TARGET

泰加保險(控股)有限公司
TARGET INSURANCE (HOLDINGS) LIMITED

(incorporated in Hong Kong with limited liability)

Stock Code : 6161

Placing and Public Offer

Sponsor

CLC INTERNATIONAL LIMITED
創僑國際有限公司

Sole Bookrunner

東英 ORIENTAL PATRON

Joint Lead Managers

東英 ORIENTAL PATRON

CLC SECURITIES LIMITED
創僑證券有限公司

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

TARGET INSURANCE (HOLDINGS) LIMITED
泰加保險(控股)有限公司

(incorporated in Hong Kong with limited liability)

LISTING ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF PLACING AND PUBLIC OFFER

Number of Offer Shares	:	**125,000,000 Shares (subject to the Over-allotment Option)**
Number of Placing Shares	:	**112,500,000 Shares (subject to reallocation and the Over-allotment Option)**
Number of Public Offer Shares	:	**12,500,000 Shares (subject to reallocation)**
Offer Price	:	**Not more than HK$1.80 per Offer Share and expected to be not less than HK$1.20 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	:	**Nil**
Stock code	:	**6161**

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A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents delivered to the Registrar of Companies in Hong Kong and available for inspection" in Appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 38D of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any of the other documents referred to above.

The Offer Price is expected to be fixed by an agreement between our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters) on or before Wednesday, 7 January 2015 and in any event, not later than 12:00 noon on Monday, 12 January 2015. The Offer Price will be not more than HK$1.80 per Offer Share and is expected to be not less than HK$1.20 per Offer Share unless otherwise announced. Applicants for the Offer Shares are required to pay, on application, the maximum Offer Price of HK$1.80 for each Offer Share together with brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price should be lower than HK$1.80 (the maximum Offer Price).

The Sole Bookrunner (for itself and on behalf of the Underwriters), with the consent of our Company, may reduce the indicative Offer Price range below that as stated in this prospectus (which is HK$1.20 to HK$1.80 per Offer Share) at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such a case, notices of the reduction in the number of Offer Shares and/or the indicated offer price range will be published in South China Morning Post (in English) and Hong Kong Economics Times (in Chinese) and on the website of the Stock Exchange (www.hkexnews.hk) and on the website of our Company (www.targetins.com.hk). If, for whatsoever reason, our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters) are unable to reach an agreement at or prior to 12:00 noon on Monday, 12 January 2015, the Share Offer will not become unconditional and will lapse immediately.

Prospective investors should note the obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement to subscribe, and to procure subscribers for, the Public Offer Shares are subject to termination by the Sole Bookrunner (for itself and on behalf of the Underwriters) if certain events shall occur prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting" in this prospectus. It is important that you refer to that section for further details.

Prior to making an investment decision, prospective investors should carefully consider all of the information set out in this prospectus, including, without limitation, the risk factors set out in the section headed "Risk Factors" of this prospectus.

31 December 2014

If there are any changes in the following expected timetable of the Share Offer, our Company will issue an announcement in Hong Kong to be published in English in South China Morning Post and in Chinese in Hong Kong Economic Times and to be posted on the website of our Company at www.targetins.com.hk and the website of the Stock Exchange at www.hkexnews.hk.

Latest time to complete electronic applications under **HK eIPO White Form** service through the designated website at www.hkeipo.hk *(Note 2)* . . . . . 11:30 a.m. on Tuesday, 6 January 2015

Application lists of the Public Offer open *(Note 4)* . . . . . 11:45 a.m. on Tuesday, 6 January 2015

Latest time for lodging **WHITE** and **YELLOW** Application Forms and to give **Electronic Application Instructions** to HKSCC *(Note 3)* . . . . . 12:00 noon on Tuesday, 6 January 2015

Latest time to complete payment of **HK eIPO White Form** application by effecting internet banking transfer(s) or PPS payment transfer(s) . . . . . 12:00 noon on Tuesday, 6 January 2015

Application lists of the Public Offer close *(Note 4)* . . . . . 12:00 noon on Tuesday, 6 January 2015

Expected price determination date *(Note 5)* . . . . . Wednesday, 7 January 2015

Announcement of the Offer Price, the level of indication of interest in the Placing, the level of applications of the Public Offer and the basis of allotment of the Public Offer Shares to be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and on the website of our Company at www.targetins.com.hk and the website of the Stock Exchange at www.hkexnews.hk on or before . . . . . Wednesday, 14 January 2015

Results of allocation in the Public Offer will be available at www.tricor.com.hk/ipo/result with a "search by ID" function from . . . . . Wednesday, 14 January 2015

Announcement of results of allotment of Public Offer (with successful applicants' identification document numbers, where applicable) available through a variety of channels as described in the paragraph headed "Publication of Results" in the section headed "How to Apply for the Public Offer Shares" of this prospectus . . . . Wednesday, 14 January 2015

Despatch of e-auto refund payment instructions/refund cheques in respect of wholly successful (if applicable) or wholly or partially unsuccessful applications on or before *(Note 6)* . . . . . Wednesday, 14 January 2015

Despatch of Share certificates in respect of wholly or partially successful applications on or before *(Note 7)* . . . . . Wednesday, 14 January 2015

Dealings in the Shares on the Main Board of the Stock Exchange expected to commence on . . . . . Thursday, 15 January 2015

Notes:

1. All dates and times refer to Hong Kong local dates and time unless otherwise stated. Details of the structure of the Share Offer, including its conditions, are set out in the section headed "Structure of the Share Offer" of this prospectus.

2. You will not be permitted to submit your application through the designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m. on the last day for submitting applications, you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

3. Applicants who apply for the Public Offer Shares by giving Electronic Application Instructions to HKSCC should refer to the paragraph headed "Applying by giving Electronic Application Instructions to HKSCC via CCASS" in the section headed "How to Apply for the Public Offer Shares" of this prospectus.

4. If there is a "black" rainstorm warning or a tropical cyclone warning signal number eight or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 6 January 2015, the application lists of the Public Offer will not open on that day. Particulars of the arrangements are set out in the paragraph headed "Effect of bad weather on the opening of the application lists" under the section headed "How to Apply for the Public Offer Shares" of this prospectus.

5. If, for any reason, the Offer Price is not agreed between our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters) on or prior to 12:00 noon on Monday, 12 January 2015, the Share Offer will not proceed and will lapse.

6. E-auto refund payment instructions or refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of successful applications if the Offer Price as finally determined is less than HK$1.80 payable on application. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purpose. Banks may require verification of an applicant's Hong Kong identity card number or passport number before cashing the refund cheque. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may lead to delay in encashment of or may invalidate the refund cheque.

7. Share certificates will only become valid certificates of title if the Share Offer has become unconditional in all respects and the Underwriting Agreements have not been terminated in accordance with their respective terms, the latest time for which is expected to be around 8:00 a.m. on the Listing Date. Applicants who apply on **white** Application Forms for 1,000,000 Public Offer Shares or more and have provided all information required in their Application Forms, may collect share certificates and/or refund cheques (if any) in person from our Company's share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on the date notified by our Company in the newspapers and on the website of the Stock Exchange at www.hkexnews.hk and on the website of our Company at www.targetins.com.hk, which is expected to be on or before Wednesday, 14 January 2015. Applicants being individuals who are eligible for personal collection must not authorise any other person to make collection on their behalf. Applicants being corporations which are eligible for personal collection may do so through their authorised representatives bearing letters of authorisation from the corporations duly stamped with the company's chop. Identification documents and (where applicable) authorisation documents acceptable to Tricor Investor Services Limited must be produced at the time of collection of share certificates and/or refund cheques (if any). Details are set out under the paragraph headed "Despatch/collection of share certificates and refund monies" in the section headed "How to Apply for the Public Offer Shares" of this prospectus. Applicants who apply on **yellow** Application Forms for 1,000,000 Public Offer Shares or more and have provided all information required in their Application Forms, may collect refund cheques (if any) in person but may not elect to collect their share certificates, which will be deposited into CCASS for credit to their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts. The procedures for collection of refund cheques (if any) for applicants who apply on **yellow** Application Forms are the same as those for applicants who apply on **white** Application Forms. Uncollected share certificates and/or refund cheques (if any) will be despatched by ordinary post at the applicants' own risk to the address specified in the related Application Forms promptly after the expiry of the time of their collection. Further information is set out in the paragraph headed "Despatch/collection of share certificates and refund monies" in the section headed "How to Apply for the Public Offer Shares" of this prospectus.

For details of the structure of the Share Offer, including its conditions, please see the section headed "Structure of the Share Offer" of this prospectus.

It is important that prospective investors of the Offer Shares should note that the Sole Bookrunner (for itself and on behalf of the Underwriters) are entitled to terminate the Underwriting Agreements by notice in writing to our Company upon the occurrence of any of the events set forth under the sub-paragraph headed "Grounds for termination" in the paragraph headed "Underwriting arrangements and expenses" in the section headed "Underwriting" of this prospectus at any time up to 8:00 a.m. on the Listing Date. Such events include, without limitation, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lockout. It is important that prospective investors should refer to the section headed "Underwriting" of this prospectus for further details.

You should rely only on the information contained in this prospectus and the related Application Forms to make your investment decision. Our Company has not authorised anyone to provide you with information that is different from what is contained in this prospectus and the related Application Forms. Any information or representation not made in this prospectus and the related Application Forms must not be relied upon by you as having been authorised by our Company, the Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, any of their respective directors or affiliates or any other person or party involved in the Share Offer.

CONTENTS

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CONTENTS

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors" of this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW OF OUR BUSINESS

We are an insurance group offering motor insurance in Hong Kong with leading market position on insurance for taxi and PLB. During each of the three years ended 31 December 2013 and the six months ended 30 June 2014, (i) our net income was approximately HK$301.6 million, HK$278.9 million, HK$293.6 million and HK$151.9 million respectively, and our net profits after tax was approximately HK$42.1 million, HK$22.3 million, HK$48.5 million and HK$36.6 million respectively, (ii) our gross premium written for insurance policies of taxi was approximately HK$180.9 million, HK$157.6 million, HK$172.2 million and HK$92.3 million respectively, and (iii) our gross premium written for insurance policies for PLB was approximately HK$100.4 million, HK$92.0 million, HK$93.4 million and HK$46.6 million respectively.

During each of the three years ended 31 December 2013, the total gross premium receipts of Target for insurance policies of (i) taxi represented approximately 56.8%, 48.9% and 48.0% of the total gross premium written by all the insurance companies in Hong Kong for insurance policies of taxi and (ii) PLB represented approximately 59.6%, 55.6% and 54.8% of the total gross premium written by all the insurance companies in Hong Kong for insurance policies of PLB.

The numbers of taxi and PLB in Hong Kong have remained almost static during the past five years at around 18,100 and 4,345 respectively.

According to the report of Euromonitor, the motor vehicle insurance market in Hong Kong is highly fragmented with 47 active players in the market which are engaging in direct insurance business. Target was in the third position with a market share of 8.6% in 2013 and gross premium receipts of HK$319.8 million, up from HK$311.7 million in 2011. Less than 10% of players focus on insurance of commercial vehicles such as taxi and PLB.

The following table sets out the breakdown of our net income during the Track Record Period.

	Year ended 31 December			Six months ended 30 June
	2011	2012	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Net insurance premium revenue	285,273	260,411	271,715	141,473
Investment income	15,227	17,550	21,061	9,948
Other income	1,148	958	863	468
Net income	301,648	278,919	293,639	151,889

Net insurance premium revenue represents gross premium written by us on motor insurance policies issued or renewed during the corresponding period, with deduction of reinsurance premium and change in provision of unearned premium.

Our insurance products

Our key insurance products include third party insurance and comprehensive insurance for motor vehicles in Hong Kong. For third party insurance, we insure against third party legal liabilities. For comprehensive insurance, we insure against: (i) loss of or damage to the motor vehicle and (ii) third party legal liabilities.

During each of the three years ended 31 December 2013 and the six months ended 30 June 2014, the amount of gross premium written by our Group was approximately HK$311.7 million, HK$307.7 million, HK$319.8 million and HK$162.6 million respectively.

The following table illustrates the breakdown of our gross premium written by business segments during the Track Record Period.

	Year ended 31 December						Six months ended 30 June	
	2011		2012		2013		2014	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Taxi								
Comprehensive	16,367	*5.3%*	13,052	*4.2%*	17,032	*5.3%*	16,734	*10.3%*
Third Party	164,567	*52.8%*	144,597	*47.0%*	155,204	*48.5%*	75,541	*46.4%*
Subtotal	180,934	*58.1%*	157,649	*51.2%*	172,236	*53.8%*	92,275	*56.7%*
PLB (Green)								
Comprehensive	10,274	*3.3%*	4,225	*1.4%*	4,340	*1.4%*	1,901	*1.2%*
Third Party	44,402	*14.2%*	45,947	*14.9%*	48,494	*15.2%*	22,994	*14.1%*
Subtotal	54,676	*17.5%*	50,172	*16.3%*	52,834	*16.6%*	24,895	*15.3%*
PLB (Red)								
Comprehensive	8,710	*2.8%*	6,349	*2.1%*	5,120	*1.6%*	2,165	*1.3%*
Third Party	36,978	*11.9%*	35,457	*11.5%*	35,402	*11.1%*	19,573	*12.1%*
Subtotal	45,688	*14.7%*	41,806	*13.6%*	40,522	*12.7%*	21,738	*13.4%*
Other vehicles *(Note)*								
Comprehensive	7,749	*2.5%*	20,287	*6.6%*	18,149	*5.7%*	8,555	*5.3%*
Third Party	22,628	*7.2%*	37,806	*12.3%*	36,018	*11.2%*	15,138	*9.3%*
Subtotal	30,377	*9.7%*	58,093	*18.9%*	54,167	*16.9%*	23,693	*14.6%*
Total	311,675	*100.0%*	307,720	*100.0%*	319,759	*100.0%*	162,601	*100.0%*

Note: Other vehicles mainly include light goods carrying vehicles, motorcycles and private cars.

During each of the three years ended 31 December 2013 and the six months ended 30 June 2014, the number of insurance policies written by our Group was approximately 22,600, 26,300, 24,700 and 11,500 respectively.

Our customers and sales channels

Majority of our customers are owners of taxi and PLB. Agent is our principal sales channel. We sold over 99% insurance policies through agents in term of the amount of gross premium written during the Track Record Period while our sales through brokers or direct sales are minimal.

Due to our long operation history, we have an established network of agents specialized in motor trading/management in Hong Kong, which continuously refer business to us. A lot of our customers, who are owners of taxi and/or PLB, appoint those motor trading/management companies to provide management services for their taxi and/or PLB, including the arrangement of motor insurance for their vehicles.

We enter into a non-exclusive agency agreement for sale of general insurance with each of these agents, pursuant to which the agent shall act as the agent of our Group in Hong Kong for the purpose of introducing insurance business to our Group and the agent shall faithfully and diligently promote the business of our Group. Our Group shall pay to the agent commission in respect of the policies issued and renewed through its agency.

Claims management and reinsurance

During each of the three years ended 31 December 2013 and the six months ended 30 June 2014, the amount of net insurance claims and loss adjustment expenses incurred by our Group was approximately HK$209.2 million, HK$198.0 million, HK$178.0 million and HK$80.8 million respectively. The loss ratio of our Group was approximately 73.4%, 76.0%, 65.5% and 57.1% respectively.

We are required under the ICO to reinsure a portion of the risks we have underwritten to reduce our risk exposure, to protect our capital resources and to maintain stability in our operations. We enter into excess-of-loss reinsurance arrangements with a number of reinsurance companies, pursuant to which the reinsurers agree to cover the portion of the Loss of our Group arising out of our motor vehicle policies which exceeds certain specified sum. The reinsurance premium payable by our Group to the reinsurers shall be equivalent to certain percentage of the gross premium income of our Group. During each of the three years ended 31 December 2013 and the six months ended 30 June 2014, reinsurance premium ceded was approximately HK$44.6 million, HK$42.5 million, HK$43.9 million and HK$21.4 million respectively, representing approximately 14.3%, 13.8%, 13.7% and 13.2% respectively of our total gross premium written during the corresponding periods.

Insurance liabilities

Insurance liabilities represent claims liabilities and premium liabilities. Claims liabilities represent the outstanding claims and the IBNR provision. Premium liabilities comprise the provision for unearned premium and additional provision for unexpired risks (if any).

Outstanding claims are the reserves assigned to known claims as at the year/period end date and assessed based on the available information and the professional judgment of our Claims Department on a case-by-case basis. The IBNR provision is calculated by deducting the outstanding claims (i.e. case reserves) from the outstanding claims liabilities estimated in the actuarial review reports compiled by an actuarial consultant.

Based on the historical data and other quantitative and qualitative information supplied by the Company, and after considering various factors, the actuarial consultant relies on the paid and incurred loss development methods, supplemented by the Bornhuetter-Ferguson method and expected loss ratio method to determine the outstanding claims liabilities. In applying these methodologies, the actuarial consultant also relies upon its knowledge of the motor insurance market in Hong Kong, including industry-wide trends in the claims costs, direct and reinsurance premium rates, and underwriting profitability for this line of insurance business.

Premium liabilities represent the liabilities arising from an insurer's unexpired risk at the year/period end date. It includes the future claim costs, claims handling expenses, policy maintenance expense, future reinsurance costs and is net of future recoveries from reinsurers and/or third parties. Provision for unearned premium represents the proportion of gross premiums applicable to the unexpired period of the policy term and are calculated by 1/24 method on premium written. Additional provision for unexpired risks is the amount set aside by an insurer at the year/period end, in addition to provision for unearned premium, which is considered necessary to meet the expected ultimate losses and expenses arising from the risks to be borne by the insurer after the year/period end under contracts of insurance entered into before the year/period end.

After-sales services

We engage Eastop Motors Limited ("**Eastop**"), an Independent Third Party, to provide after-sales services on our behalf. Pursuant to an agreement dated 1 April 2005 and a supplement deed dated 15 October 2014 entered into between Eastop and us, the services that Eastop provides to our Group exclusively include, inter alia, (i) gathering feedback and handling queries from the customers about the motor insurance products and services provided by our Group; (ii) managing and overseeing the performance of the agents and the end customers of their duties under the insurance policies; (iii) providing assistance to customers in their claims; and (iv) providing other after-sales services.

A service fee equivalent to a predetermined percentage of the net paid premium generated from those accounts of the agents/customers which have been assigned or delegated by our Group to Eastop for management and coordination will be paid to Eastop. Eastop shall be responsible for its own outgoing expenses and disbursements in the provision of its services to our Group. During each of the three years ended 31 December 2013 and the six months ended 30 June 2014, Eastop provided after-sales services to around 75 agents of our Group (representing approximately 68.2% of the total number of around 110 agents) and we have paid approximately HK$7.7 million, HK$6.9 million, HK$7.3 million and HK$3.9 million to Eastop as service fee respectively.

Our investment

We invest the premiums and other incomes generated from our insurance business. During the Track Record Period, our investment portfolio consists of (i) listed and unlisted equity securities; (ii) listed and unlisted debt securities; and (iii) bank deposits, bank balances and cash.

As at 31 December 2011, 2012 and 2013 and 30 June 2014, the carrying value of our investment portfolio was approximately HK$668.6 million, HK$794.5 million, HK$803.4 million and HK$839.6 million respectively.

During each of the three years ended 31 December 2013 and the six months ended 30 June 2014, our investment income was approximately HK$15.2 million, HK$17.6 million, HK$21.1 million and HK$9.9 million respectively, representing approximately 5.0%, 6.3%, 7.2% and 6.5% of the total income of our Group for the corresponding periods respectively.

For more details on our business, please refer to the section headed "Business" of this prospectus.

Restrictions imposed by the IA and the ICO

The following table summarizes the details and the amount of each major restriction (including the limits) imposed by the IA and the ICO on Target in relation to investment and financial healthiness as at the Latest Practicable Date:

1a.^ Investment of HK$10 million or above (save and except for deposits in banks): Target is required to obtain prior written consent from the IA before making investment of HK$10 million or above or a series of investment of a similar nature which aggregates to HK$10 million or above.

1b.^ Investment of HK$1 million or above (except deposits of money with an authorised institution): Target is required to inform the IA within 7 days after having made investment of HK$1 million or above or a series of investments of a similar nature which aggregates to HK$1 million or above.

1c.^ Investment in bonds: Target's total investment in bonds that do not have a credit rating shall not exceed HK$40 million.

2.^ Maintenance of fixed deposits: Target is required to maintain fixed deposits of not less than HK$330 million.

3. Assets in Hong Kong: The amount of Target's assets in Hong Kong must be not less than the aggregate of (i) 80% of our liabilities after deducting the amount in respect of which contracts of reinsurance have been entered into and (ii) the Relevant Amount.

4. Solvency margin ratio: Target is required to maintain a 200% solvency margin ratio, i.e. the value of its eligible net assets should be not less than 200% of the Relevant Amount as applicable to it.

5.^ Annual gross premium income: The aggregate of the gross premium income received or receivable by Target during each financial year shall not exceed HK$390 million.

6a.^ Total number of motor vehicle insurance policy in force: Target's total number of motor vehicle insurance policy in force at any one time shall not exceed 28,000.

6b.^ Total number of insurance policy in force for taxi and PLB: Subject to the overall limit as set out in paragraph 6a above, Target's total number of taxis and PLB insurance policy in force at any one time shall not exceed 15,000.

^ *Such restrictions are imposed specifically on Target only*

Save as disclosed with details in the paragraphs headed "Non-compliance" under the section headed "Business" of this prospectus, we have complied with all the above restrictions imposed by the IA or the ICO during the Track Record Period.

Competition

According to the report of Euromonitor, (a) the motor insurance industry in Hong Kong is highly fragmented with a large number of international and local insurers and fairly varied product and service offerings; (b) for the year ended 31 December 2013, the aggregate amount of gross premium receipts of insurance companies in Hong Kong was approximately HK$3.7 billion, among which, we, with gross premium written of approximately HK$319.8 million, were in the third position with a market share of approximately 8.6%; and (c) our Group has a leading position in the motor insurance for taxi and PLB in Hong Kong. For each of the three years ended 31 December 2013, our total gross premium written for insurance policies of (i) taxi represented approximately 56.8%, 48.9% and 48.0% respectively, of the total gross premium written for insurance policies of taxi in Hong Kong and (ii) PLB represented approximately 59.6%, 55.6% and 54.8% respectively, of the total gross premium written for insurance policies of PLB in Hong Kong.

Our Directors are of the view that the motor insurance market for taxi and PLB is competitive. The major factors of market competition include, inter alia, premium rates, efficiency of handling of claims, etc. We believe that our long operation history in Hong Kong has provided us with significant experience and know-how that enables us to provide insurance products and services which can meet the requirements of our customers.

For more details on the industry environment, please refer to the section headed "Industry Overview" of this prospectus.

HIGHLIGHTS OF OUR COMPETITIVE STRENGTHS

Our Directors believe that our Group has the following competitive strengths:

- We have a leading position for motor insurance offered to taxi and PLB in Hong Kong;
- We have a long history of operations;
- We have a highly experienced management team;
- We have an established network of agents;
- We have an experienced claims management team and are able to handle claims in an effective and efficient manner; and
- We have a simple operational structure and are responsive to market changes.

HIGHLIGHTS OF OUR BUSINESS STRATEGIES

We aim to continue to establish our market presence in the insurance industry by adopting the following principal strategies:

- increase our insurance business on other types of motor vehicles;
- explore business opportunities to diversify our insurance products;
- strengthen our existing relationships with our agents; and
- enhance our corporate image.

SUMMARY OF FINANCIAL INFORMATION

The following table present the highlights of (i) the audited combined statements of comprehensive income of our Group for each of the three years ended 31 December 2013 and the six months ended 30 June 2014 respectively, (ii) the audited combined statements of financial position of our Group as at 31 December 2011, 2012 and 2013 and 30 June 2014 respectively, and (iii) the audited combined statements of cash flows of our Group for each of the three years ended 31 December 2013 and the six months ended 30 June 2014 respectively.

Highlights of combined statements of comprehensive income of our Group

	Year ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Net insurance premium revenue	285,273	260,411	271,715	135,895	141,473
Investment income	15,227	17,550	21,061	8,672	9,948
Other income	1,148	958	863	421	468
Net income	301,648	278,919	293,639	144,988	151,889
Net insurance claims and loss adjustment expenses	(209,249)	(198,030)	(178,021)	(78,468)	(80,798)
Acquisition costs and other underwriting expenses, net	(27,139)	(29,616)	(32,817)	(16,466)	(16,424)
Employee benefit expenses	(12,563)	(14,562)	(15,248)	(8,181)	(8,568)
Other operating expenses	(7,497)	(11,944)	(11,259)	(6,208)	(4,582)
Expenses	(256,448)	(254,152)	(237,345)	(109,323)	(110,372)
Profit before tax	45,200	24,767	56,294	35,665	41,517
Profit for the year/ period	42,120	22,335	48,477	30,738	36,599

For each of the three years ended 31 December 2013 and the six months ended 30 June 2014, our Group recorded net income of approximately HK$301.6 million, HK$278.9 million, HK$293.6 million and HK$151.9 million respectively, and our net profits after tax was approximately HK$42.1 million, HK$22.3 million, HK$48.5 million and HK$36.6 million respectively.

The decrease in our net income and profit during the year ended 31 December 2012 as compared with that of the year ended 31 December 2011 was due to, inter alia, (i) the decrease in gross premium written by approximately HK$4.0 million as a result of the intensified market competition as a market competitor re-entered the motor insurance market in late 2011, and (ii) the change in provision for unearned premium from a decrease of approximately HK$18.2 million for the year ended 31 December 2011 to an increase of approximately HK$4.8 million for the year ended 31 December 2012.

The increase in our net income during the year ended 31 December 2013 as compared with that of the year ended 31 December 2012 was due to, inter alia, the increase in gross premium written by approximately HK$12.1 million as a result of the increase in gross premium written for taxi and PLB (Green) (including increase in average gross premium rates). The increase in our profits during the year ended 31 December 2013 as compared with that of the year ended 31 December 2012 was due to, inter alia, (i) the increase in our net income as a result of the increase in the gross premium written with an increase in the average gross premium rate, and (ii) the significant decrease in our net insurance claims and loss adjustment expenses by approximately HK$20.0 million as a result of the decrease in net claims incurred for taxi and PLB (Red) following our claims handling and settlement process being streamlined with less legal costs and reserve provided for the outstanding claims. The increase was partially offset by the net acquisition costs and other underwriting expenses which increased by approximately HK$3.2 million, primarily due to the increase in net insurance premium revenue. Further, our income tax expenses increased by approximately HK$5.4 million which was primarily in line with the increase in profit before tax for the year ended 31 December 2013.

