# Disclosure Statement at 31 March 2026

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

Chevalier Insurance Company Limited

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

Chevalier Insurance Company Limited (the "Company") is an insurance company carrying on general insurance business.

At present, the Company primarily underwrites direct insurance business in Hong Kong, focusing on Employees' Compensation, Property Damage and General Liability risks.

(c) Description of corporate structure

The Company is a private limited liability company incorporated in Hong Kong.

The Company's immediate and ultimate holding company is Chevalier International Holdings Limited ("CIHL"), a limited liability company incorporated in Bermuda with its shares listed on The Stock Exchange of Hong Kong Limited.

Goldyork Investment Limited is a major subsidiary of the Company incorporated in Hong Kong and principally engaged in property investment.

## 2 Corporate governance framework

The Company has an established corporate governance framework comprising the Board of Directors, senior management and departmental management, with support from the broader governance, oversight and control structure of CIHL, including but not limited to its legal, human resources, general administration, company secretarial, accounting, information technology and internal audit functions, as well as the Investment Committee, which is responsible for the development of investment plans and strategies, the evaluation and approval of investment proposals, and the monitoring of investment performance in compliance with the investment policy.

This framework provides strategic direction, establishes policies and procedures, and promotes effective risk management and internal control. It also facilitates sound decision-making, accountability and transparency across the organization, while supporting compliance with applicable legal, regulatory and corporate governance requirements. Roles and responsibilities for risk oversight, implementation and independent review are clearly defined within the enterprise risk management framework, supporting the consistent and effective implementation of the risk management process.

## 3 Financial position

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

| (Unit: in HKD thousands) | As at 31 March 2026 | | | As at 31 March 2025 | | |
|---|---|---|---|---|---|---|
| | **Total** | General business | Shareholders' fund | **Total** | General business | Shareholders' fund |
| **Total assets** | **3,227,892** | **2,408,864** | **889,861** | **3,249,986** | **2,427,473** | **898,185** |
| Cash and deposits | **414,482** | 414,482 | - | **526,731** | 526,731 | - |
| Debt securities | **1,396,916** | 1,396,916 | - | **1,325,831** | 1,325,831 | - |
| Equities (including portfolio investments) | **171,013** | 171,013 | 0 | **60,279** | 60,279 | - |
| Derivative financial instruments | **-** | - | - | **-** | - | - |
| Properties | **885,300** | - | 885,300 | **875,646** | - | 875,646 |
| Loans and advances | **-** | - | - | **-** | - | - |
| Reverse repurchase agreement | **-** | - | - | **-** | - | - |
| Other financial assets | **220,676** | 220,676 | - | **292,171** | 292,171 | - |
| Reinsurance assets | **118,502** | 118,502 | - | **122,126** | 122,126 | - |
| Tax assets | **-** | - | - | **-** | - | - |
| Other assets | **21,003** | 87,275 | 4,561 | **47,201** | 100,335 | 22,539 |
| **Total liabilities** | **1,742,986** | **1,687,631** | **126,188** | **1,767,561** | **1,712,184** | **131,050** |
| Insurance liabilities | **1,491,296** | 1,491,296 | - | **1,531,654** | 1,531,654 | - |
| Reinsurance liabilities | **-** | - | - | **-** | - | - |
| Repurchase agreement | **-** | - | - | **-** | - | - |
| Derivative financial instruments | **-** | - | - | **-** | - | - |
| Other financial liabilities | **101,824** | 42,930 | 58,893 | **91,649** | 32,701 | 58,948 |
| Tax liabilities | **50,038** | 49,821 | 217 | **47,390** | 47,031 | 359 |
| Other liabilities | **99,828** | 103,584 | 67,078 | **96,869** | 100,798 | 71,744 |
| **Net assets** | **1,484,906** | **721,234** | **763,673** | **1,482,424** | **715,290** | **767,135** |

**Note: Figures may not be additive due to rounding. The same applies throughout this disclosure.**

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

During the period, the Company increased its investment in Equities (including portfolio investments).

