Disclosure Statement at 31 December 2025

This disclosure statement is prepared[1] 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

HKMC Annuity Limited (**Company**)

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

The Company is authorized under section 8 of the Insurance Ordinance to carry on Class A (Life and Annuity) of long term business in or from Hong Kong.

The Company carried on annuity business and its principal activities were: (i) to operate a life annuity scheme to facilitate retirement financial planning for the elderly in Hong Kong; and (ii) to promote the development of the local annuity market through a series of publicity campaigns. Both of the business activities and operations are run in Hong Kong.

During the financial year ended 31 December 2025, there was no material change to the business profile.

(c) Description of corporate structure

The Company is a public company limited by shares incorporated on 29 June 2017 in Hong Kong under the Companies Ordinance. It is a wholly-owned subsidiary of The Hong Kong Mortgage Corporation Limited (**HKMC**) which is wholly owned by the Government for the account of the Exchange Fund.

The Government for the account of the Exchange Fund is the ultimate shareholder of the Company by virtue of its shareholding in the HKMC. The Hon. Paul Chan Mo-po, in his official capacity as the Financial Secretary of the Government as Controller of the Exchange Fund, is the shareholder representative of the Government for the account of the Exchange Fund. Both The Hon. Paul Chan Mo-po and the HKMC are majority shareholder controllers of the Company.

The Company has no subsidiary.

During the financial year ended 31 December 2025, there was no change to the corporate structure.

[1] The basis of preparation is different from that under HKFRS Accounting Standards. Accordingly, the financial numbers presented in this disclosure statement may not be reconciled to the audited financial statements.

2 Corporate governance framework

The Company adopts a robust approach to corporate governance based on the standards set out in its Corporate Governance Code. The objective of the Corporate Governance Code is to formulate governance responsibilities within the Company by establishing a clear and comprehensive governance framework with appropriate structure, procedures, systems and controls.

The Board of Directors (**Board**) is ultimately accountable and responsible for the performance and affairs of the Company. The Board ensures that the Company's business is aligned with the strategic objectives of the Company by exercising effective control and oversight over the Company's business. The Board is composed of a mix of Executive Directors and Independent Non-executive Director. Such arrangement for the Board achieves a balance of skills, experience, challenge and debate so that no individual or small group of individuals can dominate its decision-making. Any major changes to the Company's business activities must be approved by the Board before implementation.

The Risk Committee (**RC**) and the Audit Committee (**AC**) are the two risk governance committees of the Company. The RC reports directly to the Board on material risk issues and AC mainly assists the Board in fulfilling its responsibility by providing an independent review and supervision of financial reporting, and monitoring and reviewing the effectiveness of the Company's internal controls and the adequacy of the external and internal audits. The Risk Management Committee is the management committee assist in the risk management of the Company's business operations. The governance structure is designed to be commensurate with the nature and scale of the business of the Company and to ensure compliance with the requirements stipulated by the relevant authorities including the Insurance Authority. The structure is shown in the diagram below.

[1] Reporting to the Chief Executive Officer on daily administrative function

Version: Jul 2026

3 Financial position

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

(Unit: in HKD thousands)	As at 31 December 2025			
	Total	Long term business	Of which belongs to: long term business – participating business	Shareholders' fund (if applicable)
Total assets	57,043,643	42,707,251	-	14,336,392
Cash and deposits	159,106	159,106	-	-
Debt securities	41,224,066	26,887,674	-	14,336,392
Equities (including portfolio investments)	14,709,167	14,709,167	-	-
Derivative financial instruments	-	-	-	-
Properties	-	-	-	-
Loans and advances	-	-	-	-
Reverse repurchase agreement	-	-	-	-
Other financial assets	5,408	5,408	-	-
Policyholder's account assets in respect of unit linked products or retirement scheme	-	-	-	-
Reinsurance assets	-	-	-	-
Tax assets	883,119	883,119	-	-
Other assets	62,777	62,777	-	-
Total liabilities	35,585,045	35,227,590	-	357,455
Insurance liabilities	32,226,975	32,226,975	-	-
Reinsurance liabilities	-	-	-	-
Repurchase agreement	-	-	-	-
Derivative financial instruments	-	-	-	-
Other financial liabilities	2,740,876	2,740,876	-	-
Tax liabilities	357,455	-	-	357,455
Other liabilities	259,738	259,738	-	-
Net assets	21,458,599	7,479,662	-	13,978,937

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

Not applicable for the disclosure statement relates to the first applicable financial year (as defined by the Insurance (Public Disclosure) Rules being the first financial year commencing on or after 1 January 2025).