The increase in net income and net profit after tax during the six months ended 30 June 2014 as compared with that of the six months ended 30 June 2013 was due to, inter alia, the increase in gross premium written by approximately HK$10.9 million as a result of the increase in number of comprehensive insurance policies as there are more newly registered taxi since 2013 and the increase in average gross premium for our insurance policies of taxi.

Highlights of audited combined statements of financial position of our Group

	As at 31 December			**As at 30 June**
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Property, plant and equipment	2,361	2,269	1,569	1,241
Available-for-sale financial assets	85,496	86,912	273,029	284,616
Insurance and other receivables	62,975	62,499	67,133	66,785
Reinsurance assets	127,261	134,054	82,621	84,864
Deferred acquisition costs	14,668	17,413	17,132	16,621
Tax recoverable	3,342	910	–	–
Statutory deposit	100,000	100,000	100,000	100,000
Time deposits with original maturity over 3 months	31,034	31,514	–	57,503
Bank balances and cash	452,107	576,063	430,374	397,502
Total assets	879,244	1,011,634	971,858	1,009,132
Insurance liabilities	713,600	808,886	752,289	747,308
Reinsurance premium payable	9,942	9,065	10,622	5,451
Insurance and other payables	7,959	8,042	7,730	7,445
Taxation	–	–	496	5,414
Bank overdrafts	–	–	5,036	15,090
Total liabilities	731,501	825,993	776,173	780,708
Total equity	147,743	185,641	195,685	228,424

As at 31 December 2011, 2012 and 2013 and 30 June 2014, our total assets amounted to approximately HK$879.2 million, HK$1,011.6 million, HK$971.9 million and HK$1,009.1 million respectively. The increase in our total assets as at 31 December 2012 as compared with that of as at 31 December 2011 was due to, inter alia, the increase in our bank balances and cash by approximately HK$124 million, which was in turn contributed by net cash generated from operating activities during the year. The decrease in our total assets as at 31 December 2013 as compared with that of as at 31 December 2012 was due to, inter alia, the decrease in our reinsurance assets by approximately HK$51.5 million. Such decrease was primarily due to the decrease in both recoverable from reinsurers on claims reported and loss adjustment expenses and provision for IBNR recoveries. Further, our bank balances and cash decreased by approximately HK$145.7 million, primarily due to the purchases of available-for-sale financial assets and dividends paid. The decrease in our total assets was partially offset by the increase in our available-for-sale financial assets by approximately HK$186.1 million after the acquisition of unlisted debt securities and government bonds. The increase in our total assets as at 30 June 2014 as compared with that of as at 31 December 2013 was due to, inter alia, increase in our available-for-sale financial assets by approximately HK$11.6 million. Further, as the interest rates for HK dollar and US dollar time deposits increased, we increased our time deposits with original maturity over 3 months to HK$57.5 million as at 30 June 2014. The increase was offset by the decrease in our bank balances and cash by approximately HK$32.9 million. Such decrease in bank balances and cash was primarily due to cash outflows for placement of time deposits with original maturity over 3 months and purchase of available-for-sale financial assets.

As at 31 December 2011, 2012 and 2013 and 30 June 2014, our total liabilities amounted to approximately HK$731.5 million, HK$826.0 million, HK$776.2 million and HK$780.7 million respectively. The increase in our total liabilities as at 31 December 2012 as compared with that of as at 31 December 2011 was due to, inter alia, increase in our insurance liabilities by approximately HK$95.3 million during the year. The increase was primarily due to the increase in gross outstanding claims incurred for prior years. The decrease in total liabilities as at 31 December 2013 as compared with that of as at 31 December 2012 was due to, inter alia, the decrease in our gross insurance liabilities by approximately HK$56.6 million during the year. The decrease was primarily due to our streamlined claims handling and settlement process since 2013 which increased the gross claims paid from approximately HK$139.2 million for the year ended 31 December 2012 to approximately HK$219.3 million for the year ended 31 December 2013 and the balance of gross outstanding claims decreased accordingly. The increase in total liabilities as at 30 June 2014 as compared with that of as at 31 December 2013 was due to, inter alia, the increase in bank overdraft of approximately HK$10.1 million. Our bank overdrafts represented unpresented cheques for outstanding claims about to be settled. Following the streamlined claims handling and settlement process since 2013, we proactively made offers for reasonable claim settlement in advance with cheques of our proposed amounts. As the settlement amounts are yet to be agreed when issued, such cheques may or may not be presented, our unpresented cheques accumulated and our bank overdrafts increased to approximately HK$15.1 million as at 30 June 2014. The increase was offset by the further decrease in our gross insurance liabilities by approximately HK$5.0 million, primarily due to continuous decrease in outstanding claims balance contributed by the streamlined claims settlement process as aforesaid.

Highlights of audited combined statements of cash flows of our Group

	Year ended 31 December			Six months ended 30 June
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Net cash from operating activities	93,877	95,359	23,376	17,512
Net cash from (used in) investing activities	160,614	28,597	(134,101)	(60,438)
Net cash used in financing activities	(35,000)	–	(40,000)	–

We streamlined our claims handling and settlement process since 2013, which resulted in significant amount of cash outflows for claims settlement and a decrease in net cash from operating activities for the year ended 31 December 2013. To optimize the structure of fixed-income assets of our investment portfolio, we purchased government bonds in the aggregate principal amount of approximately HK$146.0 million in 2013 which resulted in material cash outflows in investing activities for the year ended 31 December 2013. The cash outflows in financing activities for the year ended 31 December 2011 and 2013 solely represented the dividends paid in the corresponding periods.

For further details, please refer to the section headed “Financial Information” of this prospectus.

SELECTED FINANCIAL RATIOS

The following table sets out certain financial ratios for each of the three years ended 31 December 2013 and the six months ended 30 June 2014:

	Year ended 31 December			Six months ended 30 June
	2011	**2012**	**2013**	**2014**
Solvency margin ratio *(Note 1)*	178.3%	206.5%	209.6%	268.9%
Retention ratio *(Note 2)*	85.7%	86.2%	86.3%	86.8%
Loss ratio *(Note 3)*	73.4%	76.0%	65.5%	57.1%
Expense ratio *(Note 4)*	16.5%	21.6%	21.8%	20.9%
Combined ratio *(Note 5)*	89.9%	97.6%	87.4%	78.0%
Investment yield *(Note 6)*	1.4%	2.2%	2.6%	1.2%

Notes:

1. Solvency margin ratio is calculated by dividing eligible net asset value by the Relevant Amount. For details, please refer to the paragraph headed “Solvency margin ratio” under the section headed “Financial Information” of this prospectus.

2. Retention ratio is calculated by dividing net premium written by gross premium written for the respective year/period.

3. Loss ratio is calculated by dividing insurance net claims and loss adjustment expenses incurred by net insurance premium revenue for the respective year/period.

4. Expense ratio is calculated by dividing the sum of acquisition costs and other underwriting expenses, employee benefit expenses and other operating expenses incurred by net insurance premium revenue for the respective year/period.

5. Combined ratio is the sum of the loss ratio and the expense ratio.

6. Investment yield is calculated by dividing investment income for the year/period by the balance of the investment portfolio as at the respective year/period end date.

Our solvency margin ratio increased from approximately 178.3% as at 31 December 2011 to approximately 206.5% as at 31 December 2012 mainly because of the increase in other reserve which was contributed by the fair value gain of the available-for-sale financial assets. The ratio slightly improved to approximately 209.6% as at 31 December 2013 with an increase in cash inflows from operating activities which were partly offset by dividends declared and paid in 2013. In absence of any dividend payout, our solvency margin ratio increased to approximately 268.9% as at 30 June 2014.

With similar reinsurance limit and retention, our retention ratio maintained at around 86.0% during the Track Record Period.

Our loss ratio increased from approximately 73.4% for the year ended 31 December 2011 to approximately 76.0% for the year ended 31 December 2012. The increase was primarily due to the decrease in net insurance premium revenue for taxi and PLB outweighed the decrease in net claims and loss adjustment expenses incurred. Since 2013, we have streamlined our claims settlement process which include (i) encouraging the insured to report the accident promptly for early identification of potential claims, (ii) proactively offering settlement for pre-action claims in order to save legal costs, (iii) making payment into court in litigations sooner in order to encourage speedy settlement and (iv) proactively following up with third party claimants or their lawyers on the required documentations and acceptance of offers. These measures have resulted in the reduction of (a) the lead time between claims report and claims settlement in general and (b) the reserve that is required to provide for the outstanding claims. Attributed to our streamlined claims handling and settlement process, our loss ratio decreased continuously since 2013. Our loss ratio significantly decreased to approximately 65.5% for the year ended 31 December 2013, following a decrease in net claims and loss adjustment expenses incurred for taxi and PLB and the increase in net insurance premium revenue. With relatively stable net claims and loss adjustment expenses incurred, our loss ratio further decreased to approximately 57.1% for the six months ended 30 June 2014 as a result of our increase in net insurance premium revenue.

Our combined ratio maintained at the level below 100% during the Track Record Period, indicating that we made underwriting profit.

Our investment yield increased from approximately 1.4% for the year ended 31 December 2011 to approximately 2.2% for the year ended 31 December 2012 mainly because of our purchase of corporate bonds bearing relatively higher interest rate in 2012. Our investment yield further increased to approximately 2.6% for the year ended 31 December 2013 following our purchase of government bonds bearing relatively higher interest rate in 2013. Our investment yield for the six months ended 30 June 2014 is not comparable to that for the year ended 31 December 2013 as only investment income for six months has been taken into calculation.

NON-COMPLIANCE

Our Group

During the Track Record Period, we encountered a number of major non-compliances which are summarized as follows:

- failure to obtain the written consent of the IA in accordance with section 35(1) of the ICO for investments which exceeded a prescribed limit set out by the IA during the periods (a) between January and February 2011; and (b) between November 2012 and April 2013;
- failure to meet the solvency margin ratio requirement as stipulated by the IA as at 31 December 2011; and
- late filing of a notice with the Companies Registry of Hong Kong regarding the resignation of the auditor of Target in 2011.

As at the Latest Practicable Date, we had not been penalized for the above non-compliance incidents. To ensure compliance with all applicable legal and regulatory requirements and prevent reoccurrence of similar non-compliance incidents in the future, we have enhanced our internal control measures. In addition, our existing Shareholders and their beneficial owners have entered into a deed of indemnity with and in favour of our Company (for ourselves and as trustee for our subsidiary) to provide indemnities on a joint and several basis in respect of any liability for penalty/fine in relation to the above non-compliance incidents. Please refer to the paragraph headed "Non-Compliance" under the section headed "Business" of this prospectus for more details.

Dr. Cheung Haywood

Dr. Cheung Haywood, the chairman of our Board and an executive Director and a Controlling Shareholder of our Company, had been involved in various non-compliances of some companies/entities which he had been a director/a partner, including but not limited to breach of Listing Rules and other securities-related laws. The auditor of Simsen International Corporation Limited ("Simsen"), a company listed on the Main Board of the Stock Exchange, had also issued qualified opinions on the financial statements of Simsen for each of the years ended 30 April 2006 and 2007 and Dr. Cheung was the chairman, an executive director and the controlling shareholder of Simsen at the relevant time. For details, please refer to the section headed "Directors, Senior Management and Employees" of this prospectus.

LATEST DEVELOPMENT

Based on our unaudited combined financial information for the ten months ended 31 October 2014, we recorded gross premium written and net insurance premium revenue of approximately HK$285.9 million and HK$236.2 million respectively. As at 31 October 2014, the solvency margin ratio and the loss ratio of Target were approximately 331.1% and 58.4% respectively. Our solvency margin ratio improved from approximately 268.9% as at 30 June 2014 to approximately 331.1% as at 31 October 2014 mainly because of an increase in the net insurance premium revenue and the gain on disposal of available-for-sale financial assets for the four months ended 31 October 2014.

Our loss ratio slightly increased from approximately 57.1% for the six months ended 30 June 2014 to approximately 58.4% for the ten months ended 31 October 2014, primarily due to the increase in net claims and loss adjustment expenses outweighed the growth on net insurance premium revenue during the four months ended 31 October 2014. As at 31 October 2014, there were a total of approximately 6,700 outstanding claims, which amounted to approximately HK$407.0 million, to be settled by our Group. Our Directors confirmed that there has been no material claims since 30 June 2014 and up to the Latest Practicable Date.

The financial data as set out in this paragraph headed "Latest Development" has been reviewed by the Reporting Accountants in accordance with HKSRE 2410.

Recent demonstrations in Hong Kong cause uncertainties to the insurance industry and the overall business environment of Hong Kong. Such demonstrations may also have impact on the financial condition of our agents and/or customers which may in turn affect their payment of the premiums to our Group and/or delay their renewal of policies with our Group (if applicable).

Our Directors confirm that, save and except the non-recurring listing expenses and the distribution of dividend for the year ending 31 December 2014 of HK$78.0 million, details of which are set out in the paragraphs headed "Listing Expenses" and "Dividend Policy" below respectively, there has been no material adverse change in the financial position or the prospect of our Group since 30 June 2014 and up to the date of this prospectus.

LISTING EXPENSES

The total estimated listing expenses in connection with the Share Offer was approximately HK$28.0 million. For the six months ended 30 June 2014, we did not incur any listing expenses. It is estimated that approximately HK$13.0 million and HK$3.7 million will be charged to the profit or loss of our Group for the year ending 31 December 2014 and 2015 respectively and approximately HK$11.3 million will be charged to equity of our Group for the year ending 31 December 2015. This calculation is based on an Offer Price of HK$1.50 per Share (being the mid-point of our indicative Offer Price range of HK$1.20 to HK$1.80 per Share) and the assumption that 125,000,000 Shares expected to be issued under Share Offer and 500,000,000 Shares are issued and outstanding immediately following the Share Offer (assuming the Over-allotment Option is not exercised) and is subject to reallocation based on the actual amount incurred or to be incurred.

Our Group anticipates that part of the listing expenses in the sum of approximately HK$13.0 million will be charged to the profit or loss of our Group for the year ending 31 December 2014. The said amount represents approximately 23.1% of the net profit before tax of our Group for the year ended 31 December 2013. In light of the aforesaid, our results of operation for the year ending 31 December 2014 is expected to be, to a certain extent, adversely affected by the non-recurring listing expenses.

SHAREHOLDERS INFORMATION

Without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option, any options granted under the Pre-IPO Share Option Scheme and any options which may be granted under the Share Option Scheme, immediately following completion of the Share Offer:

- Independent Assets (a company wholly-owned by Dr. Cheung), will hold 183,750,000 Shares, representing 36.75% of the enlarged issued share capital of our Company. For the purpose of the Listing Rules, Independent Assets and Dr. Cheung are our Controlling Shareholders. Please refer to the section headed "Relationship with Controlling Shareholders" of this prospectus for further details; and

- Allied Connect (a company wholly-owned by Dr. Choi), Generous Rich (a company wholly-owned by Mr. Chiu), Champion City (a company wholly-owned by Mr. Lai) will hold 78,750,000, 56,250,000 and 56,250,000 Shares respectively, representing 15.75%, 11.25% and 11.25% of the enlarged issued share capital of our Company respectively.

For details, please refer to the sections headed "History, Reorganisation and Corporate Structure" and "Relationship with Controlling Shareholders" of this prospectus.

SHARE OPTION SCHEME AND PRE-IPO SHARE OPTION SCHEME

We have conditionally adopted the Pre-IPO Share Option Scheme on 30 September 2014 as further described in the paragraph headed "Pre-IPO Share Option Scheme" in Appendix V to this prospectus. The maximum number of Shares which may be issued upon the exercise of all options granted under the Pre-IPO Share Option Scheme is 13,390,000 Shares, representing approximately 2.68% of our enlarged issued share capital immediately following completion of the Share Offer but excluding the Shares which may be issued upon the exercise of the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme and the options which may be granted under the Share Option Scheme.

We have also conditionally adopted the Share Option Scheme. Please refer to the paragraph headed "Share Option Scheme" in Appendix V to this prospectus for a summary of the principal terms of the Share Option Scheme.

PRINCIPAL RISK FACTORS

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors" of this prospectus, in particular the risks associated with (i) the highly regulated environment which we operate in; (ii) our heavy reliance on our motor insurance products offered to taxi and PLB; (iii) our heavy reliance on our agents in bringing business to us; (iv) the volatility and uncertainties in connection with our investment in securities, bonds, etc.; and (v) our heavy reliance on the market in Hong Kong.

Our business is highly regulated. Compliance with applicable laws, rules and regulations may restrict our business and investment activities and require us to deploy significant resources and to devote considerable time to such compliance efforts.

During the Track Record Period, (i) all our insurance business was in Hong Kong and our business was dependent on the market conditions of Hong Kong; (ii) majority of our insurance business was derived from our insurance products offered to taxi and PLB of which the accident rates were the second and third highest among all motor vehicle types; and (iii) we relied heavily on our agents as sales channel and we sold over 99% insurance policies through agents in term of gross premium written by our Group.

Our insurance business is affected by the number and level of seriousness of the claims involving our customers and market loss, which are in turn affected by the number and types of accidents happened in Hong Kong.

A substantial portion of our assets is managed through our investment portfolio. Our investment returns, and thus our results of operations, may be adversely affected from time to time by various factors.

We face competition from other insurance companies offering similar insurance products. If our Group fails to compete successfully against existing or future competitors, our business will be adversely affected.

DIVIDEND POLICY

Subject to the Hong Kong Company Law, our Articles of Association and the requirements under the ICO and imposed by the IA, for the year ending 31 December 2015 and each year thereafter, we intend to distribute dividend to our Shareholders of not less than 30% of any net consolidated distributable profit derived. We will re-evaluate our dividend policy annually.

Target has dividends declared during the years ended 31 December 2011, 31 December 2013 and the year ending 31 December 2014 amounting to HK$35.0 million, HK$40.0 million and HK$78.0 million respectively. The dividend declared (including those declared during the year ending 31 December 2014) have been paid as at the Latest Practicable Date by Target's own internal resources. Our Directors confirm that such dividend payment will not affect our Company's ability to comply with the IA's requirements on the amount of fixed deposit and solvency margin. All dividends were paid out of the distributable reserves of Target. Nevertheless, the past dividend rates should not be used as a reference or basis to determine the amount of dividends in the future. In addition, Target is required to notify the IA three months in advance regarding the declaration or payment of dividends and this may delay the distribution of dividends to our Shareholders.

SHARE OFFER STATISTICS

Market capitalization at Listing:	Approximately HK$600 million to HK$900 million (before the exercise of the Over-allotment Option (if any))
Offer size:	125,000,000 Shares (excluding any Shares which may be issued upon the exercise of the Over-allotment Option), representing 25% of the enlarged issued share capital of our Company
Over-allotment Option:	Up to 18,750,000 Shares, representing 15% of the initial offer size
Offer Price per Share:	HK$1.20 to HK$1.80
Board lot:	2,000 Shares
Share Offer Structure:	112,500,000 Placing Shares (subject to reallocation and the Over-allotment Option) and 12,500,000 Public Offer Shares (subject to reallocation), representing 90% and 10% of the initial offer size respectively

FUTURE PLANS AND USE OF PROCEEDS

Assuming an Offer Price of HK$1.50 per Share (being the mid-point of the stated range of the Offer Price of between HK$1.20 per Share and HK$1.80 per Share), the net proceeds of the Share Offer, after deducting all related expenses paid and payable by us, are estimated to be approximately HK$159.5 million. Our Directors presently intend to apply such net proceeds of the Share Offer as follows:

Amount of net proceeds (approximately % of total net proceeds from the Share Offer)	**Intended applications of proceeds**
HK$131.7 million (82.6%)	For the purpose of strengthening our share capital, enhancing our solvency position and meeting statutory requirements such that we can (i) diversify our motor insurance products to other types of motor vehicles and (ii) explore business opportunities of other general insurance
HK$12.0 million (7.5%)	For the purpose of marketing and promotion of our business to the general public
HK$15.8 million (9.9%)	For the purpose of general working capital of our Group

Please refer to the section headed “Future plans and use of proceeds” of this prospectus for further details.

UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

Unaudited pro forma adjusted combined net tangible assets per Share *(Notes)*

Based on an Offer Price of HK$1.80 per Offer Share	HK$0.848
Based on an Offer Price of HK$1.20 per Offer Share	HK$0.704

Notes:

- Please refer to Appendix II to this prospectus for further details regarding the assumptions and calculation method.

- The unaudited pro forma adjusted combined net tangible assets of our Group attributable to equity owners of our Company per Share has been arrived at after the adjustments referred to in Appendix II to this prospectus and on the basis of 500,000,000 Shares in issue immediately upon completion of the Share Offer but does not take into account any Shares which may be issued upon the exercise of the Over-allotment Option or any options which have been or may be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme or any Shares which may be issued or repurchased by our Company pursuant to the general mandate to issue Shares or the general mandate to repurchase Shares as described in the section headed "Share capital" of this prospectus.

- No adjustment has been made to reflect any trading result or other transactions of our Group entered into subsequent to 30 June 2014. In particular, the unaudited pro forma adjusted net tangible assets have not been adjusted for the dividend of HK$78.0 million declared by Target subsequent to 30 June 2014, which has been paid as at the Latest Practicable Date. Had the dividend been taken into account, the unaudited pro forma adjusted net tangible asset per Share would have been reduced to HK$0.548 and HK$0.692 based on the Offer Price of HK$1.20 and HK$1.80 per Share respectively.

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings.

"Allied Connect"	Allied Connect Limited (協通有限公司), a company incorporated in the BVI with limited liability on 7 July 2014, the entire issued share capital of which is owned by Dr. Choi. It will directly hold 15.75% of the entire issued share capital of our Company immediately after completion of the Reorganisation and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options granted under the Pre-IPO Share Option Scheme and any options that may be granted under the Share Option Scheme)
"ANZIIF"	The Australian and New Zealand Institute of Insurance and Finance
"Application Form(s)"	**WHITE**, **YELLOW** and **GREEN** application form(s) or, where the context so requires, any of them to be used in connection with the Public Offer
"Articles" or "Articles of Association"	the articles of association of our Company adopted on 23 December 2014 and as amended from time to time, a summary of which is set out in Appendix IV to this prospectus
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person permitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person permitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participants"	collectively, a CCASS Clearing Participant, a CCASS Custodian or a CCASS Investor Participant

"Champion City"	Champion City Holdings Limited (冠城控股有限公司), a company incorporated in the BVI with limited liability on 7 July 2014, the entire issued share capital of which is owned by Mr. Lai. It will directly hold 11.25% of the entire issued share capital of our Company immediately after completion of the Reorganisation and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options granted under the Pre-IPO Share Option Scheme and any options that may be granted under the Share Option Scheme)
"China" or "PRC"	the People's Republic of China, and for the purpose of this prospectus, excludes Hong Kong, the Macau Special Administrative Region of China and Taiwan
"Client Money Rules"	the Securities and Futures (Client Money) Rules (Chapter 571I of the Laws of Hong Kong)
"close associate(s)"	has the meaning ascribed to it under the Listing Rules
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
"Company"	Target Insurance (Holdings) Limited (泰加保險(控股)有限公司), a company incorporated in Hong Kong with limited liability on 28 August 2014 under the Companies Ordinance
"Connected Person(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholders"	has the meaning ascribed to it under the Listing Rules and in the case of our Company, means collectively, Independent Assets and Dr. Cheung
"Director(s)"	the director(s) of our Company
"Dr. Cheung"	Dr. Cheung Haywood (張德熙), the Chairman, an executive Director and a Controlling Shareholder of our Company, and will, through his 100% legal and beneficial shareholding in Independent Assets, indirectly hold 36.75% of the entire issued share capital of our Company immediately after completion of the Reorganisation and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options granted under the Pre-IPO Share Option Scheme and any options that may be granted under the Share Option Scheme)

"Dr. Choi"	Dr. Choi Chiu Fai Stanley (蔡朝暉), one of the existing Shareholders and an executive Director, and will, through his 100% legal and beneficial shareholding in Allied Connect, indirectly hold 15.75% of the entire issued share capital of our Company immediately after completion of the Reorganisation and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options granted under the Pre-IPO Share Option Scheme and any options that may be granted under the Share Option Scheme)
"Euromonitor"	Euromonitor International Ltd, an Independent Third Party, which is a market research company
"Generous Rich"	Generous Rich Limited (豐厚有限公司), a company incorporated in the BVI with limited liability on 16 June 2014, the entire issued share capital of which is owned by Mr. Chiu. It will directly hold 11.25% of the entire issued share capital of our Company immediately after completion of the Reorganisation and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options granted under the Pre-IPO Share Option Scheme and any options that may be granted under the Share Option Scheme)
"Green Application form(s)"	the application form(s) to be completed by HK eIPO White form service provider, designated by our company
"Group", "we" or "us"	our Company and its subsidiary, or where the context so requires or permits, in respect of the period prior to our Company becoming the holding company of its present subsidiary
"HK eIPO White Form"	application for Public Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website at www.hkeipo.hk
"HK eIPO White Form Service Provider"	the HK eIPO White Form service provider designated by our Company, as specified on the designated website at www.hkeipo.hk
"HKFRS"	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
"HK Government"	the Government of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"HKSRE 2410"	Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information performed by the Independent Auditor of the Entity" issued in March 2007

"HK$" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong Share Registrar"	Tricor Investor Services Limited
"IA"	the Insurance Authority who is empowered under the ICO to regulate and supervise the insurance industry in Hong Kong
"ICO"	Insurance Companies Ordinance (Chapter 41 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
"Independent Assets"	Independent Assets Management Limited, a company incorporated in the BVI with limited liability on 3 July 2014, the entire issued share capital of which is owned by Dr. Cheung. It will directly hold 36.75% of the entire issued share capital of our Company immediately after completion of the Reorganisation and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options granted under the Pre-IPO Share Option Scheme and any options that may be granted under the Share Option Scheme)
"Independent Third Party(ies)"	any individual(s) or company(ies) who is not a connected person within the meaning ascribed under the Listing Rules
"Joint Lead Managers"	(i) Oriental Patron Securities Limited a corporation licensed to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities as defined under the SFO and (ii) CLC Securities Limited, a corporation licensed to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities as defined under the SFO, acting as the joint lead managers of the Share Offer
"Latest Practicable Date"	22 December 2014, being the latest practicable date for ascertaining certain information in this prospectus
"Listing"	listing of the Shares on the Main Board of the Stock Exchange
"Listing Committee"	the listing sub-committee of the board of directors of the Stock Exchange
"Listing Date"	the date, expected to be on 15 January 2015, on which trading in the Shares on the Main Board first commences
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, modified and supplemented from time to time