"Shareholders' fund" includes non-insurance operations. For Other assets and Other liabilities, "General business" and "Shareholder's fund" may not sum to "Total" due to accounting eliminations.

## 4 Investments

(a) Assumptions and methods used for valuation of investments

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All investments for which fair value is measured are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical investments

Level 2 – based on inputs other than quoted prices included in Level 1 that are observable for identical investments, either directly or indirectly

Level 3 – based on inputs for identical investments that are not based on observable market data

Investment properties are revalued at each reporting date by an independent qualified professional valuer to ensure that their carrying values appropriately reflect prevailing market conditions.

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

Not Applicable

## 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 March 2026 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 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)** | **Not applicable** | **Not applicable** | **Not applicable** | **Not applicable** | **Not applicable** | **Not applicable** | **Not applicable** | **Not applicable** | **Not applicable** | **1,491,296** |
| **Total general insurance liabilities excluding other general insurance liabilities (gross of reinsurance)** | **67** | **2,416** | **26** | **63,626** | **1,377,171** | **44,242** | **2,727** | **1,021** | **-** | **1,491,296** |
| Outstanding claims liabilities | 39 | 2,013 | 18 | 25,493 | 905,904 | 29,650 | 1,854 | 735 | - | 965,707 |
| Premium liabilities | 25 | 171 | 6 | 34,125 | 360,893 | 9,594 | 508 | 213 | - | 405,535 |
| Margin over current estimate for outstanding claims liabilities | 1 | 210 | 1 | 732 | 74,362 | 3,874 | 273 | 51 | - | 79,505 |
| Margin over current estimate for premium liabilities | 2 | 21 | 1 | 3,276 | 36,012 | 1,125 | 91 | 22 | - | 40,549 |
| **Total general insurance liabilities excluding other general insurance liabilities (net of reinsurance)** | **38** | **2,310** | **17** | **39,073** | **1,292,549** | **35,612** | **2,455** | **740** | **-** | **1,372,794** |

| (Unit: in HKD thousands) | As at 31 March 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)** | **Not applicable** | **Not applicable** | **Not applicable** | **Not applicable** | **Not applicable** | **Not applicable** | **Not applicable** | **Not applicable** | **Not applicable** | **1,531,654** |
| **Total general insurance liabilities excluding other general insurance liabilities (gross of reinsurance)** | **42** | **2,923** | **28** | **78,513** | **1,410,430** | **38,344** | **854** | **519** | **-** | **1,531,654** |
| Outstanding claims liabilities | 21 | 2,534 | 21 | 42,775 | 869,337 | 25,510 | 454 | 277 | - | 940,929 |
| Premium liabilities | 17 | 111 | 5 | 31,781 | 426,441 | 7,894 | 285 | 208 | - | 466,742 |
| Margin over current estimate for outstanding claims liabilities | 1 | 266 | 1 | 856 | 72,607 | 3,613 | 68 | 11 | - | 77,424 |
| Margin over current estimate for premium liabilities | 1 | 13 | 1 | 3,101 | 42,045 | 1,326 | 48 | 23 | - | 46,559 |
| **Total general insurance liabilities excluding other general insurance liabilities (net of reinsurance)** | **30** | **2,801** | **16** | **38,454** | **1,331,826** | **35,278** | **787** | **335** | **-** | **1,409,528** |

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

The valuation of insurance liabilities is mainly based on loss development method & expected loss ratio method.

- Loss development method assumes past claims development experiences provide a reasonable guide to future claims development. Future claims development is estimated by loss development factors, which are based on historical patterns of claim emergence of losses, supplemented with industry benchmarks of similar risk profile.
- Expected loss ratio method assumes priori estimate is better estimate than claims experience observed to date. Expected loss ratios are estimated based on historical loss ratio experiences of own insurance portfolios, supplemented with industry benchmarks of similar risk profile.
- Expected losses related to future claim events are assumed to be similar to recent claims experiences. Expected loss ratios for premium liabilities are estimated based on loss ratio in current year or weighted average of loss ratios in recent years.
- Present value of insurance liabilities is calculated by applying discounting factors to expected future cash flows. Expected future cash flows are derived by applying payment pattern assumptions from loss development factors. Discounting factors are derived from specified risk-free yield curves published by Insurance Authority, with assumption of evenly settlement of future cash flows during each 12-month period.
- Margin over current estimate is assessed by applying bootstrapping method to historical claim data such that the margin provides for a 75% probability of adequacy. Industry benchmarks of similar risk profile are supplemented if the Company's own statistics are not sufficiently credible.

