the effectiveness of the reinsurance programme.

Technology Committee assists the Board to oversee the Company's information technology development roadmap and strategy. It makes recommendations to strengthen the Company's infrastructure and ecosystem and to maintain the effectiveness of the Company's cybersecurity strategy and framework.

Underwriting Committee is authorized by the Board to formulate underwriting policy. It provides oversight to ensure that underwriting and pricing practices remain effective, appropriate, and aligned with the Company's business objectives.

Senior management, reporting to the Chief Executive Officer and further to the Board, is responsible for the day-to-day operations and ensure that adequate resources, systems, and processes are in place to support the achievement of the Company's objectives.

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	**Total**
Total assets	*408,355*	*371,366*
Cash and deposits	*186,164*	*189,120*
Debt securities	*62,119*	*95,779*
Equities (including portfolio investments)	*32,389*	*36,338*
Derivative financial instruments	*0*	*0*
Properties	*0*	*0*
Loans and advances	*0*	*0*
Reverse repurchase agreement	*0*	*0*

(Unit: in HKD thousands)	As at 31 December 2025	As at 31 December 2024
	Total	**Total**
Other financial assets	*113,386*	*29,401*
Policyholder's account assets in respect of unit linked products or retirement scheme	*0*	*0*
Reinsurance assets	*552*	*589*
Tax assets	*0*	*0*
Other assets	*13,745*	*20,139*
Total liabilities	*187,356*	*110,706*
Insurance liabilities	*173,429*	*99,721*
Reinsurance liabilities	*0*	*0*
Repurchase agreement	*0*	*0*
Derivative financial instruments	*0*	*0*
Other financial liabilities	*5,174*	*472*
Tax liabilities	*0*	*0*
Other liabilities	*8,754*	*10,514*
Net assets	*220,999*	*260,660*

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

Increase in total assets and increase in total liabilities are mainly due to more gross premium written for direct business booked in 2025, 187% increase versus 2024, and more gross premium written for reinsurance inward business entered in 2025, 7% increase versus 2024. Though the Company is still in loss position for the year 2025 that lead to decrease in net assets, the loss has been narrowed down from the year 2024.

4 Investments

(a) Assumptions and methods used for valuation of investments

The Company is quite conservative in investments, it has invested in fixed deposits, certificate of deposits and private investment funds. All the investments are marked to market by getting valuation from external parties such as banks and fund managers.

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

There is no change in the valuation method between the year 2025 and 2024.

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)										*173,429*
Total general insurance liabilities excluding other general insurance liabilities (gross of reinsurance)	*5,800*	*0*	*0*	*598*	*315*	*1,063*	*130*	*165,522*	*0*	*173,429*
Outstanding claims liabilities	*875*	*0*	*0*	*96*	*43*	*67*	*3*	*75,261*	*0*	*76,345*
Premium liabilities	*4,527*	*0*	*0*	*452*	*253*	*936*	*118*	*66,737*	*0*	*73,024*
Margin over current estimate for outstanding claims liabilities	*84*	*0*	*0*	*12*	*4*	*6*	*0*	*11,289*	*0*	*11,396*
Margin over current estimate for premium liabilities	*314*	*0*	*0*	*38*	*15*	*55*	*8*	*12,235*	*0*	*12,665*
Total general insurance liabilities excluding other general insurance liabilities (net of reinsurance)	*5,388*	*0*	*0*	*574*	*286*	*978*	*130*	*165,522*	*0*	*172,877*

(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)										*99,721*
Total general insurance liabilities excluding other general insurance liabilities (gross of reinsurance)	*2,878*	*0*	*0*	*1,056*	*110*	*75*	*12*	*95,589*	*0*	*99,721*
Outstanding claims liabilities	*1,240*	*0*	*0*	*186*	*9*	*4*	*8*	*54,467*	*0*	*55,913*
Premium liabilities	*1,404*	*0*	*0*	*797*	*94*	*67*	*2*	*27,829*	*0*	*30,193*
Margin over current estimate for outstanding claims liabilities	*119*	*0*	*0*	*27*	*1*	*0*	*1*	*8,170*	*0*	*8,319*
Margin over current estimate for premium liabilities	*115*	*0*	*0*	*46*	*6*	*4*	*0*	*5,124*	*0*	*5,295*
Total general insurance liabilities excluding other general insurance liabilities (net of reinsurance)	*2,315*	*0*	*0*	*1,040*	*105*	*71*	*12*	*95,589*	*0*	*99,132*