"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange, which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
"Mr. Chiu"	Mr. Chiu Sun Ting (趙新庭), one of the existing Shareholders and an executive Director, and will, through his 100% legal and beneficial shareholding in Generous Rich, indirectly hold 11.25% of the entire issued share capital of our Company immediately after completion of the Reorganisation and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options granted under the Pre-IPO Share Option Scheme and any options that may be granted under the Share Option Scheme)
"Mr. Lai"	Mr. Lai Bing Leung (黎秉良), one of the existing Shareholders and an executive Director, and will, through his 100% legal and beneficial shareholding in Champion City, indirectly hold 11.25% of the entire issued share capital of our Company immediately after completion of the Reorganisation and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options granted under the Pre-IPO Share Option Scheme and any options that may be granted under the Share Option Scheme)
"OCI"	the Office of the Commissioner of Insurance, which is the regulatory body and the government department for the supervision of insurance industry in Hong Kong and is headed by the Commissioner of Insurance who is the public officer appointed as the IA
"Offer Price"	the final offer price per Offer Share (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), such price is to be determined in the manner as further described in the paragraph headed "Price Payable on Application" in the section headed "Structure of the Share Offer" of this prospectus
"Offer Shares"	the Placing Shares and the Public Offer Shares
"Over-allotment Option"	the option expected to be granted by the Company to the Placing Underwriters exercisable by the Sole Bookrunner (on behalf of the Placing Underwriters) pursuant to the Placing Underwriting Agreement from the Listing Date to the 30th day after the last date for lodging applications under the Public Offer, to require the Company to allot and issue up to an aggregate of 18,750,000 additional Shares representing 15% of the Offer Shares initially being offered under the Share Offer, on the same terms as those applicable to the Share Offer, to cover over-allocations in the Placing, details of which are further described in the paragraph headed "Over-allotment Option" in the section headed "Structure of the Share Offer" of this prospectus

"Placing"	the conditional placing of the Placing Shares at the Offer Price with institutional, professional and private investors, details of which are described in the section headed "Structure of the Share Offer" of this prospectus
"Placing Shares"	the 112,500,000 Shares initially being offered by our Company for subscription at the Offer Price under the Placing, subject to reallocation and Over-allotment Option as described in the section headed "Structure of the Share Offer" of this prospectus
"Placing Underwriters"	the underwriters of the Placing
"Placing Underwriting Agreement"	the conditional underwriting agreement to be entered into, among others, our Company, our executive Directors, the Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Placing Underwriters in relation to the Placing as further described in the section headed "Underwriting" of this prospectus
"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme conditionally adopted by our Company on 30 September 2014, a summary of the principal terms of which is set out in the paragraph headed "Pre-IPO Share Option Scheme" in Appendix V to this prospectus
"Price Determination Date"	the date, expected to be on or before 7 January 2015, on which the Offer Price is fixed for the purpose of the Share Offer and in any event no later than 12:00 noon on 12 January 2015
"Public Offer"	the offer to the public in Hong Kong for subscription of the Public Offer Shares at the Offer Price, on and subject to the terms and conditions stated in this prospectus and in the Application Forms, details of which are described in the section headed "Structure of the Share Offer" of this prospectus and the related Application Forms
"Public Offer Shares"	the 12,500,000 Shares initially being offered by the Company for subscription at the Offer Price under the Public Offer, subject to reallocation as mentioned in the section headed "Structure of the Share Offer" of this prospectus
"Public Offer Underwriters"	the underwriters of the Public Offer whose names are set out in the paragraph headed "Public Offer Underwriters" in the section headed "Underwriting" of this prospectus
"Public Offer Underwriting Agreement"	the conditional underwriting agreement relating to the Public Offer dated 30 December 2014 entered into, among others, our Company, our executive Directors, the Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Public Offer Underwriters as further described in the section headed "Underwriting" of this prospectus
"Reorganisation"	the reorganisation arrangements implemented by the Group in preparation for the listing of the Shares on the Stock Exchange which is more particularly described in the section headed "History, Reorganisation and Corporate Structure" of this prospectus

"RMB"	Renminbi, the lawful currency of the PRC
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
"Shareholder(s)"	holder(s) of the Share(s)
"Share(s)"	ordinary share(s) with no par value in the share capital of our Company
"Share Offer"	the Placing and the Public Offer
"Share Option Scheme"	the share option scheme conditionally adopted by our Company on 23 December 2014, a summary of the principal terms of which is set out in the paragraph headed "Share Option Scheme" in Appendix V to this prospectus
"SO"	the repealed Securities Ordinance (Chapter 333 of the Laws of Hong Kong)
"Sole Bookrunner"	Oriental Patron Securities Limited, a corporation licensed to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities as defined under the SFO, acting as the sole bookrunner of the Share Offer
"Sponsor"	CLC International Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, acting as the sponsor for the Listing
"Stock Borrowing Agreement"	a stock borrowing agreement expected to be entered into on or about the Price Determination Date between the Sole Bookrunner and Independent Assets pursuant to which Independent Assets will agree to lend up to 18,750,000 Shares to the Sole Bookrunner on the terms set forth therein
"subsidiary(ies)"	has the meaning ascribed to it in Section 15 of the Companies Ordinance
"S&P"	Standard & Poor's Rating Services
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	The Codes on Takeovers and Mergers and Share Buy-backs, as amended, modified and supplemented from time to time
"Target"	Target Insurance Company, Limited (泰加保險有限公司), a private company incorporated in Hong Kong with limited liability on 19 August 1977 and wholly-owned subsidiary of our Company

"Tracing Paper"	Tracing Paper International Limited, a company incorporated in the BVI with limited liability on 8 December 1999, the entire issued share capital of which is owned as to 70% and 30% by Dr. Cheung and Dr. Choi respectively and was a former 70% shareholder of Target immediately before the Reorganisation
"Track Record Period"	the three years ended 31 December 2013 and the six months ended 30 June 2014
"Underwriters"	collectively, the Placing Underwriters and the Public Offer Underwriters
"Underwriting Agreements"	collectively, the Placing Underwriting Agreement and the Public Offer Underwriting Agreement
"United States" or "US"	the United States of America
"US$" or "USD"	United States dollars, the lawful currency of the US
"White Application Form(s)"	the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the applicant's or applicants' own name(s)
"Yellow Application Form(s)"	the application form(s) for use by the public who require(s) such Public Offer Shares to be deposited directly into CCASS
"%"	per cent

For ease of reference, the English translation of a Chinese company name, or vice versa, has been provided, for identification purpose only.

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain terms used in this prospectus in connection with our business and the motor insurance industry. The terms and their meanings as set forth below may not correspond to standard industry meanings or usage of such terms.

"acquisition cost"	direct costs an insurer incurs to "acquire" the premium, which mainly comprise commission paid to agents and brokers and other underwriting expenses. These costs are required to be expensed in the same ratio as the premiums to which they relate are earned
"Bornhuetter-Ferguson method"	a statistical method build on risk exposure to calculate Loss reserve which relies on a gradual transition from an expected loss ratio to an experience-related development
"comprehensive insurance"	insurance which insures against loss of or damage to motor vehicles and third party legal liabilities
"deferred acquisition cost"	the portion of commission or other underwriting expenses that has not yet been "earned" by agents and brokers because as at the year/period end date, the policy still has some time to run before expiration; accordingly, a provision for acquisition cost is recorded as an asset as at the year/period end date in the financial statements of an insurer
"Excess-of-Loss Reinsurance"	loss sharing mechanism where an insurer pays all Losses up to the Excluded Sum and reinsurer(s) pay(s) any Loss in excess of the Excluded Sum
"Excluded Sum"	a certain limit at which an insurer caps its exposure to Loss involving significant amount by entering into a reinsurance arrangement with reinsurer(s)
"expected loss ratio method"	a statistical method build on risk exposure to calculate Loss reserve which estimate the ultimate loss by multiplying earned premium with the expected loss ratio
"IBNR" or "Incurred But Not Reported"	estimated liabilities provided for incurred but not reported claims whose accident date falls on or before each year/period end date, but which were not reported to an insurer recorded in the accounting records until after the year/period end date, plus future development on known claims
"IBNER" or "Incurred But Not Enough Reported"	estimated liabilities provided for additional amounts needed to ultimately settle the known claims above the current incurred value for those known claims
"Insured"	the insured person as specified in the insurance policy
"Insured Amount" or "Insured Sum"	the maximum amount of sum which an insurer agree to underwrite under a comprehensive insurance policy
"Loss(es)"	the amount(s) an insurer pays on claim(s)

"outstanding claims"	(liabilities for) claims which were reported to an insurer but were not settled as at the year/period end date
"PLB"	collectively, (i) public light buses which are used on scheduled services in Hong Kong and commonly known as "green mini-buses" and (ii) public light buses which are used on non-scheduled services in Hong Kong and commonly known as "red mini-buses"
"paid and incurred loss development methods"	a statistical method build on risk exposure to calculate Loss reserve which uses historical patterns of claim emergence to project future emergence of losses
"Relevant Amount"	the specified amount determined in accordance with section 10 of the ICO, the relevant details of which are set out in the paragraph headed "Solvency Margin" under the section headed "Regulatory Overview" of this prospectus. However, when determining the Relevant Amount for maintaining assets in Hong Kong, the gross premium income shall be deemed to be the gross premium income arising from the insurer's Hong Kong insurance business only, and claims outstanding, additional amount for unexpired risks and fund shall be deemed to be the claims outstanding, additional amount for unexpired risks and fund respectively arising from the insurer's Hong Kong insurance business only
"third party insurance"	insurance which insures against third party legal liabilities
"third party liabilities"	liabilities in respect of (i) death of or bodily injury to any person and/or (ii) damage to property
"unearned premium"	the portion of premium that has not yet been "earned" by an insurer because as at the year/period end date, the policy still has some time to run before expiration; accordingly, a provision for unearned premium is recorded as a liability as at the year/period end date in the financial statement of an insurer

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. In some cases we use words such as “aim”, “anticipate”, “believe”, “estimate”, “expect”, “going forward”, “intend”, “may”, “plan”, “potential”, “predict”, “propose”, “seek”, “should”, “will”, “would” and other similar expressions to identify forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business and operating strategies and our various measures to implement such strategies;
- our dividend distribution plans;
- our capital commitment plans;
- the future competitive environment of Hong Kong;
- the regulatory environment as well as the general industry outlook for the industry which we are engaged in;
- future developments in the industry which we are engaged in; and
- the trend of the Hong Kong and global economy in general.

These statements are based on numerous assumptions, including those regarding our present and future business strategy and the environment in which we will operate in the future.

Our future results could differ materially from those expressed or implied by such forward-looking statements. In addition, our future performance may be affected by various factors including, without limitation, those discussed in the sections headed “Risk Factors” and “Financial Information” of this prospectus.

Should one or more risks or uncertainties stated in the aforesaid sections materialise, or should any underlying assumptions to proved incorrect, actual outcomes may vary materially from those indicated. Prospective investors should therefore not place undue reliance on any of these forward-looking statements. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements as set out in this section.

In this prospectus, statements of, or references to, our intentions or those of any of our Directors are made as at the date of this prospectus. Any such intentions may change in light of future developments.

You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in the Offer Shares. Our business, financial condition, results of operations or prospects could be materially and adversely affected by any of these risks and uncertainties. The market price of the Offer Shares could significantly decrease due to any of these risks and uncertainties, and you may lose all or part of your investment.

These risk factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date, will not be updated after the date hereof, and is subject to the cautionary statements in the section headed "Forward-looking Statements" in this prospectus.

RISKS ASSOCIATED WITH OUR BUSINESS

Target's failure to comply with the specific requirements of the IA in a timely and precise manner may result in regulatory sanctions

The insurance industry in Hong Kong is highly regulated. Companies carrying on insurance business in and from Hong Kong, including Target, must obtain authorization from and subject to the requirements imposed by the IA from time to time. In particular, the IA is authorized under the ICO to require an insurer to take specific action in respect of its affairs, business or property as they consider appropriate, including but not limited to, the additional solvency requirements and the investment restrictions.

We cannot predict with certainty as to what specific requirements the IA may impose on Target in the future. Target may or may not be able to interpret and thus respond to every requirement imposed on Target by the IA in accordance with the IA's interpretation in a timely and precise manner. In the event that Target is not able to respond to and/or comply with such requirements in a timely and precise manner, Target may unintentionally breach such requirement and may be subject to regulatory sanctions imposed by the IA, which may in turn adversely and materially affect Target's business and operations.

We heavily rely on our agents in referring business to us

We heavily rely on our agents, most of which are motor trading/management companies and insurance agents, to sell our insurance products. During each of the three years ended 31 December 2013 and the six months ended 30 June 2014, the gross premiums written by our Group from those insurance policies sold through our agents represented approximately 99.1%, 99.3%, 99.4% and 99.3% of the total gross premium written by our Group respectively. Other than agents, the gross premium written by our Group from those insurance policies sold through other channels were minimal. For details of our sales channel, please refer to the paragraph headed "Our Sales and Marketing" under the section headed "Business" of this prospectus.

Our relationship with these agents could be adversely affected by numerous factors including, inter alia, failure to maintain competitive commissions or prices for our insurance products, failure to communicate effectively with such intermediaries. Loss of all or a substantial portion of the business solicited through these agents could have an adverse effect on our business, financial condition and results of operations.

In addition, these agents may be subject to the licensing and conduct requirements of the new Independent Insurance Authority as proposed under the Insurance Companies (Amendment) Bill 2014. If these agents fail to meet such licensing and conduct requirements, it may have adverse effect on our agent network.

We heavily rely on insurance products offered to taxi and PLB in Hong Kong

Majority of our business is derived from our comprehensive and third party insurance products offered to taxi and PLB in Hong Kong. The numbers of taxi and PLB in Hong Kong have remained almost static during the past five years at around 18,100 and 4,345 respectively. During each of the three years ended 31 December 2013 and the six months ended 30 June 2014, the gross premium written by us on the insurance policies for taxi and PLB represented approximately 90.3%, 81.1%, 83.1% and 85.4% of the total gross premium written by us respectively.

Our underwriting results are affected by the number and level of seriousness of the claims involving our customers and the market loss which are in turn affected by the number and types of traffic accidents happened in Hong Kong. According to the report of Euromonitor, the traffic accident rates of taxi and PLB were 242.6 and 259.4 per 1,000 vehicles respectively in 2013, which were the second and the third highest among all motor vehicles. There is no assurance that the traffic accident rates of taxi, PLB and other motor vehicles will not increase in the future. Further, due to market competition, we may not always be able to compensate our increased Loss by increasing the premium rates to our customers. In the event that traffic accidents happen more frequently and/or seriously in the future due to any reason whatsoever, the number and amount of claims may increase and we may not be fully covered by increasing our premium rates. These may in turn adversely affect our underwriting results, and thus results of operation and financial condition.

Further, (i) the availability of alternative transportation services such as the extension of railway network; (ii) new disruptive technologies for transportation such as transportation services ordered through mobile devices; (iii) change and distribution of population; (iv) future development and town planning of Hong Kong and (v) other political incidents in Hong Kong, may also have potential impact on the demand for taxi and PLB. In the event that the demand for taxi and PLB decreases due to any reason whatsoever, the demand for our insurance may also decrease, which may in turn affect our business and results of operation.

We may not be able to secure the continued service of our key management personnel, actuarial, investment management and other staff

The development of our business is, to a large extent, attributable to the contribution of our executive Directors. We have a highly experienced management team with expertise in insurance. Mr. Muk Wang Lit Jimmy, our executive Director and chief executive officer, has more than 35 years of experience in the insurance industry. Ms. Or Pik Yuk, our underwriting manager and a member of our senior management, has more than 30 years of experience in the insurance industry. Mr. Ngai Shu Tak Nathaniel, our senior claims manager and a member of our senior management, has worked in Hong Kong Police Force for 31 years and his experience is useful for our handling of claims and detection of fraud. Our Chairman and executive Director, Dr. Cheung also have more than 31 years of experiences in the financial industry in Hong Kong. Dr. Choi, our another executive Director, possesses about 23 years of experience in securities, futures, financial derivatives products and merger and acquisition projects. For more details about the experiences of our management, please refer to the section headed "Directors, Senior Management and Employees" of this prospectus. Although our Company has entered into a service agreement with each of the executive Directors for an initial term of three years, there could be an adverse impact on our operations should any of these executive Directors and senior management personnel terminate his/her service agreement with our Group or otherwise cease to serve our Group.

Further, our business may also suffer if we lose the services of our existing actuaries, investment management and other staff and cannot find appropriate persons to replace them. There is no assurance that we will be able to attract and retain capable staff to serve our Group or that they will not resign in the future.

Adverse changes in the reinsurance markets or a default by our reinsurers may materially and adversely affect our results of operations and financial condition

We enter into reinsurance arrangements with a number of reinsurance companies to reduce our exposure to risks. Reinsurance, however, may not completely protect us against Losses. While reinsurers are liable to us to the extent of the scope of the reinsurance, we remain liable as the direct insurer on all risks reinsured. As a result, we are subject to credit risks of our reinsurers, which may increase our financial losses arising out of a risk we have insured.

In addition, the availability and cost of reinsurance are subject to prevailing market conditions, which are beyond our control and may affect our business and profitability. If we are not able to maintain reinsurance coverage in accordance with the requirements of the IA and on reasonable terms, it may materially and adversely affect our business, results of operations and financial conditions.

We rely on Eastop Motors Limited ("Eastop") for its after-sales services

We engage Eastop to provide after-sales services to us. Its exclusive services include, inter alia, (i) gathering feedback and handling queries from the customers about the motor insurance products and services provided by our Group, (ii) managing and overseeing the performance of the agents and the end customers of their duties under the insurance policies, (iii) providing assistance to customers in their claims, and (iv) providing other after-sales services. There is no definite term for our agreement with Eastop and could be terminated by Eastop or our Group by giving not less than six-month notice. Further details regarding the agreement are set out in the paragraph headed "After-sales Services" of the section headed "Business" of this prospectus.

During the Tack Record Period, Eastop provided after-sales services to around 75 agents of our Group (representing approximately 68.2% of the total number of around 110 agents). There is no assurance that Eastop will continue to provide services to our Group and our customers in the future. In the event that it ceases to provide services to our Group and we are unable to find a replacement or handle those after-sales services ourselves at reasonable cost, our operation may be adversely affected.

We may not be successful in diversifying our insurance products

In order to reduce our reliance on motor vehicles insurance, we intend to diversify our insurance business into the "general insurance business", such as employees' compensation insurance. At this stage, we are unable to identify which segment of the general insurance business we will develop first since such decision will be subject to the results of the feasibility study and whether we are able to employ staff with the relevant experience and expertise. We are not able to estimate with certainty the results of our feasibility study at this stage nor we are not aware as to whether the IA will grant any licences to our Group or impose additional requirement on Target to carry out any of those general insurance business. As such, the potential risk and impact on our Group associated with the establishment of these new insurance businesses are generally disclosed.

Preliminarily, our Directors understand that the market for some of those insurance products is competitive, which poses downward pressure on the premiums. Being a new player in the market of those insurance products, our Group may only be able to charge a relatively lower insurance premium for such products in comparison with the existing players. The loss ratio for those new insurance business may also be higher than that of motor vehicles insurance. Further, it is also possible that there are some other risks which we are not aware of at this stage. There is no assurance that our Group will be able to make a profit from those new insurance businesses at the early stage of operation. We may suffer loss from those new insurance businesses, which may in turn adversely affect our Group's overall performance and financial conditions.

Any actual or perceived deterioration in our financial strength could affect our reputation and business

The confidence of the policy holders in the financial strength of an insurance company is an important factor affecting its business. Any actual or perceived deterioration in our financial strength could materially and adversely affect our business since this may:

- affect our relationship with our customers;
- affect our sales of new insurance products;
- require us to offer more favourable terms for our insurance products in order to remain competitiveness;
- adversely affect our ability to obtain reinsurance on acceptable terms; and
- adversely affect our ability to raise further capital.

There is no assurance that we may not experience any deterioration of our financial strength in the future.

Substantial default on the part of our agents or customers in the payment of the premiums may have an adverse effect on our business

Majority of our insurance products are sold through our agents. According to the agency agreements that our Group have entered into with each of our agents, they shall pay to our Group in such manner as our Group may direct, an amount equal to each premium due on relevant policies from the insured within a certain period of time (usually 10-60 days) at the end of the month in which such premium is due from the insured. There is no assurance that our agents or any direct customers will always pay the premiums in a timely manner. We cannot assure you that our agents and/or customers will not experience any deterioration in their financial condition such as bankruptcy, insolvency or credit failure. Economic downturn and other macroeconomic challenges may adversely affect the business and financial positions of our agents or customers and the value of their assets, including but not limited to, their taxi and PLB licences, which may in turn affect their ability to pay premiums to our Group. Recent demonstrations in Hong Kong may also have an impact on the financial condition of our agents and/or customers which may in turn affect their payment of the premiums and/or delay their renewal of policies with our Group (if applicable). In the event that a substantial number of our agents or customers experience financial difficulties due to any reason whatsoever, there is no assurance that they will not default in honouring their obligations under the insurance policies, which may have an impact on the timing and/or recoverability of our premiums receivable, and thus affect our business and results of operation.

We may incur significant losses on our investments, which may cause our investment income to decrease

We are required by the ICO to maintain certain amount of assets in Hong Kong, a substantial portion of which is managed through our investment portfolio. As at 31 December 2011, 2012 and 2013 and 30 June 2014, our investments in:

- equity securities represented approximately 5.7%, 4.1%, 6.0% and 8.3%;
- debt securities represented approximately 7.1%, 6.8%, 28.0% and 25.6%; and
- bank deposits, bank balances and cash represented approximately 87.2%, 89.1%, 66.0% and 66.1%

of our total carrying value of our investment portfolio respectively.

Our investment returns, and thus our results of operations, may be adversely affected from time to time by various factors affecting our specific investments and, more generally, by the overall economic environment. Those factors include, inter alia, currency exchange rates, credit and liquidity conditions, the performance and volatility of capital markets, asset values, inflation rates, etc. Any significant deterioration in one or more of these factors could have an adverse impact on the value of, and the income generated by, our investment portfolio and could have a material adverse effect on our business, financial condition and results of operations. In particular, the global financial crisis happened in 2008 had caused volatility in the securities market. There is no assurance that such financial crisis will not occur again in the future. Any reoccurrence of such financial crisis may in turn adversely affect the returns on our investment and our financial position.

We face credit risks associated with the issuers of debt securities

A portion of our investment portfolio comprises debt securities, which includes government bonds, corporate bonds and certificate of deposit. As at 31 December 2011, 2012 and 2013 and 30 June 2014, approximately 7.1%, 6.8%, 28.0% and 25.6% of our investments in term of carrying value of our investment portfolio were debt securities. Among those debt securities, approximately 100%, 100%, 35.1% and 29.7% in term of carrying value of total debt securities were corporate bonds and certificate of deposit as at 31 December 2011, 2012, 2013 and 30 June 2014 respectively. Details of those corporate bonds and certificate of deposit held by our Group during each of the three years ended 31 December 2013 and six months ended 30 June 2014 and their respective S&P ratings are set out in the sub-paragraph headed "Our investment portfolio" under the section headed "Business" of this prospectus. During the Track Record Period, a lot of corporate bonds held by our Group had S&P ratings of BB+ or below, or unrated. The ability of the issuers of debt securities to pay the principal amount and interest under the debt securities depends on the financial conditions of the respective issuers. There is no assurance that all those issuers of debt securities will be able to honour the payment obligation thereunder. In the event that the financial condition of any of these issuers deteriorates, it may not be able to honour its payment obligation under the debt securities, which in turn could have adverse effect on our business, financial condition and results of operations.

Interest rate fluctuations may materially and adversely affect our profitability

We are exposed to the risk of fluctuations in interest rates because of the substantial amount of bank deposits we hold as investment and cash. As at 31 December 2011, 2012 and 2013 and 30 June 2014, our bank deposits and cash amounted to approximately HK$583.1 million, HK$707.6 million, HK$530.4 million and HK$555.0 million respectively. During each of the three years ended 31 December 2013 and the six months ended 30 June 2014, the interests income from bank deposits amounted to approximately HK$6.8 million, HK$10.6 million, HK$9.9 million and HK$4.8 million respectively. During periods of declining interest rates, the interest to be received from our bank deposits may decrease, which may in turn reduce our return on investments and affect our results of operations.

We are subject to risks associated with currency fluctuations and regulations

Our investments are denominated in a number of currencies, including HK dollar, US dollar and RMB and we are exposed to foreign exchange rate risk. Changes in exchange rates between HK dollar and US dollar, and between HK dollar and RMB will be directly reflected in our financial results. We cannot predict future exchange rate fluctuations and such fluctuations could materially and adversely affect our financial condition and results of operations.

Although the exchange rate between HK dollar and US dollar has been pegged (i.e. the exchange rate is only permitted to fluctuate within a narrow band) since 1983, we cannot assure you that the HK dollar will remain pegged to US dollar. If the pegging system between HK dollar and US dollar is changed or terminated due to any reason whatsoever, this could pose extra uncertainty on our financial condition and results of operations.

Increase in impairments on our investments may have an adverse effect on our financial condition and results of operations

Our Group determines that available-for-sale financial assets may be impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, our Group evaluates among other factors, the duration and extent to which the fair value of an investment is less than its cost, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flow. Impairment may be appropriate when there is evidence of, inter alia, deterioration in the financial health of the investee, industry and sector performance, changes in technology, and financing and operational cash flows. In the event that any impairment is made on our investments, our results of operations may be adversely affected.