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

Not Applicable

## 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 March 2026 | For the financial year ended 31 March 2025 |
|---|---|---|
| | **Total** | **Total** |
| **Gross premiums** | **367,429** | **384,755** |
| **Net premiums** | **296,461** | **317,359** |
| **Gross claims paid** | **267,530** | **233,628** |
| **Net claims paid** | **253,388** | **224,512** |

**Performance Analysis on Investment Returns**

| (Unit: in HKD thousands) | For the financial year ended 31 March 2026 | | |
|---|---|---|---|
| | **Total** | General business | Shareholders' fund |
| **Investment returns** | **93,541** | 94,564 | (1,023) |

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

The Company's gross premiums and net premiums this year declined by approximately 4.5% and 6.6% respectively compared with the prior year, as a result of a more competitive and softer overall Employees' Compensation insurance market, especially in the construction industry.

(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 March 2026 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 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 | 75 | 426 | 19 | 35,276 | 313,216 | 13,395 | 4,701 | 320 | - | 367,429 |
| Net premium | 26 | 396 | 19 | 21,521 | 263,429 | 6,682 | 4,221 | 167 | - | 296,461 |
| Net undiscounted best estimate combined business results, relating to current year | (77) | (492) | (54) | 6,462 | (10,857) | 612 | 2,978 | 53 | - | (1,374) |
| Net undiscounted best estimate combined business results, relating to prior year | 5 | 281 | 2 | 3,580 | 38,168 | 4,746 | (679) | (309) | - | 45,794 |
| **Undiscounted underwriting results - profit / (loss)** | **(71)** | **(155)** | **(52)** | **10,166** | **25,556** | **5,097** | **2,094** | **(296)** | **-** | **42,339** |

| (Unit: in HKD thousands) | For the financial year ended 31 March 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 | 82 | 405 | 124 | 33,712 | 335,697 | 10,520 | 3,898 | 316 | - | 384,755 |
| Net premium | 37 | 377 | 39 | 22,142 | 285,086 | 6,151 | 3,288 | 239 | - | 317,359 |
| Net undiscounted best estimate combined business results, relating to current year | (46) | (158) | (25) | (1,072) | (8,873) | 1,658 | 2,776 | 99 | - | (5,641) |
| Net undiscounted best estimate combined business results, relating to prior year | 3 | 516 | 2 | (2,634) | 31,122 | (1,624) | 19 | 58 | - | 27,462 |
| **Undiscounted underwriting results – profit / (loss)** | **(43)** | **502** | **(24)** | **(4,176)** | **14,440** | **(839)** | **2,772** | **159** | **-** | **12,791** |

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

Not Applicable

## 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 March 2026 | As at 31 March 2025 |
|---|---|---|
| **Market risk (diversified RCA)** | **361,770** | **321,531** |
| Interest rate risk RCA | 78,728 | 65,023 |
| Credit spread risk RCA | 129,540 | 120,839 |
| Equity risk RCA | 52,306 | 16,820 |
| Property risk RCA | 221,325 | 218,911 |
| Currency risk RCA | 21,940 | 14,067 |
| Diversification benefits within market risk | (142,068) | (114,130) |
| **General Insurance Risk (diversified RCA)** | **447,523** | **428,327** |
| Reserve and premium risk RCA | 343,007 | 346,811 |
| Natural catastrophe risk RCA | 1,099 | 1,098 |
| Man-made non-systemic catastrophe risk RCA | 214,207 | 179,195 |
| Man-made systemic catastrophe risk RCA | - | - |
| Mortgage insurance risk RCA | - | - |
| Diversification benefits within general insurance risk | (110,789) | (98,777) |
| **Counterparty default and other risk RCA** | **19,946** | **26,860** |
| Diversification benefits among risk modules | (180,722) | (171,327) |
| **Operational risk RCA** | **38,377** | **38,711** |
| Adjustment for loss absorbing capacity cap | - | - |
| Adjustment for tax effect | (98,787) | (106,277) |
| Any other items which the IA may specify to adjust | - | - |
| **Prescribed capital amount** | **588,107** | **537,825** |