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

The valuation covers case reserves, incurred but not reported (IBNR) claims, future development on reported claims, claims-handling and policy-administration expenses, a margin over current estimates and discounting. IBNR is estimated by reserving class using Chain Ladder method, Bornhuetter-Ferguson method and Expected Loss Ratio method. Loss development factors and prior expected loss ratios are the key assumptions in the valuation of insurance liabilities best estimates. These assumptions are derived from claims development triangles, historical reported loss ratios, and considering actual-versus-expected analysis, any changes in portfolio mix, any comparable portfolios and market experience of similar lines of business. Insurance liabilities are calculated on discounted basis. Future cash flows are discounted using Insurance Authority published risk-free yield curves at the valuation date, according to the original currencies of the insurance contract liabilities.

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

There was no material change in the overall actuarial valuation methodology during the reporting year. Priori expected loss ratio and loss development factors assumptions were reviewed and updated at each valuation date, in order to reflect the latest observed claims experience and taking into account actual-versus-expected analysis.

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	**Total**
Gross premiums[1]	*278,973*	*251,932*
Net premiums	*277,346*	*250,742*
Gross claims paid	*68,940*	*100,542*
Net claims paid	*68,674*	*100,372*

[1] For long term business, it refers to premiums received and receivable during the financial year. For general business, it refers to written premiums.

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	**Total**
Investment returns	*17,280*	*14,046*

(b) Material change or other commentary on financial performance

More direct and reinsurance inward gross premium written for the year 2025 vs 2024 (187% increase of direct and 17% increase of inward business, 11% increase in total comparing to 2024).

Claims paid is dropped in the year 2025 mainly due to timing difference.

Interest rate has dropped in 2025 comparing to 2024 so interest income has dropped but it is compensated by more favourable return of the private investment funds.

(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	*12,348*	*0*	*0*	*1,417*	*556*	*2,026*	*268*	*262,359*	*0*	*278,973*
Net premium	*11,211*	*0*	*0*	*1,365*	*462*	*1,681*	*268*	*262,359*	*0*	*277,346*
Net undiscounted best estimate combined business results, relating to current year	*-8,167*	*0*	*0*	*645*	*-286*	*-1,630*	*-213*	*-9,200*	*0*	*-18,851*
Net undiscounted best estimate combined business results, relating to prior year	*741*	*0*	*0*	*169*	*7*	*3*	*8*	*2,814*	*0*	*3,742*
Undiscounted underwriting results - profit / (loss)	*-7,391*	*0*	*0*	*830*	*-282*	*-1,632*	*-204*	*-16,616*	*0*	*-25,296*

(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	*3,891*	*0*	*0*	*1,712*	*117*	*73*	*4*	*246,135*	*0*	*251,932*
Net premium	*2,794*	*0*	*0*	*1,647*	*99*	*62*	*4*	*246,135*	*0*	*250,742*
Net undiscounted best estimate combined business results, relating to current year	*-5,347*	*0*	*0*	*-1,263*	*-72*	*-91*	*8*	*-4,000*	*0*	*-10,765*
Net undiscounted best estimate combined business results, relating to prior year	*827*	*0*	*0*	*160*	*0*	*0*	*17*	*-13,264*	*0*	*-12,260*
Undiscounted underwriting results – profit / (loss)	*-4,483*	*0*	*0*	*-1,102*	*-74*	*-91*	*27*	*-21,012*	*0*	*-26,735*

(d) Material change or other commentary on underwriting results

The Company's undiscounted underwriting result for current financial year improved slightly over prior financial year's. The Company's underwriting result for current financial year is mainly driven by its underwriting results of its reinsurance inward portfolio: Prior underwriting year's undiscounted combined business results in current financial year is positive, due to gradual release of margin over current estimates (MOCE) for prior underwriting years. Current underwriting year's undiscounted combined business results remain a deficit and increased over prior financial year, in-line with the increase in current underwriting year's gross ultimate premium. The Company's underwriting result for its direct line of business generally showed favorable prior-year development, reflecting its favorable actual-versus-expected analysis of claims development. Current underwriting year's undiscounted combined business results remain a deficit, mainly due to expenses incurred in current financial year.