Our business and investments largely depend on the market in Hong Kong

The ICO requires an insurer carrying on insurance business to maintain certain amount of assets in Hong Kong, details of which are set out in the sub-paragraph headed “Maintenance of Assets” of the paragraph headed “Regulation of Insurance Companies” under the section headed “Regulatory Overview” of this prospectus. As such, a substantial portion of our assets have been used for investments in Hong Kong. Given that (i) our insurance business, which accounted for over 90% of our net income, has been operated in Hong Kong only during the Track Record Period and up to the Latest Practicable Date, and (ii) our investment portfolio mainly focuses in the market in Hong Kong, our business and investments would be affected by any adverse changes in the economic, political and social conditions in Hong Kong.

Catastrophic accidents or events, which are unpredictable by nature, may materially and adversely affect our profitability and financial condition

Our insurance business exposes us to risks arising out of catastrophic accidents or events involving loss of life or permanent disabilities of individuals or significant loss of properties, which are unpredictable by nature. The frequency and severity of catastrophes are inherently unpredictable. While we maintain reinsurances to reduce our catastrophe loss exposures, due to limitations in the underwriting capacity and terms and conditions of the reinsurances as well as the difficulties in assessing our exposure to catastrophes, these reinsurances may not protect us adequately against all our Losses. As a result, one or more catastrophic events may materially reduce our profits and cash flows and have an adverse effect on our financial condition.

Our operations could be disrupted by unexpected network interruptions caused by system failures or unauthorized tampering or security breaches of our information technology systems

Our business depends on the ability of our information technology systems to timely process our transactions. The proper functioning of our financial controls, accounting, customer database, customer service and other data processing systems, including those relating to underwriting and claims processing functions, is crucial to our operations. We have also engaged an information technology company to provide software development services for our Group, the main function of which includes solutions for underwriting, claims and accounts management. There is no assurance that our business activities would not be materially disrupted in the event of a partial or complete failure of any of these or other information technology or communication systems. These failures could be caused by, among other things, software bugs, computer virus attacks, conversion errors due to system upgrading, failure to successfully implement ongoing information technology initiatives and unanticipated problems at our existing and future facilities. A failure of our information technology or communication systems could damage our reputation and have a material adverse effect on our business, financial condition and results of operations.

RISKS ASSOCIATED WITH THE INDUSTRY

The insurance industry in Hong Kong is highly regulated and we are required to deploy significant resources for compliance with the applicable laws and regulations

The insurance industry in Hong Kong is highly regulated. Companies carrying on insurance business in or from Hong Kong must obtain authorisation from the IA. Authorisation will only be granted to insurers meeting certain requirements under the ICO, which focus on, among other things, the following aspects: paid up capital, solvency margin, fitness and properness of directors and controllers and adequacy of reinsurance arrangements. Compliance with applicable laws, rules and regulations may restrict our business and investment activities and require us to deploy significant resources and to devote considerable time to such compliance efforts.

New or revised laws, rules and regulations may be introduced from time to time and such changes may have a material adverse effect on the insurance companies in Hong Kong, including Target. If any of Target's business segments is to become subject to more stringent legal or regulatory restrictions, this may have a material adverse effect on our product range, distribution network, capital requirements, day-to-day operations and consequently, our business, financial conditions and results of operations.

Insurance companies in Hong Kong are subject to the supervision of the IA. The OCI is the regulatory body set up for the administration of the ICO and is headed by the Commissioner of Insurance of Hong Kong who has been appointed as the IA for regulating and supervising the insurance industry in Hong Kong. The IA has regulatory oversight on the business of insurance companies in Hong Kong, including, inter alia, ownership and shareholding structure, capital and solvency requirements, investment portfolio allocations, ability to declare dividends and other distributions, the number of policies which could be offered and the maximum amount of premium which could be written in a given period. There is no assurance that any regulatory or government action would not have a material adverse effect on the business, financial condition and results of operations of insurance companies in Hong Kong, including ours.

We may have to deploy extra resources for compliance with all the applicable laws, rules and regulations. In the event that those laws, rules and regulations are amended and more stringent requirements are imposed on our Group, we may have to incur extra costs and expenses and put other resources to comply with such requirements and our business and results of operations may be adversely affected.

Further, there is no assurance that Target will always be able to fully comply with all the applicable laws, rules and regulations. In the event that Target violates any provisions of the regulatory frameworks, IA may conduct regulatory enquiries or investigations on Target or imposes regulatory sanction or penalties and we may also suffer adverse publicity of the mass media. Such investigations, sanctions, penalties and publicity may in turn affect our business, reputation, results of operations or financial condition.

Target's ability to comply with minimum solvency requirements is affected by a number of factors, and Target's compliance of those requirements may force us to raise additional capital, which could be dilutive to you, or could limit our growth

Target is required to maintain minimum solvency level under the ICO or such higher solvency level imposed by the IA. Target's minimum solvency is affected primarily by the amount of premiums Target received, the amount of potential claims, the number of insurance policies Target sells and the applicable regulations in force from time to time. Target's solvency is also affected by a number of other factors, including the combined ratio, loss ratio and credit ratings of Target's insurance products, returns on Target's investments and method of calculation of such solvency level. For details of our solvency margin ratio as at the end of each of the Track Record Period, please refer to the paragraph headed "Solvency margin ratio" under the section headed "Financial Information" on page 183 of this prospectus. Any failure of Target in meeting the minimum capital and surplus requirements may subject it to intervention by the IA.

If we intend to expand our business in the future, we may need to raise additional capital to meet the solvency requirements, which would be dilutive to our Shareholders. If we are not able to raise additional capital, we may face adverse consequences to our business, financial condition and results of operations.

We may not be able to detect or prevent fraud or other misconduct by the Insured, other relevant claimants or third parties

We may be subject to fraud and other misconduct by the Insured, other relevant claimants or third parties, such as exaggerating the amount of claims or falsifying insurable events. While we are implementing measures aimed at detecting and preventing such fraud and misconduct, we may not always be able to detect or prevent all such fraud or misconduct, which may in turn adversely affect our business, results of operations or financial condition.

Proposals on the establishment of an independent insurance authority and a policy holder protection fund in Hong Kong may adversely affect our business

The business of insurance companies in Hong Kong is regulated by the IA and is subject to the IA regulations and the requirements of the ICO. The Insurance Companies (Amendment) Bill 2014 (the "**Bill**") was introduced by the HK Government to provide for, among other things, the establishment of an independent Insurance Authority (the "**IIA**") and a statutory licensing regime for insurance intermediaries to replace the existing self-regulatory system. The Bill was gazetted on 25 April 2014 and was presented to the Legislative Council for a first reading on 30 April 2014. In general, it is proposed to establish the IIA, which could be both financially and operationally independent of the HK Government, to replace the OCI which is a government department. Further, the IA is also exploring the possibility of setting up a policy holder protection fund to be utilized in the event of insolvency of any of the insurance companies. As at the Latest Practicable Date, there was no certainty of the future development of the proposed IIA and the protection fund. We may have to incur further costs for compliance with the changing regulatory framework in Hong Kong, which may in turn adversely affect our business, results of operations and financial conditions.

The risk-based capital framework for the insurance industry in Hong Kong

The ICO and its regulations, together with the Guidance Notes issued by the IA, prescribe a capital adequacy framework for insurers operating in Hong Kong. In recent years, it has been recognized globally that the capital adequacy framework should take into account different risk factors of different insurers, and be conducive to enhance the corporate governance, enterprise risk management and public disclosure practices of insurers. The International Association of Insurance Supervisors has issued new Insurance Core Principles in relation to risk-based capital ("**RBC**") requirements in late 2011. The IA has reviewed the existing regulatory capital framework for insurance business in Hong Kong and proposed to revamp it towards a RBC regime. For more details about RBC requirements, please refer to the section headed "Regulatory Overview" of this prospectus.

As at the Latest Practicable Date, there is no certainty on the implementation of the RBC requirements in Hong Kong. We may have to incur further costs and deploy extra resources for compliance with the relevant regulatory framework in Hong Kong, which may in turn adversely affect our business, results of operations and financial conditions.

The results of operation of some insurance companies offering motor insurance in Hong Kong are affected by the limit of premium income and number of insurance policy in force imposed by the IA

The IA is empowered under the ICO to impose certain limits on the business of insurance companies offering motor insurance in Hong Kong, including, inter alia, the annual gross premium income to be received and the number of insurance policy in force at any moment (collectively, the "**Business Limits**"). In granting any relaxation of the Business Limits, the IA may review and consider various factors, including, inter alia, actuarial review report, audited accounts, insurance statistics, investment position, premium rates, etc.

Target is subject to Business Limits imposed by the IA. Our growth depends, to a certain extent, on the relaxation of the Business Limits from time to time. There is no assurance that the IA will always approve the relaxation of the Business Limits. In the event that the IA does not approve any relaxation of the Business Limits, or delay in granting approval of the same, our business plan and growth may be adversely affected, which in turn may affect our results of operations and the returns of your investments.

Investments by insurance companies in Hong Kong are subject to restrictions imposed by the IA

The IA has imposed certain restrictions on the constituents and amounts of our investment portfolio. Under certain circumstances, changes in constituents and increase in amounts of our investment portfolio exceeding certain threshold are subject to prior consent of the IA and there is usually a time gap between the making of investment decision and the grant of the consent of the IA. In light of the aforesaid, there is no assurance that we will always be able to capture market opportunity in a timely manner, which may in turn affect our results of operations and the returns of your investment. Further, due to such consent requirement, we may not be able to maximize our profits.

Differences between claims experience and reserving assumptions may require us to increase our reserves

We establish and maintain reserves to cover estimated Losses and associated expenses for reported and unreported claims. Consequently, our earnings depend significantly upon the extent to which our actual claims experience is consistent with the assumptions and estimates used in setting the prices for our insurance products and establishing the reserves for our obligations for future policy claims. We base the level of our outstanding claims reserves on estimates of the amounts that we will ultimately need to settle reported and unreported claims incurred prior to a specific financial statement cut-off date. Our reserves estimates are based on the actuarial report compiled by our actuarial consultant and the facts and circumstances known to us at the time we establish the reserves, historical data regarding our settlement patterns, available industry data and trends and other factors. Reserves estimates can be affected by both internal and external variables, such as changes in claims handling procedures, inflation, missing claims and legislative and regulatory changes. Many of these variables are not directly quantifiable, particularly on a prospective basis, and are outside our control. Due to the nature of the underlying risks and the high degree of uncertainty associated with the determination of the liabilities for unpaid claims, we can only estimate the amount which we will ultimately pay to settle these liabilities. As a result, actual claims payments may differ significantly from the reserves estimates, despite the use of actuarial analysis in calculating reserves. If our reserves are inadequate and need to be increased in future periods, we would need to obtain the capital necessary to make such increase and such adjustments to the reserves could result in a charge against earnings in our income statement, thereby adversely affecting our results of operations.

We are subject to competition from other competitors engaging in similar business

According to the report of Euromonitor, the motor insurance market is highly fragmented with 72 players in the market. However, as of 31 December 2013, there were 59 active authorized motor vehicle insurers in Hong Kong, of which 26 are direct insurers, 12 are pure reinsurers and the remaining 21 are insurers engaging in both direct insurance and reinsurance business. More details of the industry are set out in the section headed “Industry Overview” of this prospectus. We face competition from other insurance companies offering similar insurance products. Further, in the event that we expand our insurance business to other area, we may also face competition from other insurance companies providing insurance in such area. We cannot assure that our current and future competitors will not offer insurance products with terms and conditions more favourable to the customers as compared to ours.

If our Group fails to compete successfully against existing or future competitors, our business, financial conditions and operating results may be adversely affected.

Protests against the amount of insurance premiums cause uncertainties to our business

In 2011, there were protests by the transportation industry against the high insurance premiums charged on the public transportation vehicles in Hong Kong. The issue was discussed in the Legislative Council (the "**LegCo**") and some of the members of the LegCo had expressed their opinions about the insurance premiums charged by insurance companies in Hong Kong. There is no assurance that, in light of such protests, the HK Government or other competent authority will not implement any measures or put pressure on the insurance industry to adjust the insurance premiums charged by insurance companies in Hong Kong. In such event, our financial condition and results of operations may be adversely affected.

Recent demonstrations in Hong Kong cause uncertainties to the insurance industry and the overall business environment of Hong Kong

During the last quarter of 2014, demonstrations occurred in certain busy areas of Hong Kong and people occupied certain main roads, which had in turn resulted in suspension of services or route diversions of some of the public transportations. While such occupation actions have ended, there is uncertainties on whether the occupation actions will repeat or appear in other manner in the future. If the Hong Kong economy is adversely and materially affected by the demonstrations or other similar actions, the financial condition of our customers and potential customers may be affected and become unable to afford the premium, and hence affecting our business and profitability.

RISKS ASSOCIATED WITH THE SHARE OFFER

The liquidity and price of the Shares may be volatile

Prior to the Share Offer, there has been no public market for the Shares. The Offer Price may not be indicative of the price at which the Shares will trade following the completion of the Share Offer. There is no assurance that the market price of the Shares will not fall below the Offer Price. Prices for the Shares may also fluctuate significantly. The trading price of the Shares subsequent to the Share Offer may also be subject to significant volatility in response to, among other factors, the following:

- investor perceptions of our Group and our Group's future plans and prospects;
- variations in the operating results of our Group;
- changes in pricing by our Group or our competitors;
- changes in our Group's key and senior management;
- fluctuation in stock market prices and volume;
- involvement in litigation; and
- general economic and other factors.

There is no prior market for the Shares

Prior to the Share Offer, there has been no public market for the Shares. The initial Offer Price to the public for our Shares is the result of negotiations between our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters), and the Offer Price may differ significantly from the market price for our Shares following the Share Offer. There is no assurance that an active trading market for the Shares, if it does develop, will be sustained following the completion of the Share Offer.

The listing expenses may have a material adverse impact on our financial condition and results of operations

Our Group anticipates that part of the listing expenses in the sum of approximately HK$13.0 million will be charged to the profit or loss of our Group for the year ending 31 December 2014. The said amount represents approximately 23.1% of the net profit before tax of our Group for the year ended 31 December 2013. There is no assurance that our financial condition and results of operation for the year ending 31 December 2014 will not be adversely affected by the non-recurring listing expenses.

Statistics and facts under the section headed "Industry Overview" of this prospectus may be inaccurate

Most of the statistics relating to the insurance market in Hong Kong and most of the related facts as set out in the section headed "Industry Overview" of this prospectus have been extracted from various official resources of the HK Government and the regulatory authorities. Our Group has not carried out any independent verification on the relevant statistics and facts. Accordingly, our Group makes no representation as to the completeness or accuracy of these statistics and facts, or their compatibilities with other sources or reports. Such statistics and facts may be inaccurate and should not be unduly relied upon.

Forward-looking statements may prove inaccurate

This prospectus contains certain forward-looking statements relating to our Group's plans, objectives, expectations and intentions. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of our Group to be materially different from the anticipated results, performance or achievements expressed or implied by the forward-looking statements in this prospectus. Such forward-looking statements are based on numerous assumptions as to our Group's present and future business strategies and the environment in which our Group may operate in the future. Our Group's actual results, performance or achievements may differ materially from those discussed in this prospectus.

Historical dividends are not indicative of future dividends

Target has dividend declared during the years ended 31 December 2011, 31 December 2013 and the year ending 31 December 2014 amounting to HK$35.0 million, HK$40.0 million and HK$78.0 million respectively. Subject to the Hong Kong Company Law, our Articles of Association and the requirements under the ICO and imposed by the IA, for the year ending 31 December 2015 and each year thereafter, we intend to distribute dividend to our Shareholders of not less than 30% of any net consolidated distributable profit derived. We will re-evaluate our dividend policy annually. There is no assurance that dividends will be declared or paid in the future, at a similar level or at all. The past dividend rates should not be used as a reference or basis to determine the amount of dividends in the future. The amount of any dividends to be declared in the future may be subject to, among other factors, our results of operations and cash flows, our financial position, general business conditions and strategies, Target's capital and solvency requirements under the ICO or imposed by the IA, our solvency margin position, our future prospects, statutory restrictions on the payment of dividends imposed by the IA and other factors our Board may deem relevant.

Further, the IA may impose notice requirement for distribution of dividends. As at the Latest Practicable Date, Target is required to notify the IA three months in advance regarding the declaration or payment of dividends and this may further delay the distribution of dividends to our Shareholders.

The interests of our Controlling Shareholders may conflict with those of our other minority Shareholders

Immediately following the Share Offer (without taking into account any Share which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options granted under the Pre-IPO Share Option Scheme and any options that may be granted under the Share Option Scheme), Independent Assets and Dr. Cheung (through Independent Assets) will beneficially own an aggregate of 36.75% of the Shares and are the Controlling Shareholders. Dr. Cheung is also the Chairman and an executive Director. The interests of our Controlling Shareholders may differ from the interests of our other Shareholders. There is no assurance that the Controlling Shareholders will act in the best interests of our Group and the minority Shareholders. In the event of any conflict of interests between the Controlling Shareholders and our minority Shareholders arise, the Controlling Shareholders will have the power to prevent us from proceeding with any proposed transactions at the general meeting which could be beneficial to us and our other Shareholders, regardless of the underlying reasons.

Future disposals of a substantial number of our Shares by our major Shareholders in the public market may cause downward pressure to the market prices of our Shares

The disposals of a substantial number of our Shares in the public market after the Share Offer, or the possibility for such disposals, could adversely affect the market price of our Shares. Some of the Shares are subject to certain lock-up periods, the details of which are set out in the section headed "Underwriting" of this prospectus. The relevant Shareholders will be able to dispose of their Shares upon expiration of the lock-up period. Disposals of any substantial number of our Shares may cause downward pressures on the market price of our Shares.

As the Offer Price is higher than the net tangible book value per Share, investors will experience immediate dilution

The Offer Price of our Shares is higher than the net tangible assets book value per Share immediately prior to the Share Offer. Therefore, investors of our Shares in the Share Offer will experience an immediate dilution in the pro forma combined net tangible asset book value of HK$0.848 per Share based on the maximum price of HK$1.80 per Share. Further, we may consider issuing additional new Shares in the future. Investors of our Shares may experience further dilution in the net tangible assets book value per Share if we issue additional new Shares in the future at a price which is lower than the net tangible asset book value per Share.

Investors should not rely on any information contained in the press articles or other media regarding our Group and the Share Offer

There has been press coverage in certain news publications regarding our Group and the Share Offer which included certain financial information, financial projections and other information about our Group that do not appear in this prospectus (the "**Information**"). Our Group wishes to emphasise to potential investors that our Group does not accept any responsibility for the accuracy or completeness of the Information and that the Information was not sourced from or authorized by our Group. Our Group makes no representation as to the appropriateness, accuracy, completeness or reliability of any of the information and underlying assumptions. To the extent that any of the Information is inconsistent with, or conflicts with, the information contained in this prospectus, our Group disclaims it. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this prospectus only and should not rely on any other information.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules, Chapter 571V of the Laws of Hong Kong and the Listing Rules for the purpose of giving information with regard to our Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

FULLY UNDERWRITTEN

This prospectus is published solely in connection with the Public Offer, which forms part of the Share Offer. The Share Offer comprises the Placing and the Public Offer. The Share Offer is an offer by our Company of 12,500,000 Shares under the Public Offer (subject to reallocation) and 112,500,000 Shares under the Placing (subject to reallocation and the Over-allotment Option), in each case at the Offer Price. Details of the structure of the Share Offer are set out in the section headed "Structure of the Share Offer" of this prospectus. This prospectus and the Application Forms relating thereto set out the terms and conditions of the Share Offer.

The Listing is sponsored by the Sponsor, managed by the Joint Lead Managers and is fully underwritten by the Underwriters.

OFFER SHARES TO BE OFFERED IN HONG KONG ONLY

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus. No person is authorised in connection with the Share Offer to give any information, or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by our Company, the Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, any of their respective directors or any other person or parties involved in the Share Offer.

RESTRICTIONS ON OFFER OF THE OFFER SHARES

No action has been taken in any jurisdiction other than Hong Kong to permit an offering of the Offer Shares or the distribution of this prospectus and/or the Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Public Offer Shares have not been publicly offered or sold directly or indirectly, in the PRC or the U.S. Each person acquiring the Public Offer Shares will be required to, or be deemed by his/her acquisition of Public Offer Shares to, confirm that he/she is aware of the restrictions on offers of the Public Offer Shares described in this prospectus and the related Application Forms.

Prospective applicants for the Public Offer Shares should consult their financial advisers and take legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for the Public Offer Shares should inform themselves as to the relevant legal requirements of applying for the Public Offer Shares and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Our Company has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue, the Shares to be issued pursuant to the Share Offer, and any Shares which may fall to be allotted and issued upon the exercise of the Over-allotment Option, any option granted under the Pre-IPO Share Option Scheme and any option which may be granted under the Share Option Scheme.

No part of our Company's share or loan capital is listed or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

SHARE REGISTRAR AND STAMP DUTY

All Offer Shares will be registered on our Company's register of members maintained in Hong Kong by our share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. Only Shares registered in our Company's register of members maintained in Hong Kong may be traded on the Stock Exchange. Dealings in Shares registered in our Company's register of members maintained in Hong Kong will be subject to Hong Kong stamp duty.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Share Offer are recommended to consult their professional advisers, if they are in doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Offer Shares. None of our Company, the Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, their respective directors and any other person involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of, any person or holders of Shares resulting from subscribing for, purchasing, holding or disposing of or dealing in the Offer Shares.

OVER-ALLOTMENT OPTION AND STABILISATION

Details of the arrangements relating to the Over-allotment Option and the related stabilisation exercise are set out in the section headed "Structure of the Share Offer" of this prospectus.

PROCEDURE FOR APPLICATION FOR THE PUBLIC OFFER SHARES

The procedure for application for the Public Offer Shares is set out in the section headed "How to Apply for the Public Offer Shares" of this prospectus and on the relevant Application Forms.

STRUCTURE OF THE SHARE OFFER

Details of the structure of the Share Offer, including conditions of the Share Offer, are set out in the section headed "Structure of the Share Offer" of this prospectus.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares on the Stock Exchange and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Investors should seek the advice of their stockbroker or other professional advisor for details of those settlement arrangements as such arrangements will affect their rights, interest and liabilities.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All necessary arrangements have been made for the Shares to be admitted to CCASS.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Thursday, 15 January 2015.

The Shares will be traded in board lots of 2,000 Shares each.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations among certain amounts denominated in RMB, HK dollar and US dollar. No representation is made that the amounts denominated in one currency could actually be converted into the amounts denominated in another currency at the rates indicated or at all. Unless indicated otherwise, for the purpose of illustration only, (i) the translations between HK dollar and RMB were made at the rate of HK$1.00 to RMB0.79, which was The People's Bank of China rate prevailing as at the Latest Practicable Date and (ii) the translations between HK dollar and US dollar were made at the rate of HK$7.75 to US$1.00.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. If there is any inconsistency between the Chinese names of the Chinese entities mentioned in this prospectus and their English translation, the Chinese names shall prevail.

ROUNDING

Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

DIRECTORS

Name	Residential address	Nationality
Executive Directors:		
Cheung Haywood (張德熙)	Block H, Ground Floor Kowloon Tong Garden 1 Cambridge Road, Kowloon Hong Kong	Chinese
Lai Bing Leung (黎秉良)	Flat A, Ground Floor Kowloon Tong Garden 1 Cambridge Road, Kowloon Hong Kong	Chinese
Chiu Sun Ting (趙新庭)	Flat A, 21st Floor, Block 5 Braemar Hill Mansion No. 23 Braemar Hill Road Hong Kong	Chinese
Choi Chiu Fai Stanley (蔡朝暉)	House 8 No. 28 Gough Hill Road The Peak, Hong Kong	Chinese
Muk Wang Lit Jimmy (穆宏烈)	Flat C, 13th Floor, Block 3 Juniper Mansions Whampoa Garden Hunghom, Kowloon Hong Kong	Chinese
Chan Hok Ching (陳學貞)	Flat H, 5th Floor, Maple Mansion Tai Koo Shing Hong Kong	Chinese
Independent non-executive Directors:		
Wan Kam To (尹錦滔)	Flat A, 23rd Floor The Colonnade 152 Tai Hang Road Hong Kong	Chinese
Wong Shiu Hoi Peter (黃紹開)	5B, 8 Serene Avenue La Serene Discovery Bay Lantau Island Hong Kong	Canadian
Szeto Wai Sun (司徒維新)	Flat A, 13th Floor Star Court 4 Man Wan Road Ho Man Tin, Kowloon Hong Kong	Chinese

Further information of our Directors is disclosed in the section headed "Directors, Senior Management and Employees" of this prospectus.