4 Investments

(a) Assumptions and methods used for valuation of investments

The Company's investments comprise cash and short-term funds, and placements with the Exchange Fund.

Cash and short-term funds include bank deposits and are stated net of impairment allowance. The fair value of floating-rate deposits is the carrying amount. The estimated fair value of fixed-rate deposits, which are normally less than six months, is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity. Therefore, the fair value of the deposits is approximately equal to their carrying value.

The Company classifies its placements with the Investment Portfolio (**IP**) and Long-Term Growth Portfolio (**LTGP**) of the Exchange Fund as financial asset at fair value through profit or loss (**FVPL**).

At initial recognition, the Company measures a financial asset at its fair value. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

A gain or loss on a financial asset that is subsequently measured at FVPL and is not part of a hedging relationship is recognised in profit or loss and presented net in the income statement in the period in which it arises.

The fair value of the placements held by the Company is determined with reference to the principal amounts and the estimated rates of investment returns. For the placement with IP, the rate of return is calculated on the basis of the average annual rate of return on the portfolio over the past six years or the average annual yield of three-year government bond in the previous year (subject to a minimum of zero percent), whichever is the higher. With respect to the placement with LTGP, the rate of return is determined based on the current year time-weighted rate of return.

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

Not applicable for the disclosure statement relates to the first applicable financial year (as defined by the Insurance (Public Disclosure) Rules being the first financial year commencing on or after 1 January 2025).

5 Insurance liabilities

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

Insurance Liabilities of Long Term Business

(Unit: in HKD thousands)	As at 31 December 2025						
	HK insurers or designated insurers: all long term business					Applicable to Hong Kong branches of non-HK insurers: reinsurance business with offshore risk if fund of reinsurance business with offshore risk is established	Total long term business
	Participating business	Linked long term (Class C)	Retirement scheme category I (Class G)	Retirement scheme category II (Class H)	Other long term business		
Total insurance liabilities (gross of reinsurance)	-	-	-	-	32,226,975	-	32,226,975
Of which: long term insurance liabilities	-	-	-	-	32,226,975	-	32,226,975
Outstanding claims	-	-	-	-	49,589	-	49,589
Current estimate[2]	-	-	-	-	31,839,434	-	31,839,434
Margin over current estimate	-	-	-	-	337,953	-	337,953
Prepaid premiums	-	-	-	-	-	-	-
Other long term insurance liabilities	-	-	-	-	-	-	-
Of which: general insurance liabilities	-	-	-	-	-	-	-
Reinsurance assets	-	-	-	-	-	-	-
Reinsurance liabilities	-	-	-	-	-	-	-

[2] Excludes outstanding claims, prepaid premiums and other long term insurance liabilities which are disclosed separately.

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

- The major assumptions used in the valuation of insurance liabilities under the Insurance (Valuation and Capital) Rules relate to mortality, expenses and discount rates.
- The mortality assumption is based on Hong Kong Assured Lives Mortality Table 2022 adjusted to reflect adverse selection and mortality improvements.
- The expense assumption is based on current expense levels, adjusted for expected expense inflation where appropriate.
- The discount rates are based on HKD risk-free yield curve as at valuation date.

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

Not applicable for the disclosure statement relates to the first applicable financial year (as defined by the Insurance (Public Disclosure) Rules being the first financial year commencing on or after 1 January 2025).

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		
	Total	Long term business	Of which belongs to: long term business – participating business
Gross premiums[3]	8,999,267	8,999,267	-
Regular premiums	-	-	-
Single premiums	8,999,267	8,999,267	-
Net premiums	8,999,267	8,999,267	-
Regular premiums	-	-	-
Single premiums	8,999,267	8,999,267	-
Gross claims paid	1,718,310	1,718,310	-
Net claims paid	1,718,310	1,718,310	-

Performance Analysis on Investment Returns

(Unit: in HKD thousands)	For the financial year ended 31 December 2025			
	Total	Long term business	Of which belongs to: long term business – participating business	Shareholders' fund (if applicable)
Investment returns	2,411,376	1,931,807	-	479,569

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

Not applicable for the disclosure statement relates to the first applicable financial year (as defined by the Insurance (Public Disclosure) Rules being the first financial year commencing on or after 1 January 2025).