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

### Capital Base

| (Unit: in HKD thousands) | As at 31 March 2026 | As at 31 March 2025 |
|---|---|---|
| Unlimited Tier 1 capital | 1,478,168 | 1,475,724 |
| Limited Tier 1 capital | - | - |
| Tier 2 capital | - | - |
| **Capital base** | **1,478,168** | **1,475,724** |

(c) Ratio of capital base to prescribed capital amount

| | As at 31 March 2026 | As at 31 March 2025 |
|---|---|---|
| **Ratio of capital base to prescribed capital amount** | **251%** | **274%** |

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

The Company's ratio of capital base to the prescribed capital amount decreased this year, driven by increased market risk arising from higher equity risk exposure.

## 8 Risk Management

### (a) Risk appetite and risk governance framework

The Company's risk appetite selection aims to maintain strong solvency and liquidity levels adequate to support its ongoing operations under adverse stress scenarios, while prudently underwriting insurance business with appropriate consideration of risk and return. The Company's risk appetite is expressed through risk tolerance levels established for each major risk category using various risk measures to assess the current and future risk profile. Breaches of these tolerance levels may trigger alerts and require management response and corrective actions.

The Company implements a Three Lines of Defense governance model as part of its risk governance framework to support the effective management of risks and the regular assessment of the effectiveness of its risk management processes. Clearly defined roles and responsibilities, together with appropriate oversight, accountability and segregation of duties, ensure compliance with risk management policies and procedures at the operational, senior management and Board levels. Independent monitoring, review and challenge functions support the overall governance framework through appropriate oversight, review and assurance over the identification, assessment and management of risks across the organization.

### (b) Insurance risk management

As part of its insurance risk management, the Company maintains a prudent underwriting culture and disciplined underwriting practices, regularly reviews its reinsurance strategy and treaty arrangements, taking into account prevailing market conditions and the overall risk profile of its insurance portfolio.

The Company monitors insurance risk through regular internal reporting, using a range of metrics to assess the sufficiency of premium rates, the adequacy of reinsurance cover and adverse movements in claims reserves.

Stress and scenario testing, which is designed with particular attention to risk concentrations within the insurance portfolio and supplemented, where appropriate, by the expertise of external consultants, is also performed to evaluate the negative consequences of unfavourable events. The results inform the assessment of impacts on the Company's solvency position and the development of actionable recovery plans.

### (c) Investment risk management

The Company's investment policy sets out its investment objectives, which are to achieve long-term, stable growth through a diversified portfolio via a prudent approach that emphasises capital preservation and the maintenance of liquidity. The policy also specifies permissible asset classes, establishes minimum credit ratings for fixed-income securities, and sets exposure limits by security type, maturity and issuer to mitigate concentration risk. In addition, it establishes robust investment procedures to ensure that investment decisions and any deviations from the policy are subject to appropriate oversight and controls.

To support ongoing monitoring of investment risk, various risk measures are adopted in internal risk reporting to periodically assess the concentration risk within the investment portfolio and the potential impact of adverse market movements on investment returns.

The portfolio is also evaluated against remote and extreme market scenarios to assess the potential impact on the Company's financial strength and its capacity to continue

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|---|
| operating in accordance with its business plan and strategy. |

(d) Other risk management (if any)

| |
|---|
| Not Applicable |

## 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 Chevalier 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 Chevalier 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 Chevalier 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.

| | |
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| Name: | **Tam Kwok Wing** |
| Position: | **Director** |
| Company Name: | **Chevalier Insurance Company Limited** |