PARTIES INVOLVED

Sponsor	CLC International Limited Suites 4703A-4704 Two Exchange Square 8 Connaught Place Hong Kong
Sole Bookrunner	Oriental Patron Securities Limited Suites 2701-3, 2705-8 27/F Two Exchange Square 8 Connaught Place, Central Hong Kong
Joint Lead Managers	Oriental Patron Securities Limited Suites 2701-3, 2705-8 27/F Two Exchange Square 8 Connaught Place, Central Hong Kong CLC Securities Limited Suite 4703 Two Exchange Square 8 Connaught Place Hong Kong
Co-manager	SBI China Capital Financial Services Limited Unit A2, 32/F, United Centre 95 Queensway, Admiralty Hong Kong
Legal advisors to the Company	*As to Hong Kong law* Sit, Fung, Kwong & Shum 9th Floor, York House The Landmark 15 Queen's Road Central Hong Kong
Legal advisors to the Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Underwriters	*As to Hong Kong law* F. Zimmern & Co. Rooms 1002-3, 10th Floor, York House The Landmark 15 Queen's Road Central Hong Kong
Auditor and reporting accountant	Mazars CPA Limited *Certified Public Accountants* 42nd Floor, Central Plaza 18 Harbour Road Wanchai Hong Kong

Actuarial consultant	S. Yu & Partners Limited Room 2205, Technology Plaza 651 King's Road, Quarry Bay Hong Kong
Receiving banks	Bank of Communications Co., Ltd. Hong Kong Branch 20 Pedder Street, Central Hong Kong
	DBS Bank (Hong Kong) Limited 16/F, The Center 99 Queen's Road Central Hong Kong

CORPORATE INFORMATION

Registered office, headquarters and principal place of business	Units 1708 - 1710, 17th Floor, Miramar Tower 132 Nathan Road, Tsimshatsui Kowloon Hong Kong
Company secretary	Tse Kam Fai *FCIS, FCS, HKIoD* Flat E, 8th Floor, Block 8 Villa Concerto, Symphony Bay 530 Sai Sha Road, Sai Kung New Territories Hong Kong
Compliance advisor	CLC International Limited Suites 4703A-4704, Two Exchange Square 8 Connaught Place Hong Kong
Authorised representatives	Chan Hok Ching Flat H, 5th Floor Maple Mansion Tai Koo Shing Hong Kong Tse Kam Fai Flat E, 8th Floor, Block 8 Villa Concerto, Symphony Bay 530 Sai Sha Road, Sai Kung New Territories Hong Kong
Members of audit committee	Wan Kam To *(Chairman)* Wong Shiu Hoi Peter Szeto Wai Sun
Members of remuneration committee	Wong Shiu Hoi Peter *(Chairman)* Szeto Wai Sun Chan Hok Ching
Members of nomination committee	Szeto Wai Sun *(Chairman)* Wong Shiu Hoi Peter Muk Wang Lit Jimmy
Members of risk committee	Wong Shiu Hoi Peter *(Chairman)* Szeto Wai Sun Muk Wang Lit Jimmy Chan Hok Ching
Share registrar and transfer office	Tricor Investor Services Limited Level 22 Hopewell Centre 183 Queen’s Road East Hong Kong

Principal banker	Bank of China (Hong Kong) Limited Waterloo Road Branch Shop A2 Man Kee Mansion 86 Waterloo Road Kowloon Hong Kong
Company's website	www.targetins.com.hk (information of this website does not form part of this prospectus)

This section contains certain information which is derived from official publications of the HK Government and the OCI as well as commissioned report from Euromonitor, an Independent Third Party. We believe that the sources of the information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information is false or misleading. While we have exercised reasonable care in compiling and reproducing such information from official publications of the HK Government and OCI, it has not been independently verified by us, or any of our affiliates or advisors, nor by the Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters or any of their affiliates or advisors or any other party involved in the Share Offer. The information from official publications of the HK Government and the OCI may not be consistent with information available from other sources within or outside Hong Kong. Neither our Group, any of our affiliates or advisors, the Underwriters of their affiliates or advisors, nor any other party involved in the Share Offer make any representation as to the accuracy, completeness or fairness of such information from the official publications of HK Government or the OCI.

The information that appears in this section has been prepared by Euromonitor and reflects estimates of market conditions based on publicly available sources and trade opinion surveys, and is prepared primarily as a market research tool. References to Euromonitor should not be considered the opinion of Euromonitor as to the value of any security or the advisability of investing in our Group. Our Directors believe that the sources of information contained in this section are appropriate sources for such information and have taken reasonable care in reproducing such information. Our Directors have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. The information prepared by Euromonitor and set out in this section has not been independently verified by us, the Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters or any other party involved in the Share Offer and neither they nor Euromonitor give any representations as to its accuracy and the information should not be relied upon in making, or refraining from making, any investment decision.

SOURCES OF INFORMATION

We commissioned a report from Euromonitor to conduct an analysis of, and to report on, motor insurance market in Hong Kong. A total fee of US$42,000 (equivalent to approximately HK$326,000) was paid to Euromonitor for the preparation of the report.

Euromonitor, founded in 1972, is a global research organization and private independent provider of business intelligence on industries, countries and consumers.

The report of Euromonitor has been compiled after thorough and diligent research conducted by Euromonitor's Singapore Office. The market research process was undertaken through a top-down central research and bottom up intelligence to present a comprehensive and accurate picture of the motor insurance market in Hong Kong. Euromonitor's detailed primary research involved:

- Detailed desk research using information from the Census and Statistics Department of HK Government, the OCI, regulatory authorities in Hong Kong, trade associations, and companies' annual reports. Where national statistics are quoted in this review, these will be taken from the most updated published official statistics, where available.
- Trade interviews with trade associations and leading industry players, among others.

With both primary and secondary research in place, Euromonitor has utilized both types of sources to validate all data and information collected, with no reliance on any single source. Furthermore, a test of each respondent's information and views against those of others is applied to ensure reliability and eliminate bias from these sources.

MOTOR VEHICLES MARKET IN HONG KONG

In Hong Kong, under the Motor Vehicles Insurance (Third Party Risks) Ordinance (Chapter 272 of the Laws of Hong Kong), it is compulsory for each motor vehicle owner to take out a motor vehicle third party liability insurance. Accordingly, as long as such legal requirement remains in force, there is a stable market for motor insurance in Hong Kong.

In general, the numbers of taxi and PLB in Hong Kong during the past five years have remained almost static, at around 18,100 and 4,345 respectively. According to the Transport Department of the HK Government, there were approximately 680,914 licensed motor vehicles in Hong Kong in 2013, and the number increased at a compounded annual growth rate (CAGR) of 3.9% over the historic period from 2009 to 2013. The following table sets out the numbers and types of motor vehicle population in Hong Kong during the period between 2009 and 2013:

Total licensed motor vehicle population in Hong Kong

(No. of vehicles)	2009	2010	2011	2012	2013
Total licensed motor vehicles	584,070	607,796	630,281	653,010	680,914
Private cars	393,812	414,966	434,843	454,697	475,752
Motorcycles (including motor tricycles)	37,604	38,008	38,617	39,741	41,766
Taxi	18,128	18,131	18,132	18,131	18,083
Buses, public and private	13,246	13,210	13,277	13,244	13,353
Light buses, public and private	6,339	6,425	6,545	6,786	7,103
PLB	4,347	4,348	4,345	4,347	4,346
PLB (green)	2,976	3,018	3,055	3,068	3,107
PLB (red)	1,371	1,330	1,290	1,279	1,239
Light buses, private	1,992	2,077	2,200	2,439	2,757
Goods vehicles	107,402	109,416	111,164	112,721	116,996
Special purpose vehicles	1,263	1,325	1,406	1,450	1,556
Government vehicles (excluding military vehicles)	6,276	6,315	6,297	6,240	6,305

Source: Transport Department, HK Government

Newly registered vehicles increased at a strong 14.3% CAGR during the period from 2009 to 2013, indicating that the economy has been steadily recovering from the global financial crisis since 2009. While a remarkable rebound was observed in 2010 when growth rates hit as high as 45.9%, the growth subsequently tapered down to about 6.4% in 2013.

The following table sets out the number and types of newly registered motor vehicle population in Hong Kong during the period between 2009 and 2013:

Total newly registered motor vehicle population in Hong Kong

(No. of vehicles)	2009	2010	2011	2012	2013
Newly registered motor vehicles	36,245	52,894	57,268	58,201	61,909
Private cars	28,432	41,240	44,569	44,983	45,382
Motorcycles (including motor tricycles)	2,586	2,698	3,135	3,603	4,360
Taxi	365	398	276	300	765
Buses, public and private	547	805	886	1,027	1,013
Light buses, public and private	214	304	240	335	385
PLB	88	162	58	46	47
PLB (green)	44	89	30	27	28
PLB (red)	44	73	28	19	19
Light buses, private	126	142	182	289	338
Goods vehicles	3,342	6,490	7,362	7,366	9,249
Special purpose vehicles	125	110	149	100	161
Government vehicles (excluding military vehicles)	634	849	651	487	594

Source: Transport Department, HK Government

Market trends in the motor vehicle industry

The growth of the motor vehicle population in Hong Kong depends on a number of market trends including:—

Effort to improve the public transportation and road networks

In view of a continued expansion in the vehicle population, the Hong Kong government has been stepping up its efforts to ease traffic congestion and also improve the overall commuting experience in order to encourage citizens to switch over to public transportation. Plans to improve the public transportation and road networks are underway, such as the expansion of the Mass Transit Railway network and the construction of the Hong Kong-Zhuhai-Macau Bridge. While these improvements will help accommodate the expected growth in vehicles, the overall effect is difficult to determine due to the complex interaction between public and private transportation.

An increase in the number of auto purchases by the Mainland citizen

Since the Chinese government's launch of the Individual Visit Scheme in 2003, which reduced restrictions on mainland Chinese tourists visiting Hong Kong, a large wave of new Chinese tourist arrivals into the territory was witnessed over the past decade. With this significant inflow of Mainland citizens into Hong Kong, car dealers have observed a surge in private car purchases.

Promotion of electric vehicles may boost replacement rates in the future

The promotion of electric vehicles for both commercial and private use by the Hong Kong government is expected to lift replacement rates of motor vehicles in the long term if adoption rates continue to rise. As part of its ongoing drive to curb air pollution and improve overall air quality, the Hong Kong government is actively trying to phase out commercial diesel vehicles and to promote the use of electric vehicles. Having said that, the electric vehicle market is still in its early stages of development and the uptake has been slow. The impact of this trend is thus not likely to be felt in the short term but rather over a longer term with continued government efforts.

Impact of new disruptive technologies

The introduction of application-based taxi and car service hailing systems such as Uber Technologies since 2013 has changed the way individuals secure a car or taxi service. Uber entered Hong Kong in July 2014, which was thought to create a dent in the taxi industry and at the same time potentially increase the supply of private cars and limousine services in the market. However, the taxi industry and indirectly the motor insurance market are both likely to see little impact due to the fact that such technologies are targeting a different target commuter segment, and the heavily regulated nature of the industry.

The entry of Uber in July 2014 has heightened the intensity of competition for the Hong Kong taxi industry, however, targeted mainly at luxury commute where prices are substantially higher than taking a taxi. Taking into consideration that Hong Kong's affordable taxi fares are controlled and regulated by the government, there is little motivation for most commuters to travel at a premium. In addition to the limited impact on the taxi business, the well regulated taxi industry also set the stage of a stable fleet of taxis in Hong Kong. The government controls the supply of taxi licenses available in circulation and since 1994, the number has not seen much change. With a limited supply of taxi licenses and a constant demand for taxi services, the total fleet of taxis in Hong Kong has seen very little fluctuations over the years and this trend is expected to remain unchanged in the near future.

ROAD TRAFFIC ACCIDENTS IN HONG KONG

Approximately 90% of the total number of vehicles involved in road traffic accidents is accounted for by motor vehicles in 2013. During the period between 2009 and 2013, the total number of vehicles involved in road traffic accidents grew at a 3.3% CAGR and reached 24,673 in 2013, which is higher than the 2.7% CAGR for motor vehicles during the same period. However, in terms of the motor vehicles in road traffic accidents in Hong Kong, the number declined during the historical period, from 34.1 in 2009 to 32.8 in 2013 per 1,000 licensed vehicles.

The total number of motor vehicle involvements in road traffic accidents recorded a 2.7% CAGR from 19,608 in 2009 to 21,833 in 2013, in tandem with the overall increase in the number of motor vehicles. Private cars represented the largest class of motor vehicles involved in road accidents. Among the 21,833 motor vehicle involvements in 2013, 7,093 were private cars, as compared with 4,395 taxi, 2,847 public buses, 2,706 light goods vehicles, 2,222 motorcycles, 1,128 PLB and 1,442 of all other motor vehicle classes.

Apart from motorcycles and trams, all other classes of motor vehicles experienced an increase in involvement in road traffic accidents over the review period. Light rail vehicles drove the increase due to a small starting base, with a CAGR of 27.3% from 2009 to 2013. In contrast, public buses, medium and heavy goods vehicles, private cars and taxi witnessed slower increases with CAGRs between 3.7% and 5.2% over the same period. Light goods vehicles and PLB had the most modest increases, with CAGRs of 1.7% and 0.4%, respectively. Motorcycles and trams bucked the trend and saw persistent declines instead, with CAGRs of -3.4% and -6.1%, respectively, over the review period.

The following table sets out the motor vehicle involvements in road traffic accidents by selected class of motor vehicles during the period between 2009 and 2013:

Number of vehicle involvements	2009	2010	2011	2012	2013
All motor vehicles	**19,608**	**20,407**	**21,078**	**21,175**	**21,833**
Motorcycles	2,556	2,428	2,328	2,245	2,222
Private cars	6,085	6,255	6,591	6,859	7,093
Taxi	3,801	4,053	4,259	4,240	4,395
Light buses, public	1,110	1,146	1,142	1,067	1,128
Buses, public	2,322	2,442	2,629	2,693	2,847
Light goods vehicles	2,527	2,726	2,689	2,637	2,706
Medium and heavy goods vehicles	907	1,031	1,141	1,105	1,085
Tram	76	75	59	44	59
Light rail vehicles	8	15	11	13	21
Others	216	236	229	272	277

Source: Transport Department, HK Government

Despite the overall increase in the number of involvements in road traffic accidents, motor vehicle involvement rates per 1,000 vehicles steadily decreased from 2010 to 2013, pointing to a slower growth in the total number of road accidents as compared with the total number of motor vehicles. In 2013, 32.8 motor vehicles per every 1,000 were involved in road accidents. In line with this trend are motor vehicles such as motorcycles, private cars and trams, with gradually decreasing involvement rates per 1,000 vehicles from 2009 to 2013. Taxi, PLB, medium and heavy goods vehicles and light rail vehicles experienced higher involvement rates, on top of higher incidences of involvement in absolute numbers.

The following table sets out the motor vehicle involvement rates by selected class of motor vehicles during the period between 2009 and 2013:

Per 1,000 vehicles	2009	2010	2011	2012	2013
All motor vehicles	**34.1**	**34.3**	**34.1**	**33.1**	**32.8**
Motorcycles	67.9	64.2	60.9	57.7	54.7
Private cars	15.8	15.5	15.5	15.5	15.3
Taxi	209.7	223.6	235.0	233.9	242.6
Light buses, public	255.2	263.7	262.7	245.6	259.4
Buses, public	182.0	191.8	205.9	210.0	224.2
Light goods vehicles	37.1	39.3	38.7	37.3	37.2
Medium and heavy goods vehicles	23.2	25.9	28.0	27.1	26.0
Trams	472.0	465.8	366.5	273.3	366.5
Light rail vehicles	67.2	120.0	83.3	93.5	151.1
Others	22.4	24.0	23.0	22.4	22.4

Source: Transport Department, HK Government

The total number of road traffic accidents recorded a slight rise of 3.0% CAGR over the review period and reached a total number of 16,089 in 2013. This increase was mainly due to the increase in the number of serious injuries, which recorded a CAGR of 6.2% from 2009 to 2013. Fatal injuries and slight injuries saw more subdued increases with CAGRs of 0.4% and 2.4% respectively during the same period. In most cases, those involved in road accidents sustained only slight bodily injuries. Such cases reached 13,485 in 2013 and accounted for 83.8% of all road accidents, as compared with serious injuries (15.4%) and fatal injuries (0.8%).

The following table sets out the road traffic accidents involving bodily injuries by severity in Hong Kong during the period between 2009 and 2013:

Road Traffic Accidents involving Bodily Injuries by Severity in Hong Kong

(No. of accidents)	**2009**	**2010**	**2011**	**2012**	**2013**
Total no. of road traffic accidents	14,316	14,943	15,541	15,894	16,089
Fatal *(Note 1)*	126	114	128	116	128
Serious *(Note 2)*	1,943	2,052	2,190	2,385	2,476
Slight *(Note 3)*	12,247	12,777	13,223	13,393	13,485

Source: Transport Department, HK Government

Notes:

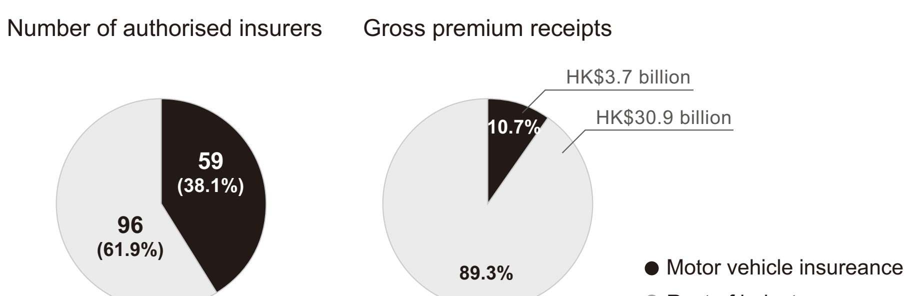
1. *A fatal accident is one in which at least one person is killed immediately, or is injured and subsequently dies of his or her injuries within 30 days of the accident.*
2. *A serious accident is one in which one or more persons is/are injured and detained in hospital for more than 12 hours.*
3. *A slight accident is one in which one or more persons is/are injured but not to the extent that detention in hospital is required for more than 12 hours.*

MOTOR INSURANCE MARKET IN HONG KONG

Overview

Hong Kong is a mature market for the insurance industry and has one of the highest insurance premiums per capita in Asia. Specifically, motor insurance in Hong Kong accounted for approximately HK$3.7 billion or 11% of the total gross premium receipts in Hong Kong in 2013. Among the 155 authorised insurers in Hong Kong, 59 are active underwriters of motor insurance (of which 47 are engaging in direct insurance business), offering various types of motor insurance products and services to vehicle owners. With the presence of both local and international names in the market, product designs and service offerings have become more sophisticated in recent years.

Hong Kong insurance industry in 2013



Source: OCI

Entry requirements

The motor insurance industry in Hong Kong is highly fragmented with a large number of international and local insurers and fairly varied products and service offerings. Especially for insurance companies writing insurance policies for commercial motor vehicles, strong relationships with dealers, distributors and intermediaries in the industry and an in-depth understanding of the local market are essential for better penetration and market leadership. Hence, local players such as our Group have an edge in securing businesses with local transport service providers, carving a niche position in the industry, which differentiated their brand names from the international insurers focusing mainly on the segments of private cars and motorcycles. Besides, there are also some regulatory requirements which need to be fulfilled prior to the establishment of insurance business in Hong Kong and during operations at all times. The primary objectives of these measures are to ensure that insurers are well equipped and will not be susceptible to any downturn of economy or at any time when there is a surge in insurance claims. For instance, it is required under the ICO that an insurer has to maintain at any time a specified solvency requirement. While the ICO stipulates a minimum solvency requirement of 100%, the IA adopts a solvency ratio benchmark of 200% for general insurers including motor vehicle insurers.

Typical motor insurance products/services in Hong Kong

It is mandatory by law that all motor vehicle owners in Hong Kong have to purchase an insurance policy to protect other road users, i.e. to insure liability for the death or bodily injury of third parties. While a myriad of motor insurance products in the market target various segments such as new, second-hand, luxury high-end or commercial, they can generally be classified into two main types, namely third-party risk insurance and comprehensive insurance. While the first type is legally established as the minimum requirement for all motor vehicle owners, some owners opt for comprehensive insurance.

The following table sets out the number of vehicles covered by insurance policy type in Hong Kong during the period between 2009 and 2013:

	2009	**2010**	**2011**	**2012**	**2013**
No. of vehicles covered under:					
All Insurance Policies	615,759	645,882	699,923	727,910	756,904
— Private cars	417,133	440,893	477,275	497,720	520,983
— Public hire vehicles	19,870	22,844	23,152	22,916	22,924
— Other commercial vehicles	134,661	139,840	152,718	159,485	163,737
— Motorcycles	44,095	42,305	46,778	47,789	49,260
Third Party Risks Policies	404,550	425,795	456,669	464,298	468,655
— Private cars	250,913	265,536	283,660	287,832	291,002
— Public hire vehicles	17,881	20,872	21,281	21,156	20,858
— Other commercial vehicles	91,831	97,293	105,148	107,785	107,788
— Motorcycles	43,925	42,094	46,580	47,525	49,007
Comprehensive Policies	211,209	220,087	243,254	263,612	288,249
— Private cars	166,220	175,357	193,615	209,888	229,981
— Public hire vehicles	1,989	1,972	1,871	1,760	2,066
— Other commercial vehicles	42,830	42,547	47,570	51,700	55,949
— Motorcycles	170	211	198	264	253

Source: OCI

2009-2013 data is sourced from 'Annual General Business Statistics 2013'.

According to the provisional statistics published by the OCI, the number of insurance policies of taxi and PLB are set out below:

	2009	2010	2011	2012	2013
No. of taxi and PLB covered under:					
All Policies					
— Taxi	16,909	18,098	18,755	18,574	18,580
— PLB	4,388	4,354	4,397	4,315	4,340
• PLB (green)	3,008	3,000	3,091	3,053	3,120
• PLB (red)	1,380	1,354	1,306	1,262	1,220
Third Party Risks Policies					
— Taxi	N/A	N/A	17,361	17,106	16,803
— PLB	N/A	N/A	3,920	4,017	4,073
• PLB (green)	N/A	N/A	2,809	2,908	2,978
• PLB (red)	N/A	N/A	1,111	1,109	1,095
Comprehensive Policies					
— Taxi	N/A	N/A	1,394	1,468	1,777
— PLB	N/A	N/A	477	298	267
• PLB (green)	N/A	N/A	282	145	142
• PLB (red)	N/A	N/A	195	153	125

Source: OCI

2009-2013 data is sourced from 'Quarterly Release of Provisional Statistics for General Business 2009', 'Quarterly Release of Provisional Statistics for General Business 2010', 'Quarterly Release of Provisional Statistics for General Business 2011', 'Quarterly Release of Provisional Statistics for General Business 2012' and 'Quarterly Release of Provisional Statistics for General Business 2013'.

Note: There is no breakdown by policy for 2009 and 2010.

Premium structure

Motor vehicle insurers structure policies such that they must be renewed annually, and likewise the payment of the insurance premium. While there are no strict regulations or requirements from the IA in terms of duration of policy, it has become an industry norm for insurers to set annual payments for motor insurance premiums. In Hong Kong, without the presence of a tariff system, the premium rates are wholly determined by the insurers, factoring the potential risks involved in underwriting the motor insurance policies.

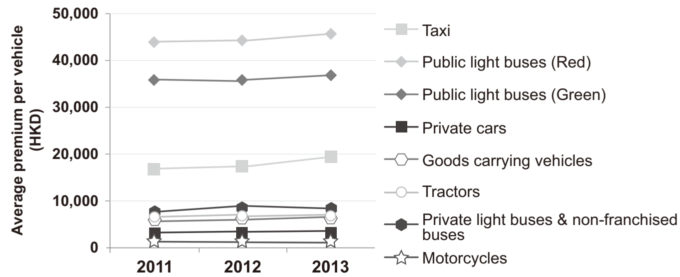
Determinants of premium level

The premium levels is dependent on the expected amount of risk assumed for a particular underwriting, mainly determined by the accident rate and quantum of claims. Insurers take into account a number of factors when calculating a motor insurance premium which include, inter alia, the model and value of the vehicles, the age and experience of the driver and no claims discount (NCD). Among all these factors, NCD plays an important role in deciding the premium amount. A single claims-free year will shave off 20% off the total premium value, and a 60% discount on the total premium for five or more claim-free years. This discount is fully transferrable in Hong Kong and thus motor vehicle owners are able to retain their NCD when switching from one insurer to another.

Trends in motor vehicle premiums

According to the statistics of the OCI, the average gross premiums per vehicle for taxi and PLB (red and green) have shown a moderate growth on the whole from 2011 to 2013. The average gross premium per vehicle in the segment of taxi recorded the fastest growth of 3.3% CAGR during the same period, while the average gross premium per vehicle in the segment of PLB (red) and PLB (green) grew only at 0.6% and 0.9% CAGR respectively. The growth in average premiums for these vehicle types continued to sustain over the past three years and trade sources believe that it will continue rising in a stable manner, as the taxi and PLB population in Hong Kong continues to experience a gradual increase in the next three years.

The chart and table below illustrate the average gross premium per vehicle by classification in Hong Kong during the period between 2011 and 2013:



HK$	2011	2012	2013
Taxi	16,985.1	17,358.4	19,330.2
Public light buses (Red)	43,906.6	44,292.4	45,432.0
Public light buses (Green)	35,936.3	35,835.2	36,813.1
Private cars	3,622.4	3,692.7	3,781.9
Goods carrying vehicles	6,004.6	6,457.5	6,692.8
Tractors	6,427.0	6,621.9	6,683.2
Private light buses & non-franchised buses	7,394.6	9,165.4	8,925.6
Motorcycles	1,205.5	1,219.4	1,213.8
Others	8,211.2	7,116.1	9,401.7

Source: OCI

2011-2013 data is sourced from Quarterly Release of Provisional Statistics for General Business 2011, Quarterly Release of Provisional Statistics for General Business 2012 and Quarterly Release of Provisional Statistics for General Business 2013.

Average gross premium per vehicle is calculated based on the total gross premium divided by the total number of vehicles insured.

Requirements for purchasing and maintaining reinsurance

Under section 8(3)(c) of the ICO, insurers are required to arrange for adequate reinsurance protection for the risks underwritten, unless there are justifications not to do so. This is to reduce exposure of the authorised insurer's business portfolio to a huge amount of Losses owing to large individual risks and accumulations of Losses. The retention amounts, reinsurance limits, scope of coverage and reinsurers are all subject to the insurance companies' own determination. While there are no strict regulations laid out in the ICO, insurers are provided with a set of guidelines to assess and review the capability of the reinsurers periodically.

Key stakeholders and value chain of motor insurance industry

The Hong Kong motor insurance industry has seen few changes, especially on the regulatory front, since the enactment of the Motor Vehicles Insurance (Third Party Risks) Ordinance (Cap. 272) in 1951. Most shifts observed are largely driven by the economy or changes in the motor vehicle population in Hong Kong. Occasionally, the environment evolves, with new entrants and investors seeking opportunities within this industry. Key stakeholders of the industry include insurers, insurance brokers/agents, reinsurers, reinsurance brokers/agents, motor vehicle dealers/distributors and regulators.

Involvement of stakeholders dependent on types of motor vehicles

The flow of activities and processes in the motor insurance industry revolves around insurance and reinsurance. Among the insurers, there is also reinsurance for the primary risk underwritten by these ceding companies. While reinsurance involves largely the same stakeholders, it varies for the underwriting of insurance contracts, where the type of motor vehicle determines the stakeholders involved.

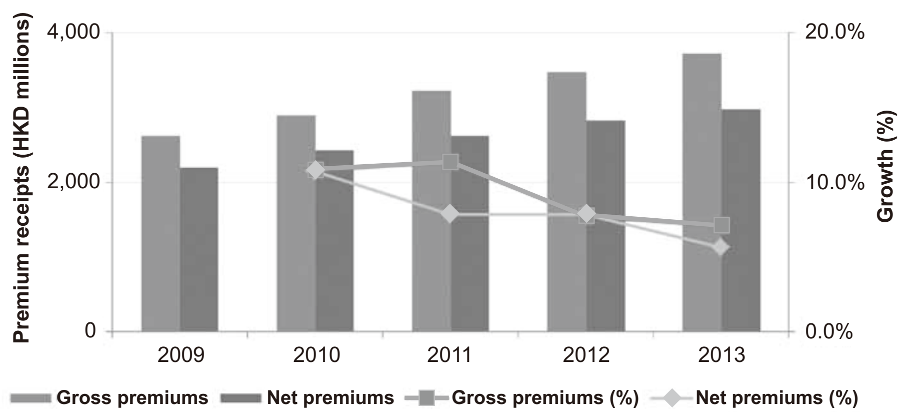
For commercial motor vehicles such as taxi and PLB, authorised vehicle dealers/distributors issue licences to drivers. The dealer/ distributor also doubles up as an insurance agent to offer insurance products and, should one driver sell the licence to another, he is required to go through an authorised dealer/distributor to transfer the ownership and purchase new insurance.