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)	*21,510*	*22,260*
Interest rate risk RCA	*2,342*	*303*
Credit spread risk RCA	*48*	*758*
Equity risk RCA	*17,416*	*19,800*
Property risk RCA	*0*	*0*
Currency risk RCA	*6,720*	*4,848*
Diversification benefits within market risk	*-5,016*	*-3,449*
Life Insurance Risk (diversified RCA)	*0*	*0*
Mortality risk RCA	*0*	*0*
Longevity risk RCA	*0*	*0*
Life catastrophe risk RCA	*0*	*0*
Morbidity risk RCA	*0*	*0*
Expense risk RCA	*0*	*0*
Lapse risk RCA	*0*	*0*
Diversification benefits within life insurance risk	*0*	*0*
General Insurance Risk (diversified RCA)	*39,146*	*35,389*
Reserve and premium risk RCA	*38,667*	*34,192*
Natural catastrophe risk RCA	*176*	*1,348*
Man-made non-systemic catastrophe risk RCA	*1,756*	*3,720*
Man-made systemic catastrophe risk RCA	*0*	*0*
Mortgage insurance risk RCA	*0*	*0*
Diversification benefits within general insurance risk	*-1,454*	*-3,871*
Counterparty default and other risk RCA	*4,163*	*3,284*
Diversification benefits among risk modules	*-14,225*	*-13,529*
Operational risk RCA	*7,672*	*9,963*
Adjustment for loss absorbing capacity cap	*0*	*0*
Adjustment for tax effect	*0*	*0*
Any other items which the IA may specify to adjust	*0*	*0*
Prescribed capital amount	*58,265*	*57,368*

(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	*220,999*	*260,660*
Limited Tier 1 capital	*0*	*0*
Tier 2 capital	*0*	*0*
Capital base	*220,999*	*260,660*

(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	*379.300%*	*454.366 %*

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

The company's capital adequacy for current financial year remained strong.

The prescribed capital amount was broadly stable. By sub-risk categories, there is slight increase in General Insurance Risk, which is in-line with the growth of the Company's insurance portfolio. While there's slight reduction in Market Risk, the Company's investment appetite remains largely unchanged with consistent investment strategies.

Total eligible capital for current financial year decreased from prior financial year's. The capital-base movement was principally reflecting change in retained earnings.

Reduction in capital base, coupled with broadly stable prescribed capital amount, result in a reduction in eligible-capital-to-PCA ratio to 379.3%. Nonetheless, eligible-capital-to-PCA ratio to 379.3% shows adequate buffer over regulatory minimum solvency ratio and the Company's Target Capital Ratio (TCR).

8 Risk Management

(a) Risk appetite and risk governance framework

Avo Insurance has established an Enterprise Risk Management ("ERM") framework to identify, assess, monitor, manage and report material risks that may affect the achievement of its business objectives, solvency position, regulatory compliance and reputation. The framework is designed with reference to commonly adopted risk management principles, including the IAIS framework and ISO 31000:2018, and is supported by Board-approved risk management policies.

The Board has ultimate responsibility for the oversight of risk management. The Risk Committee assists the Board in overseeing the effectiveness of the risk management framework, including the review of risk appetite, material risk exposures, material risk policies, risk treatment actions and the adequacy of risk management arrangements. Management is responsible for implementing the risk management framework in day-to-day operations.

The Company's risk governance structure follows the Three Lines of Defence model. Business and supporting functions act as the first line and own and manage risks in their respective areas. The Risk, Compliance and Actuarial functions act as the second line and provide support, subject-matter expertise and effective challenge on risk management, including analysis and reporting on the adequacy of risk management. Internal Audit acts as the third line and provides independent assurance on the effectiveness of internal control, risk management and governance processes.