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

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
Market risk (diversified RCA)	11,302,298
Interest rate risk RCA	5,847,804
Credit spread risk RCA	-
Equity risk RCA	6,354,360
Property risk RCA	1,029,642
Currency risk RCA	733,987
Diversification benefits within market risk	(2,663,496)
Life Insurance Risk (diversified RCA)	1,290,618
Mortality risk RCA	-
Longevity risk RCA	1,077,543
Life catastrophe risk RCA	-
Morbidity risk RCA	-
Expense risk RCA	490,327
Lapse risk RCA	-
Diversification benefits within life insurance risk	(277,253)
General Insurance Risk (diversified RCA)	-
Reserve and premium risk RCA	-
Natural catastrophe risk RCA	-
Man-made non-systemic catastrophe risk RCA	-
Man-made systemic catastrophe risk RCA	-
Mortgage insurance risk RCA	-
Diversification benefits within general insurance risk	-
Counterparty default and other risk RCA	334,503
Diversification benefits among risk modules	(1,141,020)
Operational risk RCA	510,727
Adjustment for loss absorbing capacity cap	-
Adjustment for tax effect	(1,697,003)
Any other items which the IA may specify to adjust	-
Prescribed capital amount	10,600,121

(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
Unlimited Tier 1 capital	20,932,934
Limited Tier 1 capital	-
Tier 2 capital	525,665
Capital base	21,458,599

(c) Ratio of capital base to prescribed capital amount

	As at 31 December 2025
Ratio of capital base to prescribed capital amount	202%

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

Not applicable for the disclosure statement relates to the first applicable financial year (as defined by the Insurance (Public Disclosure) Rules being the first financial year commencing on or after 1 January 2025).

8 Risk Management

(a) Risk appetite and risk governance framework

The Company operates on prudent commercial principles. The principle of "prudence before profitability" guides the design of the overall risk management framework, disciplines as well as day-to-day business execution.

The Board is the highest decision-making authority of the Company and holds ultimate responsibility for risk management. The Board, with the assistance of the RC, has the primary responsibility of formulating risk management strategies in the risk appetite statement and of ensuring that the Company has an effective risk management system to implement these strategies. The risk appetite statement defines the constraints for all risk-taking activities, and these constraints are incorporated into risk limits, risk policies and control procedures that the Company follows to ensure risks are managed properly.

The RC, chaired by an Executive Director with members including the Chief Executive Officer and Independent Non-executive directors, assists the Board in managing all categories of risk faced by the Company.

The Company manage its asset-liability risk by reviewing the investment performance, mortality and surrender experiences; monitor the actual inflows and outflows of funds on a daily basis and projecting cash inflows and outflows over different time horizon; and conduct sensitivity analysis.

There were no material changes to the risk appetite and risk management objectives for material risks during the financial year.

As of 31 December 2025, the Company's total assets and liabilities were HKD57 billion and HKD36 billon respectively.

(b) Insurance risk management

The Company operates a life annuity scheme in Hong Kong. Insurance risk arises from inaccurate assessment of the risks entailed in underwriting and pricing an insurance policy. The Company is exposed to five main types of insurance risk, namely, longevity, expense, lapsation, adverse selection and concentration risks.

The Company manages insurance risk through setting assumptions in a prudence manner; review the set of actuarial assumptions and pricing regularly; and setting and monitor its experiences against the risk limits.

RC is the governing forum that manage the insurance risk of the Company.

(c) Investment risk management

The Company adopts a prudent approach in managing its funds and investment activities. To manage investment risk, funds are segregated according to their sources and are invested according to a set of investment objectives. Investment policy is established to clearly define the type of eligible investment instruments. The Company places its annuity premium receipts in the placements with IP and LTGP of the Exchange Fund for investment returns. The Company is exposed to market risk when the investment return falls short of the expected level. The risk of loss could result from adverse movements in interest rates, equity prices, property prices and foreign exchange rates. The Company actively monitors and reviews the investment portfolio to determine the strategic asset allocation between IP and LTGP. The Company mitigates the market and asset-liability mismatch risks by actively monitoring the investment performance and the placements according to the terms of the placements. Besides, an additional capital buffer is maintained as a cushion to absorb the short-term market volatility. The HKMC provides the Company with a revolving credit facility for managing liquidity risk, it also reduces the risk of forced sale of assets under market volatility.

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 HKMC Annuity 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 HKMC Annuity 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 HKMC Annuity 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:	LEONG Ling-chi, Daniel
Position:	Controller (as defined in the Insurance Ordinance) (by virtue of being the Chief Executive Officer of the Company)
Company Name:	HKMC Annuity Limited