MARKET PERFORMANCE AND TRENDS

Growth in private cars drove overall premium receipts performance

The total gross premiums of the Hong Kong motor insurance direct business in 2013 amounted to HK$3.7 billion, representing an increase of 9.2% CAGR over the period between 2009 and 2013. In 2013, gross and net premiums of the motor insurance direct business recorded growth of 7.1% to HK$3.7 billion and 5.6% to HK$3.0 billion, respectively, compared with 2012, with the reinsurance outward premium amount increasing by 13.4% year-on-year. The growing private car population was the main driving force for motor insurance premium receipts over the review period, a trend expected to continue in the immediate future.

The following chart illustrates the gross and net premium receipts and their respective growth during the period between 2009 and 2013:



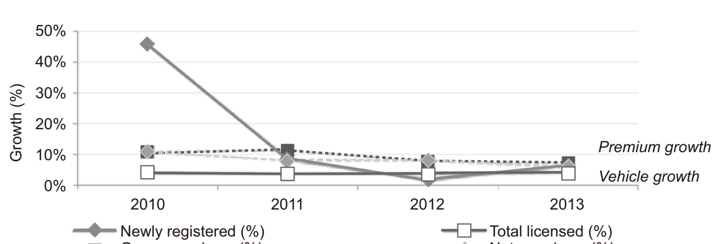
Source: OCI

2009-2013 data is sourced from Annual General Business Statistics 2013.

Premiums grew at a much faster rate than that of the motor vehicle population

From 2011 to 2013, motor insurance premiums increased at the faster rate than the size of the motor vehicle population (in terms of numbers of units). Increases in rates and prices have been accompanied by incremental improvements in product and service offerings. Notably, as the number of luxury car purchases by affluent mainlanders rose in recent years, both the premium amounts and share for comprehensive policies were expected to drive the premium growth.

The following chart illustrates the premium growth and vehicle growth during the period between 2009 and 2013:

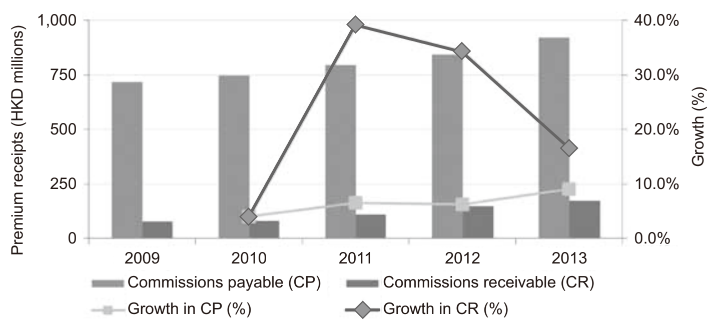


Sources: OCI, Transport Department, HK Government

Surge in commission payables and receivables is a healthy sign of growth

Due to a strong growth in the number of policies written for motor vehicles and premium receipts from 2009 to 2013, the total commissions payable, which is the amount of sales commissions payable by insurance companies to intermediaries such as agents, grew at a CAGR of 6.5% over the review period. Likewise, commissions receivable to the ceding companies grew at a CAGR of 22.6% between 2009 and 2013, reflecting a corresponding increase in reinsurance business as insurers are more inclined to pass on the share of risk exposure to reinsurers.

The following chart illustrates the motor insurance commission payables and receivables during the period between 2009 and 2013:



Source: OCI

2009-2013 data is sourced from Annual General Business Statistics 2013

Dip in net claims incurred ratio

Net claims grew at 1.9% CAGR over the review period, albeit at a slower rate than that of gross claims (CAGR of 2.2%) during the same period, and the net claims incurred ratio declined from 58.6% in 2009 to 54.9% in 2013. This indicated that the net earned premiums have seen a healthy increase given the growth in average premium receipts per vehicle, despite an 11% growth in net claims paid from 2012 to 2013. As such, motor vehicle insurers are seeing a more promising shift towards better financial health and profitability.

The following table sets out the motor insurance gross and net claims paid, and the net claims incurred ratio during the period between 2009 and 2013:

	2009	**2010**	**2011**	**2012**	**2013**
Gross claims paid (HKD million)	1,592.6	1,380.5	1,454.8	1,590.9	1,734.5
Net claims paid (HKD million)	1,299.7	1,144.9	1,193.3	1,266.6	1,402.8
Net claims incurred ratio [1] (%)	58.6%	54.7%	58.3%	55.9%	54.9%

Source: OCI

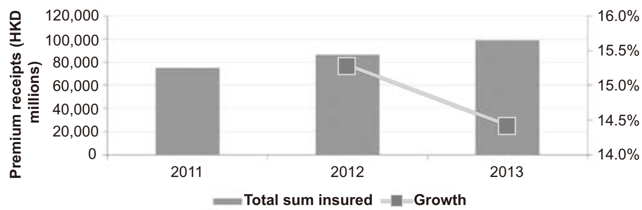
2009-2013 data is sourced from Annual General Business Statistics 2013

[1] The net claims incurred ratio refers to the claims incurred, net of reinsurance, expressed as a percentage of net premiums earned.

Greater protection coverage for motor vehicles by insurers

The total sum insured stood at HKD99.3 billion in 2013, representing an increase of 14.4% over 2012. The growth in sum insured suggested that the industry was providing policyholders with more valuable protection coverage over the past three years. This also translates to a higher sum insured per vehicle since overall motor vehicle population growth is much slower than that of the total sum insured.

The chart below illustrates the total motor insurance sum insured in Hong Kong during the period between 2011 and 2013:



Source: OCI

2011-2013 data is sourced from Quarterly Release of Provisional Statistics for General Business 2011, Quarterly Release of Provisional Statistics for General Business 2012 and Quarterly Release of Provisional Statistics for General Business 2013.

Total sum insured includes only comprehensive policies.

Market trends

The motor insurance market performance was positive over the review period, driven largely by the recovery of Hong Kong's economy and corresponding growth in the motor insurance population, coupled with a fairly stable regulatory system in Hong Kong. A number of major trends emerged, including:

1. Buyers are more inclined to purchase comprehensive insurance

As the growing motor vehicle population continues to be a major push for motor insurance, the surge in the number of newly registered cars, purchased via car loans, has resulted in a stronger preference for comprehensive coverage instead of the more basic third-party risk policies. As comprehensive policies are usually more expensive in terms of premiums, they are usually purchased for new motor vehicles or expensive luxury cars. Additionally, financial institutions made it mandatory for all buyers of any motor vehicle via car loans to commit to comprehensive insurance coverage. According to trade sources, approximately 70% of all new car owners purchase vehicles through car loans.

2. Rising motor insurance and reinsurance premiums

Since 2009, insurers have observed a surge in premium receipts for commercial-use motor vehicles, with amounts sustained at reasonably high levels. This is mainly attributed to the high frequency of accidents and damages, typically involving taxi and PLB. Trade sources also shared that there were a number of fraudulent claims where policyholders or intermediaries provided manipulated proof with the hope of obtaining a greater amount of monetary compensation from insurers. Such incidents have also contributed to higher premiums for commercial-use motor vehicle coverage.

3. Few insurers are specializing in commercial-use motor vehicles

Among all the 47 active authorised motor vehicle insurers engaging in direct insurance business, the majority offers insurance coverage mainly for non-commercial use motor vehicles, i.e. private cars and motorcycles. The supply of insurance policies for commercial-use motor vehicles (those using vehicles as a means of carrying passengers instead of goods) such as taxi and PLB remains very limited, with only few insurers specializing in offering insurance to this segment. Also, the segment remains very niche with insurers such as Target, Wing Lung Insurance Company Ltd. and Trinity General Insurance Co. Ltd., which have been founded and established locally, mainly exhibiting the capabilities and networks to forge strong ties with taxi and PLB companies.

4. Insurers differentiate themselves in value-added services

Without a tariff system determining and fixing premium rates, insurers have been able to set their own prices in the market and market leadership has relied largely on pricing strategies and outreach to consumers. As a result, the market has witnessed new international insurers entering the market and the emergence of local players. With this industry structure, insurers not only have to offer competitive premium rates for their policies, but they also need to differentiate themselves in other respects.

COMPETITIVE LANDSCAPE

Overview

The motor insurance market is highly fragmented with 72 players in the market. However, as of 31 December 2013, there were 59 active authorized motor vehicle insurers in Hong Kong, of which 26 are direct insurers, 12 are pure reinsurers and the remaining 21 are insurers engaging in both direct insurance and reinsurance business. Among these insurers, 41 were companies incorporated in Hong Kong while the rest hailed from 12 different countries/ regions, with the United Kingdom (three insurers) taking the lead, followed by Germany (two insurers). The majority of players focuses on non-commercial use motor insurance, leading to stiff competition and low premiums. Less than 10% of players focus on commercial cars. Merger and acquisition activities have been observed over the past few years, enabling certain market players to consolidate their resources and expand their customer base.

Within the commercial vehicle market, the future outlook for players within the taxi and PLB segments is mixed. Players in the PLB market may be impacted by the improvement in other public transportation, such as the extension of MTR networks, although such effects are difficult to ascertain. To assess the current situation, a look at the gross and net premiums of insurance policies for PLB would be more substantive. Over the review period, the gross and net premiums increased by a CAGR of 6.0% and 5.9%, respectively, while the number of PLB covered under all policies experienced a -0.3% CAGR during the same period. Prospects appear to be relatively better in the taxi segment. Ridership is expected to remain healthy — due to a possibly increased pool of consumers after the completion of the Hong Kong-Zhuhai-Macau Bridge (HZMB) — thus indicating a continued and stable demand for motor insurance in the near future. Gross and net premium receipts for taxi insurance witnessed CAGRs of 14.5% and 12.6% respectively for the period from 2009 to 2013 despite a modest 2.4% CAGR in the number of policies for taxi over the same period, suggesting that premiums are increasing relatively more quickly.

Top 10 Market Players in the Industry

The motor insurance market is fragmented and has attracted many international insurance companies which offer a diverse range of insurance products and services. In 2013, the top 10 vehicle insurers accounted for HK$2.5 billion, or 67%, out of a total of HK$3.7 billion worth of gross premium receipts. AXA General Insurance Hong Kong Limited was the largest insurer in 2013, enjoying a 10.8% market share, which translated into HK$401.2 million worth of gross premium receipts. Target was in the third position with a market share of 8.6% in 2013 and gross premium receipts of HK$319.8 million, up from HK$311.7 million in 2011.

The following table sets out the respective market shares by gross premiums receipts of the top 10 and other insurance companies for motor insurance in Hong Kong during the period between 2011 and 2013:

	Gross Premium Receipts (HK$ millions)			Percentage share		
	2011	2012	2013	2011	2012	2013
AXA General Insurance Hong Kong Limited	265.7	277.9	401.2	8.2%	8.0%	10.8%
Bank of China Group Insurance Company Limited	331.1	337.6	321.2	10.3%	9.7%	8.6%
Target Insurance Company Limited	**311.7**	**307.7**	**319.8**	**9.7%**	**8.9%**	**8.6%**
Zurich Insurance Company Limited	244.4	259.9	285.9	7.6%	7.5%	7.7%
China Taiping Insurance (HK) Company Limited	198.8	219.1	277.8	6.2%	6.3%	7.5%
Allianz Global Corporate & Specialty SE	0.0	143.0	221.2	0.0%	4.1%	5.9%
China Ping An Insurance (Hong Kong) Company Limited	149.7	175.8	177.3	4.6%	5.1%	4.8%
QBE Hongkong & Shanghai Insurance Limited	186.9	183.5	174.5	5.8%	5.3%	4.7%
Royal & Sun Alliance Insurance (Hong Kong) Limited	121.5	124.3	166.6	3.8%	3.6%	4.5%
Asia Insurance Company Limited	121.4	136.3	139.8	3.8%	3.9%	3.8%
Others	1,294.1	1,308.8	1,235.0	40.1%	37.7%	33.2%
Total	**3,225.4**	**3,474.1**	**3,720.3**	**100.0%**	**100.0%**	**100.0%**

Source: OCI

2011-2013 data is sourced from Annual General Business Statistics 2011, Annual General Business Statistics 2012, and Annual General Business Statistics 2013.

Total net premium receipts totalled HK$3.0 billion in 2013, with the top 10 vehicle insurers holding 70% of the share or HK$2.1 billion. AXA General Insurance Hong Kong Limited led the market with a 13.0% market share, which translated into HK$386.4 million in terms of net premium receipts. Target was the third-largest player in terms of net premium receipts at HK$275.9 million in 2013, garnering a market share of 9.3%.

The following table sets out the net premium receipts of the top 10 market players and their respective market shares during the period between 2011 and 2013:

	Net Premium Receipts (HK$ millions)			Percentage share		
	2011	2012	2013	2011	2012	2013
AXA General Insurance Hong Kong Limited	251.2	267.7	386.4	9.6%	9.5%	13.0%
Bank of China Group Insurance Company Limited	317.7	324.2	309.3	12.1%	11.5%	10.4%
Target Insurance Company Limited	**267.1**	**265.3**	**275.9**	**10.2%**	**9.4%**	**9.3%**
China Taiping Insurance (HK) Company Limited	173.4	191.5	252.0	6.6%	6.8%	8.5%
Zurich Insurance Company Limited	160.8	190.5	215.2	6.1%	6.7%	7.2%
QBE Hongkong & Shanghai Insurance Limited	169.2	171.3	162.9	6.5%	6.1%	5.5%
Royal & Sun Alliance Insurance (Hong Kong) Limited	91.0	95.6	134.1	3.5%	3.4%	4.5%
China Ping An Insurance (Hong Kong) Company Limited	106.0	127.0	128.0	4.1%	4.5%	4.3%
Asia Insurance Company Limited	104.9	122.1	123.2	4.0%	4.3%	4.1%
Trinity General Insurance Company Limited	52.2	88.4	102.1	2.0%	3.1%	3.4%
Others	923.1	979.0	892.4	35.3%	34.7%	29.9%
Total	**2,616.6**	**2,822.5**	**2,981.6**	**100.0%**	**100.0%**	**100.0%**

Source: OCI

2011-2013 data is sourced from Annual General Business Statistics 2011, Annual General Business Statistics 2012, and Annual General Business Statistics 2013.

Key Ratios in the Industry

The following table sets out the key ratios which are commonly used in the evaluation of insurance business in the industry during the period between 2011 and 2013:

	2011	2012	2013
Retention ratio *(Note 1)*	81.1%	81.2%	80.1%
Loss ratio *(Note 2)*	58.5%	55.8%	54.7%
Expense ratio *(Note 3)*	40.3%	40.4%	41.4%
Combined ratio *(Note 4)*	98.8%	96.2%	96.1%

Source: Euromonitor for data reconciliation of the data from the OCI

Notes:

1. Retention ratio is calculated by dividing net premiums by gross premiums.

2. Loss ratio is calculated by dividing the sum of net claims incurred and unexpired risk adjustment by earned premiums.

3. Expense ratio is calculated by dividing the sum of net commissions payables and management expenses by earned premiums.

4. Combined ratio is the sum of the loss ratio and the expense ratio.

Market Shares of our Group in the Taxi and PLB Segments

As seen from the two tables above, the market shares of our Group amount to 8.6% and 9.3% for gross and net premium receipts, respectively, in 2013. Our Group's provision of insurance only for taxi and PLB means that we serve a more niche segment of the market. In 2013, there were 18,083 taxi and 4,346 PLB in Hong Kong, out of 680,914 licensed motor vehicles.

However, a closer look into the taxi and PLB segments reveals our Group's dominance in these two segments combined. In 2013, total gross premium receipts totalled HK$529.5 million for both segments in the industry. Our Group accounted for 50.2% of all gross premium receipts of the taxi and PLB segments in 2013. Similarly, our Group accounted for the largest number of policies written, carrying 48.4% for the taxi and PLB segments, respectively, out of a total of 22,920 policies written. Wing Lung Insurance Company Ltd., Trinity General Insurance Co. Ltd. and Dah Sing Insurance Company (1976) Limited are some of the other players in the motor insurance market. The low presence of competitors in the commercial vehicle insurance market coupled with our Group's high market share for both segments underscore our Group's leading position in both the taxi and PLB segments.

The number of taxi and PLB was stable during 2011 to 2013, with a CAGR of 0.2% and 0.0% for taxi and PLB, respectively, over the review period of 2009 to 2013. However, government efforts to encourage citizens to use public transportation — in part to ease traffic congestion — through the improvement of train and road networks may impact the balance between private and public transportation over the long run.

The following table sets out the market shares of our Group in taxi and PLB segments by gross premium receipts during the period between 2011 and 2013:

	HK$ millions		
	2011	**2012**	**2013**
Insurance gross premiums (taxi)			
— Industry	318.6	322.4	359.2
— Target	180.9	157.6	172.2
(percentage share)	*56.8%*	*48.9%*	*48.0%*
Insurance gross premiums (PLB)			
— Industry	168.4	165.3	170.3
— Target	100.4	92.0	93.4
(percentage share)	*59.6%*	*55.6%*	*54.8%*

Source: OCI

2011-2013 data is sourced from Quarterly Release of Provisional Statistics for General Business 2011, Quarterly Release of Provisional Statistics for General Business 2012 and Quarterly Release of Provisional Statistics for General Business 2013.

DIRECTORS' CONFIRMATION

Our Directors confirm that after taking reasonable care, there is no material adverse change in the market information since the date of the report of Euromonitor which may qualify, contradict or have an impact on the information in this section.

Overview

The ICO and its subsidiary regulations provide the regulatory framework for insurers, reinsurers and insurance intermediaries in Hong Kong and establish basic guidelines governing various aspects, including but not limited to authorization, ongoing compliance and reporting obligations of an insurer or reinsurer's business. The OCI is the regulatory body set up for the administration of the ICO. The OCI is headed by the Commissioner of Insurance, who is the public officer appointed as the IA for regulating and supervising the insurance industry in Hong Kong. In short, the Commissioner of Insurance is the IA who is empowered under the ICO to regulate and supervise Hong Kong's insurance industry and the OCI is the government department to support the Commissioner of Insurance/the IA in exercising his/her functions.

The principal functions of the IA are to ensure that the interests of policy holders or potential policy holders are protected and to promote the general stability of the insurance industry in Hong Kong. The major duties and powers of the IA are set out as follows:

- authorising insurers to carry on insurance business in or from Hong Kong;

- ensuring the financial soundness and integrity of the insurance market, primarily through the examination of the annual audited financial statements and business returns submitted by the insurers;

- working closely with the representative bodies of the insurance industry in promoting self-regulation by the industry with the aim of enhancing the protection of policy holders; and

In addition, the IA promotes and encourages proper standards of conduct and sound and prudent business practices among insurers. In this regard, the IA may from time to time issue new guidelines, regulations and requirements in relation to risk management, business conduct, customer protection, etc. The IA ensures that it is observing the insurance core principles stipulated by the International Association of Insurance Supervisors, and keeping with market developments and provides adequate protection to the insuring public.

Regulation of Insurance Companies

Authorisation

Companies carrying on insurance business in or from Hong Kong must obtain authorisation from the IA. Authorisation will only be granted to insurers meeting certain requirements under the ICO, which focus on, among other things, the following aspects:

- paid up capital;

- solvency margin;

- fitness and properness of directors and controllers; and

- adequacy of reinsurance arrangements.

In addition, an insurer must meet certain other conditions under the Authorisation Guidelines issued by the IA, which seek to ensure that the insurer is financially sound and competent to provide an adequate level of services to the insuring public.

Types of Insurance Business

The ICO requirements vary depending on the type of insurance business being undertaken by an insurer. The ICO defines two main types of business as follows:

- General business covers all business other than long-term business, including but not limited to accident and sickness, fire, property, motor vehicle, general liability, financial loss and legal expenses insurance; and
- Long-term business covers those types of insurance business in which policies are typically in place for long periods and includes but not limited to life and annuity, linked long-term, permanent health and retirement scheme management policies.

An insurer that undertakes both long-term and general business is referred to by the IA as a composite insurer.

In addition to these main types of business, the IA imposes further requirements on insurers conducting insurance business (not being reinsurance business) relating to liabilities or risks in respect of which persons are required by any Ordinance to be insured ("**Statutory Business**"), including employees' compensation insurance, third-party insurance in respect of motor vehicles and local vessels, and building owners' corporation third party risks insurance.

Capital Requirement

According to the ICO, the minimum paid-up capital for an insurer carrying on solely general business is HK$10 million. For a composite insurer (carrying on both general and long-term business) or for an insurer carrying on Statutory Business, the minimum paid-up capital is HK$20 million. However, for the purpose of applying for authorization in Hong Kong, applicant should demonstrate to the IA that it has sufficient financial resources to pre-finance its proposed operation and has long-term commitment to Hong Kong.

Solvency Margin

Pursuant to section 8(3) and 35AA of the ICO, an insurer is required to maintain at all times an excess of assets over liabilities of not less than a specified amount. For a company carrying on general business only, the specified amount applicable to the company is determined as follows:

- Where the relevant premium income of the company in its last preceding financial year, or the relevant claims outstanding of the company as at the end of its last preceding financial year, whichever is the greater, did not exceed HK$50 million or its equivalent, the specified amount is HK$10 million or its equivalent.
- Where the said income in that year, or the said claims outstanding as at the end of that year, whichever is the greater, exceeded HK$50 million but did not exceed HK$200 million or its equivalent, the specified amount is one-fifth of the said income in that year, or one-fifth of the said claims outstanding at the end of that year, as the case may be.
- Where the said income in that year, or the said claims outstanding as at the end of that year, whichever is the greater, exceeded HK$200 million or its equivalent, the specified amount is the aggregate of HK$40 million and (a) one-tenth of the amount by which the said income in that year exceeding HK$200 million; or (b) one-tenth of the amount by which the said claims outstanding as at the end of that year exceeded HK$200 million, as the case may be, or its equivalent.

In the case of an insurer carrying on the Statutory Business, the specified amount shall not be less than HK$20 million or its equivalent.

For this purpose:

- the relevant premium income of a company in any financial year shall be whichever is the greater of the following amounts:

  (i) an amount equal to 50% of the gross premium income of the company in that financial year;

  (ii) the amount obtained by deducting from its gross premium income the amount of any premiums payable by the company in respect of reinsurance; and

- the relevant claims outstanding of a company as at the end of a financial year shall be:

  (a) where no class of the general business of the company is accounted for on a fund accounting basis, the aggregate of:

    (i) an amount equal to 50% of the claims outstanding before deducting any amount recoverable from reinsurers thereon, or the amount of claims outstanding after deducting any amount recoverable from reinsurers thereon, whichever is the greater; and

    (ii) the amount set aside by an insurer at the end of its financial year, in addition to any unearned premiums, which is considered necessary to meet the cost of claims and expenses of settlement arising from risks to be borne by the insurer after the end of the financial year under contracts of insurance entered into before the end of that year (the "**additional amount for unexpired risks**").

  (b) where all classes of the general business of the company are accounted for on a fund accounting basis, the fund.

To determine a general business insurer's solvency margin, assets are valued in accordance with the Insurance Companies (General Business) (Valuation) Regulation (the "**Valuation Regulation**").

Fitness and Properness of Directors and Controllers

The directors or the controllers of all authorised insurers must be "fit and proper" to hold such positions. A controller includes, among others, a managing director of the insurer or its corporate parent, a chief executive of the insurer or its corporate parent (only if the parent is also an insurer), or a person in accordance with whose directions or instructions the directors of the insurer or its corporate parent are accustomed to act or who, alone or with any associate or through a nominee, is entitled to exercise, or control the exercise of, 15% or more of the voting power at any general meeting of an insurer or its corporate parent. The ICO also requires notification to the IA of any change in the directors or controllers of an authorised issuer and prior approval of the IA is required for the appointment of certain controllers, including the chief executive of an insurer. In applying the fit and proper test, the IA will take into account, among other things, the character, reputation, qualifications, experience, integrity, reliability, financial status and ability of the directors or controllers of the applicant company and the ability to perform the relevant functions efficiently, honestly and fairly. The IA has issued a Guidance Note on "Fit and Proper" criteria under the ICO which sets out those factors that the IA will take into account in administering the said requirement.

In addition, under the Guidance Note on "Fit and Proper" criteria under the ICO, the IA is not likely to be satisfied that the director or controller is a fit and proper person, if the person, among others, (i) has been found by a court or other competent authority to have acted fraudulently or dishonestly and (ii) was or has been a director or controller (within the meaning of section 9 of the ICO) of a body corporate or insurer, in Hong Kong or elsewhere, which, with the consent or connivance of, or because of the neglect by, the person failed to comply with any legislative or other regulatory requirements or any guidelines made thereunder.

Adequate Reinsurance Arrangements

An insurer is required under the ICO to have adequate reinsurance arrangements in force in respect of the reinsurance of risks of those classes of insurance which are to be carried on by the insurer. In considering the adequacy of reinsurance arrangements of an insurer, the IA will take into account the following factors:

- reinsurance management framework of the insurer;
- type of reinsurance arrangements;
- maximum retention of the insurer;
- spread of risks among reinsurers; and
- security of the reinsurers.

Reporting Requirements

The ICO requires a submission to be filed by an insurer annually with the IA of its accounts, statements and other information as required by the ICO. An insurer carrying on general business is additionally required to submit annually to the IA an audited general business return and audited statement of assets and liabilities pertaining to its Hong Kong general business.

Power of Intervention

The IA is empowered under the ICO to take appropriate actions against an insurer where there are causes for concern over that insurer. The purpose is to protect the interests of policy holders and potential policy holders of the insurer against the risk that the insurer may be unable to meet its liabilities or to fulfill the reasonable expectations of policy holders or potential policy holders. These actions include:

- restrictions on effecting new business;
- limitation of premium income;
- restrictions on investments;
- custody of assets by an approved trustee;
- requirement for a special actuarial investigation; and
- assumption of control of an insurer.