The Company's Risk Appetite Framework sets out the levels and types of risk that the Company is prepared to accept in pursuing its business strategy. It includes risk appetite statements covering strategic, financial and operational and compliance dimensions, and risk limits and monitoring indicators for monitoring material risks. Risk exposures are monitored against the approved risk appetite, with escalation and management actions required where risk limits or early warning indicators are reached or breached.

The Company performs an Own Risk and Solvency Assessment ("ORSA") at least annually to assess its current and projected risk profile, capital adequacy and solvency position under normal and stressed conditions. The ORSA process links risk management, business planning and capital management, and supports the Board and Senior Management in considering whether the Company's risk profile remains consistent with its business strategy and risk appetite.

The Company continuously improve its ERM framework and ORSA processes through regular management and independent reviews, to ensure that they remain appropriate to the nature, scale and complexity of its business.

(b) Insurance risk management

Avo Insurance is exposed to insurance risk arising from its general insurance business, including direct business and inward reinsurance business. The principal insurance risks include underwriting and pricing risk, reserve and premium risk, claims risk, concentration risk and risks associated with reinsurance inward acceptance and renewal. These risks are managed through underwriting guidelines, defined approval authorities, actuarial review, claims monitoring, reinsurance and risk transfer arrangements, and ongoing monitoring of underwriting results.

In assessing insurance risks arising from its insurance business, the Company takes into account its business mix, claims experience, loss ratios, and risk concentration. For inward reinsurance business, risk assessment is performed during treaty evaluation, acceptance and renewal review processes, including consideration of historical experience, expected profitability, exposure characteristics and other relevant underwriting information.

The Company uses reinsurance and other risk transfer arrangements, where appropriate, to manage risk retention and reduce the volatility and concentration of insurance risk. The effectiveness of reinsurance arrangements, counterparty quality and exposure levels are monitored as part of the Company's risk management and capital assessment processes.

The Company's insurance liabilities are assessed by the Actuarial function, with reserving methodologies, assumptions and results reviewed through the Company's Reserving Committee. The Company monitors emerging claims experience and changes in business mix to support the adequacy of reserves and the sustainability of underwriting performance.

(c) Investment risk management

The Board has overall responsibility for approving the investment policy. The Investment Committee is responsible for reviewing, approving and overseeing Avo Insurance's investment portfolio, and setting the Company's investment strategy.

Avo Insurance adopts a prudent approach to investment management, with investment activities conducted in accordance with the Company's risk appetite, capital and liquidity needs, and regulatory solvency requirements. The investment portfolio is managed with a focus on capital preservation and maintaining liquidity, while seeking appropriate risk-adjusted returns.

The Company's investment exposures include liquid assets and investment products such as deposits, certificates of deposit and investment funds. Key investment risks include market risk, interest rate risk and currency risk, which are monitored through the Company's risk appetite and investment governance processes. Material investment risks are also assessed through stress and scenario testing processes to assess the potential impact of adverse market movements under stressed conditions. Investment exposures and performance are regularly reported to the Investment Committee. Investment risk exposures are also monitored against the risk limits under the Company's Risk Appetite Framework.

(d) Other risk management

In addition to insurance and investment risks, the Company manages a range of financial, operational, compliance and strategic risks. These risks are identified and assessed through the Company's ERM process and recorded in the risk register, with mitigating actions assigned to relevant risk owners where appropriate.

As a virtual insurer operating through digital channels, the Company places particular emphasis on technology resilience, cybersecurity, data protection and third-party risk management. The Company maintains internal controls through relevant policies, procedures and guidelines, and has incident response, business continuity, disaster recovery and cybersecurity awareness programmes or procedures in place to mitigate these risks.

Avo Insurance also monitors emerging arising from changes in the business, economic, geopolitical, technology and regulatory environment that could affect its business model and operations. Relevant emerging risks are considered through the enterprise risk assessment process and, where appropriate, incorporated into risk register for ongoing monitoring and management.

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 **Avo Insurance Company 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 **Avo Insurance Company 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 **Avo Insurance Company 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:	**Wong Chi Shun**
Position:	**Chief Executive Officer**
Company Name:	**Avo Insurance Company Limited**