Maintenance of Assets

Generally, the ICO requires an insurer carrying on general business, other than a professional reinsurer and a captive insurer, to maintain assets in Hong Kong of an amount which is not less than:

(a) the aggregate of (i) 80% of its liabilities after deducting the amount in respect of which contracts of reinsurance have been entered into and (ii) the Relevant Amount, i.e. the specified amount determined in accordance with "Solvency Margin" above (except that the gross premium income shall be deemed to be the gross premium income arising from the insurer's Hong Kong insurance business only, and claims outstanding, additional amount for unexpired risks and fund shall be deemed to be the claims outstanding, additional amount for unexpired risks and fund respectively arising from the insurer's Hong Kong insurance business only); or

(b) where, in respect of such liabilities, it has entered into contracts of reinsurance for which the premiums payable exceeded one half of the gross premiums received, the aggregate of (i) 40% of its liabilities before deducting the amount in respect of which contracts of reinsurance have been entered into and (ii) the Relevant Amount,

and where paragraph (b) applies, the insurer shall maintain assets in accordance with paragraph (a) or (b), whichever is greater.

The objective is to ensure that, in the event of insolvency of an insurer, assets will be available in Hong Kong to meet the claims of Hong Kong policy holders. These claims are accorded a preferential status under Hong Kong's insolvency laws to those of ordinary creditors.

Actuarial Review of Insurance Liabilities

Adequacy of the reserves set aside by an insurer is an important factor affecting the insurer's ability to meet its obligations for the payment of claims and to fulfil the reasonable expectations of policy holders. To ensure reserve adequacy, the IA has issued a Guidance Note on "Actuarial Review of Insurance Liabilities in respect of Employees' Compensation and Motor Insurance Businesses" which requires insurers and reinsurers carrying on employees' compensation and/or motor insurance businesses in or from Hong Kong to conduct an actuarial review of reserves relating to the said two important statutory classes of insurance business, in accordance with the criteria set out in the said Guidance Note on an annual basis. An actuarial report is required to be prepared and certified by the actuary, and to be submitted to the IA annually for review.

Statutory Valuation Basis for Assets and Liabilities

The Valuation Regulation provides a basis for the valuation of the assets and liabilities of an insurer carrying on general business. The Valuation Regulation prescribes the valuation methods for different types of assets commonly found in an insurer's balance sheet. To ensure a prudent spread of investments, the Valuation Regulation also stipulates admissibility limits for different categories of assets. The admissibility limits, however, do not apply to assets maintained in Hong Kong pursuant to the local asset requirement.

Corporate Governance of Authorised Insurers

The IA has issued a Guidance Note on "The Corporate Governance of Authorized Insurers", which aims to enhance the integrity and general well-being of the insurance industry through providing guidance to authorised insurers for the evaluation and formulation of their internal control and procedures. The Guidance Note sets out the minimum standard of corporate governance that is expected of authorized insurers and applies to an authorised insurer incorporated in Hong Kong and an authorised insurer incorporated outside Hong Kong where 75% or more of the annual gross premium income pertains to its Hong Kong insurance business, unless written consent for exemption has been obtained from the IA.

Asset Management

In order to ensure that an insurer will meet its contractual liabilities to policy holders, its assets must be managed in a sound and prudent manner, taking into account the profile of liabilities and risks of the insurer. The IA has issued a Guidance Note on "Asset Management by Authorized Insurers", which is adopted from the paper "Supervisory Standard on Asset Management By Insurance Companies", as approved by the International Association of Insurance Supervisors in 1999. The Guidance Note applies to an insurer incorporated in Hong Kong and the Hong Kong branch of an insurer incorporated outside Hong Kong whose investment in financial assets exceeds HK$100 million. The Guidance Note provides a checklist for assessing how insurers should control the risks associated with their investment activities.

The Code of Conduct for Insurers

As part of the self-regulatory initiatives taken by the industry, the Hong Kong Federation of Insurers ("**HKFI**") has published The Code of Conduct for Insurers. This Code seeks to describe the expected standard of good insurance practice in the establishment of insurance contracts and claims settling; promote the disclosure of relevant and useful information to customers; facilitate the education of customers about their rights and obligations under insurance contracts; foster a high professional standard in the transaction of insurance business; and encourage insurers to promote and enhance the industry's public image and standing. This Code applies to all general insurance members and life insurance members of the HKFI and applies to insurance effected in Hong Kong by individual policy holders. As a condition of membership of the HKFI, all general insurance members and life insurance members shall undertake to abide by this Code and use their best endeavours to ensure that their staff and insurance agents observe its provisions.

The Insurance Claims Complaints Panel

The Insurance Claims Complaints Bureau was set up by the insurance industry in February 1990 to implement self-regulation in the interpretation and handling of insurance claims complaints arising from all types of personal insurance policies. The Insurance Claims Complaints Panel ("**Complaints Panel**") was established by the Insurance Claims Complaints Bureau with the objective of providing independent and impartial adjudication of complaints between insurers and their policy holders. The Complaints Panel is in charge of handling claims complaints either from policy holders themselves or their beneficiaries and rightful claimants. The Complaints Panel, in making its rulings, shall act in conformity with the terms of the relevant policy, general principles of good insurance practice, any applicable rule of law or judicial authority, and any codes and guidelines issued from time to time by the HKFI. It is also given the power by its members to look beyond the strict interpretation of policy terms.

The Complaints Panel's decisions are binding on members of the Insurance Claims Complaints Bureau, without any right of appeal. However, if complainants find the Complaints Panel's decision unacceptable, they are free to seek legal redress, because their legal rights are not affected by reference to the Complaints Panel.

Motor Insurers' Bureau of Hong Kong

The Motor Insurers' Bureau of Hong Kong (the "**MIB**") was incorporated to secure the satisfaction of claims in respect of liability for death or bodily injury which arises from the use of motor vehicles on the road, when the use of the vehicle is required to be covered by the Motor Vehicles Insurance (Third Party Risks) Ordinance. Under the Motor Vehicles Insurance (Third Party Risks) Ordinance, all vehicles must be insured against claims for third party bodily injuries arising out of an accident involving the use of the vehicle on a road. The MIB has been providing compensation to victims of traffic accidents where the drivers concerned are uninsured or untraceable, or the insurers concerned are insolvent.

The MIB administers two funds, namely the First Fund and the Insolvency Fund. The First Fund provides relief to a third party traffic accident victim (or his/her dependants) who suffers bodily injury or death but is unable to obtain compensation because the driver is uninsured or untraceable. As a result of the legislative changes in 1995 whereby insurance policies are allowed to set a limit on third party liabilities, the coverage of the First Fund is extended to include that part of the awards to traffic accident victims which exceeds the policy limit. The Insolvency Fund compensates a third party claimant whose claims for bodily injury, death or property damage resulting from a traffic accident remains unsettled due to the insolvency of the insurer concerned.

All insurance companies in Hong Kong who are authorized by the IA to write motor insurance are required to be members of the MIB. Each member has entered into an agreement with the MIB to contribute such funds as may be required by the MIB to meet its objectives.

Regulation of Insurance Intermediaries

General Provision

Insurance intermediaries, i.e., insurance agents and insurance brokers, are subject to a self-regulatory system supported by legislation which is contained in Part X of the ICO.

An insurance agent means a person who holds himself out to advise on or arrange contracts of insurance in or from Hong Kong as an agent or subagent of one or more insurers. An insurance broker means a person who carries on the business of negotiating or arranging contracts of insurance in or from Hong Kong as the agent of the policy holder or potential policy holder or advising on matters relating to insurance.

Under the ICO, a person is prohibited from holding himself out as an insurance agent or insurance broker unless he is properly appointed or authorised. A person is also prohibited from holding himself out as an appointed insurance agent and an authorised insurance broker at the same time. It is an offence under the ICO for an insurer to effect a contract of insurance through, or accept insurance business referred to it by, an insurance intermediary who has not been properly appointed or authorised.

The OCI introduced an Insurance Intermediaries Quality Assurance Scheme for insurance intermediaries. Under the scheme, all insurance intermediaries, their chief executives or responsible officers and technical representatives are required to pass the Insurance Intermediaries Qualifying Examination conducted by the PEAK Examination Centre of the Vocational Training Council as one of the requirements for entry to the profession (unless they are exempted) and to comply with the requirements of the continuing professional development programmes thereafter.

Registration of Appointed Insurance Agents

To act as an insurance agent, a person is required to be appointed by an insurer and registered with the Insurance Agents Registration Board ("**IARB**") set up by the HKFI. An appointed insurance agent shall not represent more than four insurers, of whom no more than two shall be long-term business insurers.

Under the ICO, an insurer is required to keep a register of appointed insurance agents and to make it available for public inspection at its registered office or at a place approved by the IA. For this purpose, the IA has approved the registered office of the HKFI as the place where the register should be maintained and made available for public inspection.

An insurer is required to give the IA details of the registration and removal of its appointed insurance agents within seven days of such registration or removal. Alternatively, the insurer may provide such details to the IARB, and in so doing the insurer concerned is considered as having complied with this requirement. Upon receipt of such notification by the insurer, the IARB shall update the register and notify the IA accordingly.

Administration of Insurance Agents

An insurer is required to comply with the Code of Practice for the Administration of Insurance Agents ("**the Code of Practice**") issued by the HKFI and endorsed by the IA. An insurer is responsible for the actions of its appointed insurance agents in their dealings with clients in respect of the issue of insurance contracts and related insurance business.

The Code of Practice specifies, among others, the rules and procedures governing the registration and de-registration of insurance agents, the power of the IARB to handle complaints and require the insurers to take disciplinary actions against their insurance agents, the fit and proper criteria of insurance agents and the minimum requirements of the agency agreement. In particular, the Code of Practice provides for the following:—

- A register of appointed insurance agents and a sub-register of insurance agents' responsible officers and technical representatives shall be kept and maintained for public inspection;
- An insurer must ensure that its agents are registered with the IARB whereas an insurance agent must ensure that its responsible officer and technical representatives are registered with the IARB;
- An insurance agent is prohibited from representing more than four insurers, of which no more than two shall be long term insurers;
- A responsible officer or technical representative of an insurance agent is prohibited from being a responsible officer or technical representative of another insurance agent; and
- The IARB has disciplinary powers against insurance agents, their responsible officers or technical representatives registered with it. Disciplinary actions may include:
  - (i) issuing a reprimand to an insurance agent, its responsible officer or technical representatives;
  - (ii) suspending or terminating the appointment of an insurance agent, its responsible officer or technical representatives; or
  - (iii) such other actions as the IARB thinks fit.

The IARB issues guidelines from time to time indicating how it intends to exercise its powers and fulfil its responsibilities under the Code of Practice. The guidelines issued by the IARB include the following:

- guidelines on misconduct;
- guidelines on handling of premiums; and
- guidelines on the effective date of registration of insurance agents, responsible officers and technical representatives.

Authorisation of Insurance Brokers

An insurance broker shall either obtain an authorisation from the IA or be a member of a body of one of the two insurance broker bodies approved by the IA, namely The Hong Kong Confederation of Insurance Brokers and Professional Insurance Brokers Association.

An insurance broker who is a member of an approved body of insurance brokers is also subject to the membership regulation of his own professional body that is approved by the IA.

In order to be authorised as an insurance broker or be admitted as a member of an approved body of insurance brokers, a person, apart from being fit and proper to be an insurance broker, must satisfy the minimum requirements specified by the IA with regard to:

- qualifications and experience;
- capital and net assets;
- professional indemnity insurance;
- keeping separate client accounts; and
- keeping proper books and accounts.

Register of Insurance Brokers

The IA is required to maintain a register of authorised insurance brokers as well as a register of approved bodies of insurance brokers. The registers are open for public inspection.

An approved body of insurance brokers is required to maintain a register of its members which contains information required by the IA in respect of each member for public inspection.

Audit Requirement of Insurance Brokers

An insurance broker, authorised by the IA or who is a member of an approved body of insurance brokers, is required to submit an annual audited financial statements together with an auditor’s report as to whether the auditor is of the opinion that the insurance broker has continued to comply with the minimum requirements of the IA or the approved body, as the case may be. The approved body of insurance brokers is required to submit to the IA an annual auditor’s report on its members’ continued compliance with the minimum requirements.

Power of Intervention regarding Insurance Agents and Insurance Brokers

The IA is empowered to direct the insurer to deregister an appointed insurance agent if that agent has breached the Code of Practice. The IA is also empowered to withdraw the authorisation of an insurance broker authorized under the ICO or approval of a body of insurance brokers if the broker or the approved body has failed to comply with the relevant authorisation or approval requirements under the ICO as appropriate or the withdrawal is justified in the interests of policy holders or potential policy holders or the public. The IA also has the power to require an insurer, insurance agent, insurance broker or approved bodies of insurance brokers to produce books and papers for its examination of the affairs of insurance intermediaries. The IA also has the power to present a petition for an insurance intermediary to be wound up or declared bankrupt if he considers it to be in the public interest.

Authorization from the IA in respect of our Group's Reorganization and use of company names

Pursuant to section 13B of the ICO, in general, no person shall become a controller of an authorised insurer incorporated in Hong Kong unless (1) he has served on the IA a notice in writing stating that he proposes to become a controller of that insurer and containing the information required under the ICO; and (2) the IA has either notified him in writing that there is no objection to his becoming a controller of the insurer or no notice of objection is served on him from the IA after expiration of the period prescribed under the ICO. Under section 13B of the ICO, a controller means a person who, alone or with others as stated in the ICO, is entitled to exercise, or control the exercise of, 15% or more of the voting power at any general meeting of the insurer.

Before the Reorganisation, Target was owned by Tracing Paper, Mr. Chiu and Mr. Lai as to 70%, 15% and 15% respectively. Tracing Paper is in turn owned by Dr. Cheung and Dr. Choi as to 70% and 30% respectively. Upon completion of the Reorganisation but before completion of the Share Offer, Target has become a wholly-owned subsidiary of our Company. Dr. Cheung, Dr. Choi, Mr. Chiu and Mr. Lai, through their respective wholly-owned nominee companies, namely, Independent Assets, Allied Connect, Generous Rich and Champion City, owned 49%, 21%, 15% and 15% of the entire issued share capital of our Company respectively immediately after completion of the Reorganisation but before completion of the Share Offer.

As each of our Company, Independent Assets, Allied Connect, Generous Rich and Champion City was entitled to exercise, or control the exercise of, 15% or more of the voting power at any general meeting of Target following completion of the Reorganisation, all of them had become the new controllers of Target under section 13B of the ICO. Hence, the Reorganisation is subject to the approval of the IA under section 13B of the ICO. The IA had granted its approval to each of our Company, Independent Assets, Allied Connect, Generous Rich and Champion City to be the controllers of Target in November 2014.

For details of the Reorganisation, please refer to the paragraph headed "Our Group's Reorganisation" under the section headed "History, Reorganisation and Corporate Structure" in this prospectus.

Further, pursuant to section 56A of the ICO, written consent from the IA is required for a company using the words "insurance" and "保險" in the description of the name of the company under which it is carrying business in or from Hong Kong. As the official English and Chinese company names of our Company contain the words "insurance" and "保險" respectively, an application was made to the IA for its consent regarding the use of the words "insurance" and "保險" in the name of our Company pursuant to the ICO. The IA has given its consent to our Company to use the words "insurance" and "保險" in its official English and Chinese names in November 2014.

New regulatory regime

Introduction

The Insurance Companies (Amendment) Bill 2014 (the "**Bill**") was introduced by the HK Government to provide for, among other things, the establishment of an independent Insurance Authority (the "**IIA**") and a statutory licensing regime for insurance intermediaries to replace the existing self-regulatory system. The Bill was gazetted on 25 April 2014 and was presented to the Legislative Council for a first reading on 30 April 2014.

Key milestones for the proposed establishment of the IIA include:

- launched public consultation on the proposed establishment of the IIA in July 2010;
- announced the consultation conclusions and detailed proposals in June 2011;
- consulted the Legislative Council Panel on Financial Affairs on consultation conclusions and detailed proposals in July 2011;
- issued the key legislative proposals on establishing the IIA for a 3-month consultation from October 2012 to January 2013;
- reported the consultation conclusions and the revised proposals to the Legislative Council Panel on Financial Affairs in July 2013;
- established a working group to ensure a smooth transition to the statutory licensing regime under the IIA in October 2013;
- issued a Legislative Council brief to the Legislative Council on 16 April 2014; and
- presented the Bill to the Legislative Council for the first reading on 30 April 2014.

Establishment of the IIA

In line with international supervisory principles and to keep pace with the rapid developments of the insurance industry, the HK Government proposed to establish the IIA, which would be both financially and operationally independent of the HK Government, to replace the OCI which is a government department. The policy objectives of setting up the IIA are to modernize the regulatory infrastructure to facilitate the stable development of the insurance industry, provide better protection for policy holders and align with international practice that insurance regulators should be financially and operationally independent of the government and the industry. The HK Government believes that compared to the existing self-regulatory system, the proposed arrangements should be more effective and better meet the needs of market development.

Governance and funding of the IIA

The IIA will be a body corporate with perpetual succession comprising a chairperson, a chief executive officer and not less than six directors with at least two directors being persons with knowledge of or experience in the insurance industry. To attach importance to the accountability of the IIA, the IIA will comprise majority of non-executive directors in order to ensure effective oversight of executive decisions.

To ensure that the IIA is financially independent of the HK Government, it is proposed that the IIA should be financed by fees payable by insurers and insurance intermediaries, user fees for providing specific services by the IIA and a levy of 0.1% on insurance premiums for all insurance policies.

Functions and powers of the IIA

The IIA is expected to work with the insurance industry to promote healthy and sustainable development of the insurance industry and to educate the public on the nature of insurance, features of particular insurance products and assessment of insurance needs against various risks.

The IIA will also be vested with appropriate powers of inspection, investigation, imposition of disciplinary sanctions and prohibition of licence application of insurance intermediaries in relation to a regulated activity or authorization application of insurers for any class of insurance business in a specified period. The IIA will be empowered to make rules and publish codes and guidelines. Prior to the introduction of new regulatory requirements via rules which are subsidiary legislation, the IIA is required to consult the industry. As safeguards, it is proposed that its regulatory decisions including licensing, authorization and disciplinary decisions are subject to review by the Insurance Appeals Tribunal, an independent quasi-judicial body. The Insurance Appeals Tribunal may confirm, vary or set aside any such decisions of IIA.

Licensing of insurance intermediaries and conduct regulation

Pursuant to the Bill, a person requires a licence granted by the IIA to carry on regulated activities, which cover activities in relation to giving advice on insurance and sale and after-sale administration of insurance policies (such as policy renewal or insurance claims), in the course of their business or employment or for reward. The Bill contains an express provision that it is an offence for a person who is not a licensed insurance intermediary to carry on any regulated activity or to hold out as a licensed insurance intermediary.

The categorization of licences will mirror the existing five categories of registration under the current self-regulatory system to ensure a smooth transition and all pre-existing insurance intermediaries validly registered with the current self-regulatory organizations before the commencement of the statutory licensing regime would be deemed as licensees under the new regime for three years. The proposed categorization of licences under the Bill is as follows:—

	Insurance agent	**Insurance broker**
Licence to business entities	(1) Licensed insurance agencies	(2) Licensed insurance broker companies
Licence to individuals	(3) Licensed individual insurance agents (4) Licensed technical representatives (agent)	(5) Licensed technical representatives (broker)

The Bill also provides that a licensed insurance agency or licensed broker company would be required to appoint at least one responsible officer who should ensure that internal control systems and procedures are in place to promote compliance with conduct requirements within a body corporate. The existing provisions of the ICO subjecting the appointed actuary, directors and controllers of an insurer to regulatory scrutiny will be updated to vest in the IIA the power to approve the appointment of senior executives who carry out "control functions", including risk management, compliance, actuarial matters and internal audit, based on fit and proper criteria such as professional competence, financial soundness and record of legal and regulatory compliance.

Proposed establishment of a policy holders' protection fund

To better protect policy holders' interest, maintain market stability in the event of insurer insolvency and enhance public confidence in and competitiveness of the insurance industry, the HK Government intends to establish a policy holders' protection fund as a safety net for policy holders.

The risk-based capital framework for the insurance industry in Hong Kong

The ICO and its regulations, together with the Guidance Notes issued by the IA, prescribe a capital adequacy framework for insurers operating in Hong Kong. For the existing capital adequacy framework, capital adequacy is assessed based on an insurer's solvency margin, i.e. the level of surplus derived from the value of assets of an insurer vis-a-vis the value of its liabilities. Solvency requirements for general business are calculated with reference to the premium levels and claims outstanding, the risk factors pertinent to an individual insurer are not featured or quantified under the existing framework, but are examined separately by the IA together with the insurer concerned. In the current regime, while the ICO stipulates a minimum solvency requirement of 100%, the IA adopts a solvency ratio benchmark of 200% for general insurers (including Target). In recent years, it has been recognized globally that the capital adequacy framework should take into account different risk factors of different insurers, and be conducive to enhance the corporate governance, enterprise risk management and public disclosure practices of insurers. The International Association of Insurance Supervisors has issued new Insurance Core Principles in relation to risk-based capital ("RBC") requirements in late 2011. The IA has reviewed the existing regulatory capital framework for insurance business in Hong Kong and proposed to revamp it towards an RBC regime.

Accordingly, the IA plans to move towards an RBC regime, establishing a clear and consistent valuation standard (including explicit best estimates of technical provisions and risk margins) and risk-sensitive capital requirements, supported by continued enhancement of corporate governance, enterprise risk management and public disclosure. The IA commissioned a consultancy study in 2012-2013 for developing an RBC framework that is appropriate for Hong Kong's insurance industry.

Under the RBC regime, it is proposed that the protection of policy holders will be strengthened by relating capital adequacy to the risk exposure of the insurer. An insurer exposed to higher risks is required to hold a higher amount of capital. Apart from capital adequacy, a solvency regime also includes other qualitative and technical requirements, in particular on corporate governance and enterprise risk management. Key elements of the regime will cover the nature of groups to be subject to group-wide supervision, as well as prudential, corporate governance, enterprise risk management and disclosure requirements at the group level. These proposed developments will also enable a more structured approach for macro-prudential surveillance, enhancing the supervisory capacity to identify, assess and mitigate vulnerabilities. The move towards developing an RBC framework does not necessarily imply a need to increase or decrease capital for individual insurers. The framework seeks to, consistent with international practice, make capital requirements more sensitive to the level of risk that individual insurers and insurance groups are bearing. The three-month consultation on the proposed RBC framework for the insurance industry of Hong Kong ended on 15 December 2014 and implementation of the RBC regime may not take place by 2018.

It is intended by the IA that the RBC regime will be developed in the following phases:

- Phase I has commenced and it involved development of the framework and key approaches.

- Phase II will involve development of detailed rules. Quantitative impact study should be conducted for different types of insurers to ensure that the new regime is viable and practicable, and that it should not bring about instability to the insurance industry. Phase II will begin in 2015 and it will be followed by another consultation exercise.

- Phase III will involve amendment of legislation. At least 2 to 3 years will be needed to complete all the preparatory tasks including public consultations.

- Phase IV will be the implementation phase. The new RBC regime should be rolled out in phases with a sufficiently long run-in period, so that insurers will have adequate time to understand the requirements thoroughly, and be able to achieve full compliance incrementally.

BUSINESS DEVELOPMENT

The following table summarizes various milestones for the evolution of our Group into the present scale of operation:

Time	Event
August 1977	Target was incorporated in Hong Kong. Each of Mr. Chiu and Mr. Lai invested in Target and became 10% shareholder of Target.
1978	We started to carry out motor insurance business and build up our agent and customer base.
1980	We relocated to our first self-owned office premises at Golden Hill Commercial Building, Mongkok.
	After a series of allotments and transfers of shares, Mr. Chiu and Mr. Lai became 19.43% and 18.03% shareholders of Target respectively.
1981	Mr. Chiu and Mr. Lai obtained the control of Target, holding 40.35% and 38.98% shareholding in Target respectively.
1984	The ICO was enacted in 1983 and Target was authorized to carry on insurance business of classes 1 (accident), 3 (land vehicles), 7 (goods in transit) and 10 (motor vehicle liability) under the ICO in 1984.
1991 - 1992	Following the increase in the authorised and issued share capital of Target from HK$10.1 million to HK$20 million, our business grew significantly with the annual gross premium income increasing from HK$40 million to HK$57.6 million.
1993	Our gross premium income increased further to HK$68 million.
1998 - 2000	In light of the intense market competition and the general economic environment in Hong Kong, our annual gross premium income decreased significantly to HK$12.5 million, HK$10.6 million and HK$10.1 million during each of the years ended 31 December 1998, 1999 and 2000 respectively.
2001	We gradually recovered from the economic downturn of Hong Kong and its annual gross premium income increased to HK$20.2 million.
	The shareholdings of Mr. Chiu and Mr. Lai in Target further increased to 42.75% and 42.55% respectively.

2002	Changing the business strategies to focus on the motor insurance for taxi and PLB, our business was improved significantly and its annual gross premium income increased to HK$96.2 million. Mr. Chiu and Mr. Lai acquired the entire issued share capital of Target, holding 50.26% and 49.74% shareholdings in Target respectively.
2003	Our business was further improved and our annual gross premium income reached HK$121 million. We became one of the top ten insurance companies in Hong Kong in terms of annual gross premium income of motor insurance.
2009	Our gross premium limit was approved by the IA to be increased significantly from HK$140 million to HK$210 million. As a result, our gross premium reached HK$208 million and we ranked the third in Hong Kong in terms of gross premium income of motor insurance.
2010	In order to meet future business expansion needs, our head office was relocated from Golden Hill Commercial Building, Mongkok to Miramar Tower, Tsim Sha Tsui. Tracing Paper injected a sum of HK$40 million to Target by way of subordinated loan and our annual gross premium limit was then approved by the IA to be increased significantly from HK$210 million to HK$330 million. Subsequently, our annual gross premium limit was approved by the IA to be further increased from HK$330 million to HK$370 million. Our annual gross premium reached HK$329 million and we ranked the first in Hong Kong in terms of gross premium income of motor insurance.
November 2010	Tracing Paper became the controlling shareholder of Target, holding 70% shareholding in Target. The remaining 30% shareholding was owned by Mr. Chiu and Mr. Lai as to 15% and 15% respectively.
2011	The IA granted an approval to Target to increase our annual gross premium limit to HK$390 million.
2014	We were awarded the Creative Strategy Excellence Awards, the Social Services Excellence Awards, the Sincerity Services Excellence Awards, the Eco-enterprise Excellence Awards and the Business Excellence Awards by The Professional Validation Centre of Hong Kong Business Sector.

CORPORATE DEVELOPMENT

Our Company was established in Hong Kong under the Companies Ordinance as a public company with limited liability on 28 August 2014.

Our Company has become the holding company of our Group pursuant to the Reorganisation. Details of the Reorganisation are set out under the paragraphs headed "Our Group's Reorganisation" in this section.

The following sets forth the major corporate development of the only subsidiary of our Company, Target, since its date of establishment or incorporation.

Target

On 19 August 1977, Target was incorporated in Hong Kong with limited liability with an authorised share capital of HK$2,000,000 divided into 20,000 shares of HK$100 each with each of Mr. Jimson Tse and Mr. Tong Kwong Lit, Kenneth, both as founders and Independent Third Parties, subscribing for 1 share. On 26 August 1977, Target further issued and allotted 3,499 shares to each of Mr. Jimson Tse and Mr. Tong Kwong Lit, Kenneth, and 1,000 shares to each of Mr. Chiu, Mr. Lai and another Independent Third Party for cash at par. It follows that Target was owned by Mr. Jimson Tse, Mr. Tong Kwong Lit, Kenneth, Mr. Chiu, Mr. Lai and such another Independent Third Party as to 35%, 35%, 10%, 10%, and 10% respectively.

On 28 September 1979, the authorised share capital of Target was increased to HK$5,000,000 divided into 50,000 shares of HK$100 each. After a series of allotments and transfers of shares, as at 29 December 1980, Target was owned by Mr. Jimson Tse, Mr. Tong Kwong Lit, Kenneth, Mr. Chiu, Mr. Lai and other Independent Third Parties as to 10,149 shares, 643 shares, 9,713 shares, 9,016 shares and 20,479 shares respectively, representing approximately 20.30%, 1.29%, 19.43%, 18.03% and 40.95% of its issued share capital. On 9 October 1981, Mr. Chiu and Mr. Lai respectively acquired 10,460 shares and 10,472 shares of Target from Mr. Tong Kwong Lit, Kenneth and other Independent Third Parties. Since then, Mr. Chiu and Mr. Lai obtained the control of Target with each of them holding 20,173 shares and 19,488 shares of Target respectively, representing approximately 40.35% and 38.98% of its issued share capital respectively. The remaining approximately 20.67% of its issued share capital was held by Mr. Jimson Tse and other Independent Third Parties.

Various increases in authorised share capital, allotments and transfers of shares of Target took place between 1981 and 2001. As at 8 November 2001, the authorised share capital of Target was HK$20,000,000 divided into 200,000 shares of HK$100 each and Target was owned by Mr. Chiu, Mr. Lai and an Independent Third Party as to 85,501 shares, 85,093 shares and 29,406 shares respectively, representing 42.75%, 42.55% and 14.70% of its issued share capital respectively. On 22 November 2002, Mr. Chiu and Mr. Lai further acquired 15,018 shares and 14,388 shares respectively, representing 7.51% and 7.19% of the issued share capital of Target respectively, from such Independent Third Party. As such, Mr. Chiu and Mr. Lai together owned the entire issued share capital of Target, with each of them holding 100,519 shares and 99,481 shares respectively, representing approximately 50.26% and 49.74% of its issued share capital respectively.

Further increase in authorised share capital and allotments of shares took place and as at 15 December 2003, the authorised share capital of Target was HK$50,000,000 divided into 500,000 shares of HK$100 each, with Mr. Chiu and Mr. Lai holding 250,779 shares and 249,221 shares respectively, representing approximately 50.16% and 49.84% of its issued share capital respectively.

On 7 December 2009, the authorised share capital of Target was increased to HK$60,000,000 divided into 600,000 shares of HK$100 each by creation of 100,000 shares of HK$100 each. On 10 December 2009, Target issued and allotted 50,000 shares to each of Mr. Chiu and Mr. Lai for cash at par. As a result, Mr. Chiu owned 300,779 shares and Mr. Lai owned 299,221 shares, representing approximately 50.13% and 49.87% respectively, of the issued share capital of Target.

In late 2009, Tracing Paper, a company incorporated in the BVI with limited liability on 8 December 1999 and is owned as to 70% and 30% by Dr. Cheung and Dr. Choi respectively, intended to invest in motor insurance business while Target wanted to expand its market share in motor insurance industry at the same time. Therefore, on 23 December 2009, Tracing Paper entered into a conditional sale and purchase agreement with Mr. Chiu and Mr. Lai whereby Tracing Paper as purchaser had agreed to purchase 210,779 shares and 239,221 shares from Mr. Chiu and Mr. Lai as vendors respectively, representing approximately 35.13% and 39.87% of the issued share capital of Target respectively. On 9 February 2010, Tracing Paper entered into a supplemental agreement to the conditional sale and purchase agreement with Mr. Chiu and Mr. Lai whereby Tracing Paper had agreed to purchase 210,779 shares and 209,221 shares from Mr. Chiu and Mr. Lai respectively, representing approximately 35.13% and 34.87% of the issued share capital of Target respectively. In order to accommodate the acute market demand due to the insolvency of a major competitor, on 19 April 2010, Tracing Paper entered into a subordinated loan agreement with Target as a transitional period arrangement while pending the obtaining of the approval from the IA in respect of each of Tracing Paper, Dr. Cheung and Dr. Choi becoming a new controller of Target. This subordinated loan of HK$40 million strengthened the capital adequacy and solvency of Target and hence, facilitated Target's application to the IA for relaxation of its limits regarding annual gross premium and the total maximum number of motor vehicle insurance policy in force.

On 29 April 2010, the authorised share capital of Target was increased to HK$100,000,000 divided into 1,000,000 shares of HK$100 each by creation of 400,000 shares of HK$100 each.

In or around late 2010, the IA granted its approval to each of Tracing Paper, Dr. Cheung and Dr. Choi to be a controller of Target under the ICO. Accordingly, on 30 November 2010, Mr. Chiu and Mr. Lai respectively transferred 210,779 shares and 209,221 shares, representing approximately 35.13% and 34.87% of the issued share capital of Target respectively, to Tracing Paper at completion of the sale and purchase agreement dated 23 December 2009 (as supplemented by the said supplemental agreement dated 9 February 2010). The consideration paid by Tracing Paper was agreed to be HK$41,641,963.00 and HK$41,334,162.00 to each of Mr. Chiu and Mr. Lai respectively and was arrived at arm's length negotiation with reference to the net asset value of Target plus a premium acceptable to all these parties. As such, Tracing Paper, Mr. Chiu and Mr. Lai owned 420,000 shares, 90,000 shares and 90,000 shares of Target representing 70%, 15% and 15% of its issued share capital respectively.

On 1 December 2010, Target capitalized the said HK$40 million subordinated loan to set off against the entire amount of subscription money required for the issue and allotment of 280,000 shares to Tracing Paper and 60,000 shares to each of Mr. Chiu and Mr. Lai. As a result, Tracing Paper owned 700,000 shares, Mr. Chiu owned 150,000 shares and Mr. Lai owned 150,000 shares, representing 70%, 15% and 15% respectively, of the issued share capital of Target.

On 21 November 2012, the authorised share capital of Target was increased to HK$150,000,000 divided into 1,500,000 shares of HK$100 each by creation of 500,000 shares of HK$100 each. On the same day, Target issued and allotted 350,000 shares, 75,000 shares and 75,000 shares to Tracing Paper, Mr. Chiu and Mr. Lai respectively for cash at par.

Therefore, immediately before the Reorganisation, each of Tracing Paper, Mr. Chiu and Mr. Lai were holding 1,050,000 shares, 225,000 shares and 225,000 shares of Target, representing 70%, 15% and 15% of its issued share capital respectively.

OUR GROUP'S REORGANISATION

Our Group has undergone the Reorganisation to rationalise our Group's structure in preparation for the Listing which involved the following steps:

Incorporation of our Company

On 28 August 2014, our Company was incorporated under the Companies Ordinance as a public company with limited liability. One Share at the subscription price of HK$1 was allotted and issued to Independent Assets.

Acquisition of Target by our Company

On 13 November 2014, the IA granted its approval to each of our Company, Independent Assets, Allied Connect, Generous Rich and Champion City to be the controllers of Target.

Pursuant to a sale and purchase agreement entered into among Tracing Paper, Mr. Chiu, Mr. Lai and our Company on 1 December 2014, our Company acquired the entire issued share capital of Target from Tracing Paper, Mr. Chiu and Mr. Lai. In consideration of such acquisition, our Company had, at the direction of Tracing Paper, Mr. Chiu and Mr. Lai:

(i) allotted and issued 183,749,999 new Shares, credited as fully paid, to Independent Assets;

(ii) allotted and issued 78,750,000 new Shares, credited as fully paid to Allied Connect;

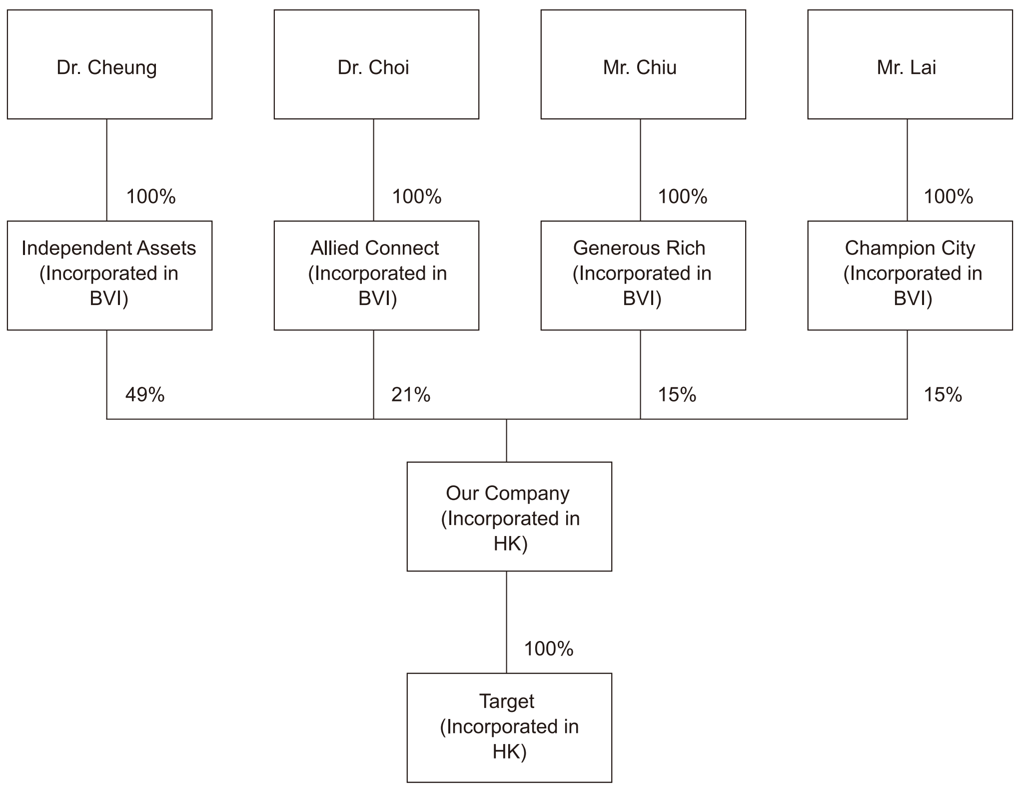
(iii) allotted and issued 56,250,000 new Shares, credited as fully paid, to Generous Rich; and

(iv) allotted and issued 56,250,000 new Shares, credited as fully paid, to Champion City.

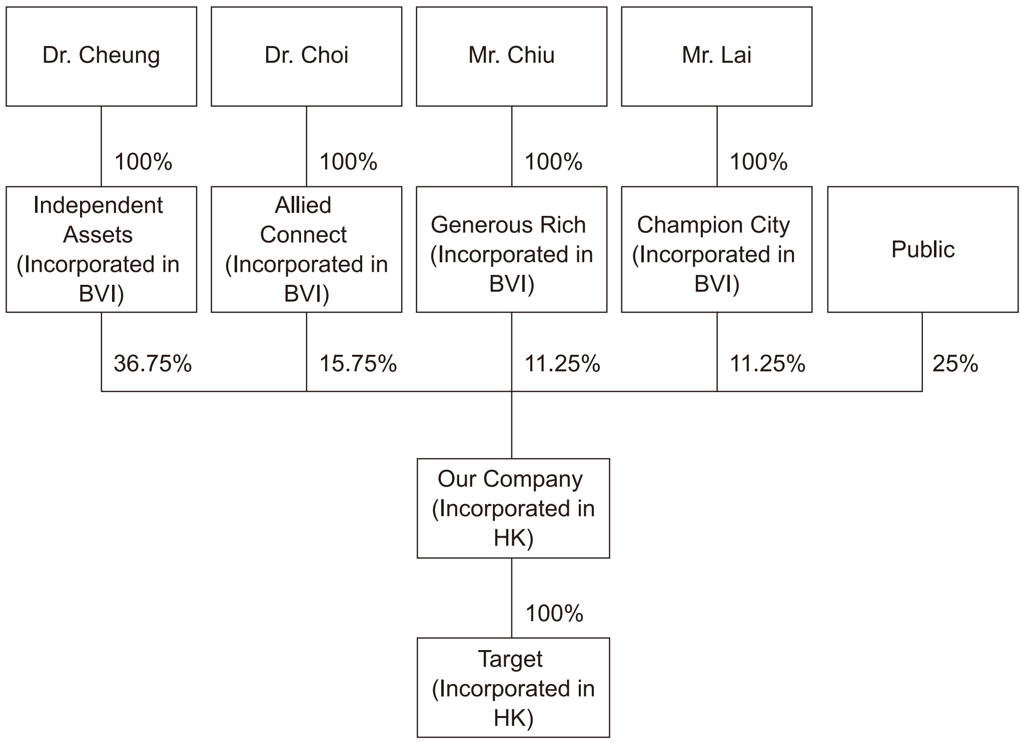
After the above acquisition, Target became a wholly-owned subsidiary of our Company.

CORPORATE AND SHAREHOLDING STRUCTURE OF OUR GROUP

Set out below is the corporate and shareholding structure of our Group immediately after completion of the Reorganisation but before completion of the Share Offer (without taking into account any Share which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options granted under the Pre-IPO Share Option Scheme and any options that may be granted under the Share Option Scheme):



Set out below is the corporate and shareholding structure of our Group immediate after completion of the Reorganisation and the Share Offer (without taking into account any Share which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options granted under the Pre-IPO Share Option Scheme and any options that may be granted under the Share Option Scheme):



OVERVIEW OF OUR BUSINESS

We are an insurance group offering motor insurance in Hong Kong with leading market position on insurance for taxi and PLB. During each of the three years ended 31 December 2013 and the six months ended 30 June 2014, our net income was approximately HK$301.6 million, HK$278.9 million, HK$293.6 million and HK$151.9 million respectively, and our net profits after tax was approximately HK$42.1 million, HK$22.3 million, HK$48.5 million and HK$36.6 million respectively.

The following table sets out the breakdown of our net income during the Track Record Period.

	Year ended 31 December			Six months ended 30 June
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Net insurance premium revenue	285,273	260,411	271,715	141,473
Investment income	15,227	17,550	21,061	9,948
Other income	1,148	958	863	468
Net income	301,648	278,919	293,639	151,889

Net insurance premium revenue represents gross premium written by us on motor insurance policies issued or renewed during the corresponding period, with deduction of reinsurance premium and change in provision for unearned premium.

Our head office is located at Units 1708-1710, 17th Floor, Miramar Tower, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong.

During each of the three years ended 31 December 2013 and the six months ended 30 June 2014, the amount of gross premium written by our Group was approximately HK$311.7 million, HK$307.7 million, HK$319.8 million, HK$162.6 million respectively. The following table illustrates the breakdown of our gross premium written by business segments during each of the three years ended 31 December 2013 and the six months ended 30 June 2014.

	Year ended 31 December						Six months ended 30 June	
	2011		2012		2013		2014	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Taxi								
Comprehensive	16,367	5.3%	13,052	4.2%	17,032	5.3%	16,734	10.3%
Third Party	164,567	52.8%	144,597	47.0%	155,204	48.5%	75,541	46.4%
Subtotal	180,934	58.1%	157,649	51.2%	172,236	53.8%	92,275	56.7%
PLB (Green)								
Comprehensive	10,274	3.3%	4,225	1.4%	4,340	1.4%	1,901	1.2%
Third Party	44,402	14.2%	45,947	14.9%	48,494	15.2%	22,994	14.1%
Subtotal	54,676	17.5%	50,172	16.3%	52,834	16.6%	24,895	15.3%
PLB (Red)								
Comprehensive	8,710	2.8%	6,349	2.1%	5,120	1.6%	2,165	1.3%
Third Party	36,978	11.9%	35,457	11.5%	35,402	11.1%	19,573	12.1%
Subtotal	45,688	14.7%	41,806	13.6%	40,522	12.7%	21,738	13.4%
Other vehicles *(Note)*								
Comprehensive	7,749	2.5%	20,287	6.6%	18,149	5.7%	8,555	5.3%
Third Party	22,628	7.2%	37,806	12.3%	36,018	11.2%	15,138	9.3%
Subtotal	30,377	9.7%	58,093	18.9%	54,167	16.9%	23,693	14.6%
Total	311,675	100.0%	307,720	100.0%	319,759	100.0%	162,601	100.0%

Note: Other vehicles mainly include light goods carrying vehicles, motorcycles and private cars.

We invest the premiums and other incomes generated from our insurance business. As at 31 December 2011, 2012 and 2013 and 30 June 2014, the carry value of our investment portfolio was approximately HK$668.6 million, HK$794.5 million, HK$803.4 million and HK$839.6 million respectively.

We believe that our long operation history in Hong Kong has provided us with significant experience and know-how that enables us to provide insurance products and services which can meet the requirements of our customers. According to the report of Euromonitor, the aggregate amount of gross premium receipts of insurance companies in Hong Kong during the year ended 31 December 2013 was approximately HK$3.7 billion. Target, with gross premium receipts of approximately HK$319.8 million for the year ended 31 December 2013, was in the third position with a market share of approximately 8.6% in 2013.

Our Directors believe that the Listing will further strengthen the financial capability of our Group for our future business development.

During the Track Record Period, there has been no change in the business focus of our Group.

COMPETITIVE STRENGTHS

Our Directors consider that we have the following competitive advantages:

We have a leading position for motor insurance offered to taxi and PLB in Hong Kong

According to the report of Euromonitor, our Group has a leading position in the motor insurance for taxi and PLB in Hong Kong. During each of the three years ended 31 December 2013, the total gross premium receipts of Target for insurance policies of (i) taxi represented approximately 56.8%, 48.9% and 48.0% of the total gross premium written by all the insurance companies in Hong Kong for insurance policies of taxi and (ii) PLB represented approximately 59.6%, 55.6% and 54.8% of the total gross premium written by all the insurance companies in Hong Kong for insurance policies of PLB. For more details, please refer to the section headed "Industry Overview" of this prospectus. Such leading market position demonstrates that we have received recognition from the taxi and PLB industries. Further, leveraging on such leading market positions, we are confident that we can continue to maintain our existing business and promote new insurance products.

We have a long history of operations

Target was established in 1977 and has engaged in motor insurance business for more than 35 years. Target has all along focused on this market in Hong Kong. Through years of operation, we have got in-depth knowledge on the motor insurance market of Hong Kong and have also gained reputation for specializing in taxi and PLB motor insurance even in difficult times. In 2014, Target was awarded the Business Excellence Awards by The Professional Validation Centre of Hong Kong Business Sector, which demonstrated the recognition of the business community of Hong Kong on our services.

We have a highly experienced management team

We have a highly experienced management team with expertise in insurance. Mr. Muk Wang Lit Jimmy, our executive Director and chief executive officer, has more than 35 years of experience in the insurance industry. He is also a fellow of ANZIIF. Ms. Or Pik Yuk, our underwriting manager and a member of our senior management, has more than 30 years of experience in the insurance industry. Mr. Ngai Shu Tak Nathaniel, our senior claims manager and a member of our senior management, has worked in Hong Kong Police Force for 31 years until his retirement in the rank of chief police inspector. His experience in criminal investigation and traffic investigation is useful for our handling of claims and detection of fraud. Mr. Ngai is also a senior associate of ANZIIF. Our Chairman and executive Director, Dr. Cheung have more than 31 years of experiences in the financial industry in Hong Kong. Dr. Choi, our executive Director, possesses about 23 years of experience in the financial market, which is useful for our investment management. Our another executive Director, Mr. Chan, has more than 25 years of experiences in the financial industry in Hong Kong. For biographical details of our management team, please refer to the section headed "Directors, Senior Management and Employees" of this prospectus. With the extensive experience of our executive Directors and our senior management, we believe that we are able to strengthen our presence in the market we operate.

We have an established network of agents

Most of our businesses are referred to us by motor trading/management companies and insurance agents, which act as agents of our Group. Due to our long operation history, we have an established network of agents specialized in motor trading/management in Hong Kong, which continuously refer business to us. A lot of our customers, who are owners of taxi and/or PLB, appoint those motor trading/management companies to provide management services for their taxi and/or PLB, including the arrangement of motor insurance for their vehicles. Some of our agents have established business relationship with our Group since 1990s or early 2000s. Such long established network may not be easily achieved by other insurance companies.

We have an experienced claims management team and are able to handle claims in an effective and efficient manner

Being an insurance company, the capability to handle claims of our customers effectively and efficiently is crucial to our business. As such, we always emphasize on handling claims of our customers in an efficient manner in order to retain our customer loyalty and maintain our market reputation. Our established relationship with our agents also enables us to promptly collect all required information relating to claims through those agents.

In addition, with our experienced claims management team, we are able to handle claims effectively and efficiently. For details of the procedures in respect of our handling of claims of our customers, please refer to the paragraph headed "Claims Management" of this section. As compared with those large-sized insurance companies, our management structure is simpler and decision can be made in a more efficient manner.

Our effective and efficient claims management helps us to continue to build up the confidence of our customers in our Group.

We have a simple operational structure and are responsive to market changes

As compared with those multi-national insurance companies, our Group has a relatively simple administrative structure. We are also well-equipped with efficient information technology system in our office in order to ensure our services to our customers. Accordingly, our management is able to efficiently make decision regarding claims, adjust and implement new business strategies, e.g. premium package in a more flexible and efficient manner and will be able to respond to changes in market conditions more quickly.

OUR BUSINESS STRATEGIES

Increase our insurance business on other types of motor vehicles

During the Track Record Period, majority of our customers are owners of taxi and PLB. The amount of gross premium written by our Group from our insurance products for taxi and PLB represented approximately 90.3%, 81.1%, 83.1% and 85.4% of the total amount of gross premium written by our Group during the corresponding periods respectively. During the past 10 years, we have been focusing on insurance business on taxis and PLB, the number of which in Hong Kong has remained almost static during the past five years, and limited efforts have been made in expanding our business to other types of motor vehicles. Because of the limited scale of operation in this business segment, we were unable to effectively diversify our risk relating to claims and therefore losses were incurred in such business segment during the three years ended 31 December 2013 and only a small profit of approximately HK$2.4 million has been achieved during the six months ended 30 June 2014. In order to reduce our reliance on business from taxi and PLB and expand our customer base, we intend to increase our business to other types of motor vehicles in Hong Kong. According to the statistics published by the Transport Department of the HK Government, the number of motor vehicles in Hong Kong has been on an increasing trend during the past decades, details of which are set out in the section headed "Industry Overview" of this prospectus. In June 2014, there were approximately 690,000 licenced motor vehicles registered in Hong Kong. As we had approximately 24,500 insurance policies in force as at 30 June 2014, the number of motor vehicles insured by our Group represented approximately 3.6% of the total number of motor vehicles registered in Hong Kong only, our Directors are of the view that there is significant room for the expansion of our business. The intended expansion will only focus on our existing business segment of "other vehicles", which mainly include goods carrying vehicles, motorcycles and private cars. There is currently no plan for our Group to provide insurance for motor vehicles which are regarded as high business risk.

From time to time, we receive enquiries from our agents regarding our insurance products for other types of motor vehicles. Based on our past experience, we consider that the customers are generally sensitive to pricing and as long as we are willing to adopt a competitive pricing policy as compared to the market, our agents should be able to introduce more customers to us.

In addition to the liaisons with our existing insurance agents whose customers include owners of light and medium goods vehicles, we have started to liaise with motor companies selling private cars to refer insurance business to us. We are also negotiating with a few agents and brokers to further develop this business segment. We will mainly focus on goods carrying vehicles, motorcycles and private cars for business expansion. Our choice of the types of other vehicles is, in general, based on our assessment as to whether our Group will be able to leverage on our existing resources to handle the underwriting and claims matters. For private cars, we plan to focus on high quality customers referred by selected car dealers. For goods carrying vehicles, we plan to offer third party insurances for light to medium goods carrying vehicles. Our Directors consider such new business will have limited impact on the operation of our Group as dealing with agents/brokers has been a core part of our daily underwriting activities.

Based on the current acquisition costs and loss ratios of the other types of motor vehicles, our Group expects that the profits contribution from this business segment will be limited during the year ending 31 December 2014. In addition to enhancing our scale of operation in other vehicles segment so as to effectively diversify our risk in this business segment, we will adopt our effective claims management experience from taxis and PLB to further improve the claims performance of other types of motor vehicles in order to achieve a positive contribution to underwriting profits.

Explore business opportunities to diversify our insurance products

In order to reduce our reliance on motor vehicles insurance and given that (i) we have a long operation history in the insurance industry and (ii) we have developed our own customer base which has potential needs for other general insurance products over the years, we intend to leverage on our strengths and diversify our insurance products into the "general insurance business", such as, employees' compensation insurance, travel insurance, personal accident insurance. We are of the view that save for the paragraph headed "Motor Insurers' Bureau of Hong Kong", the regulatory environments as described in the section headed "Regulatory Overview" of this prospectus should be similar to our new line of business. Nevertheless, we will need to engage new staff who possess the relevant expertise and experiences in underwriting and claims handling in those insurance products which are new to our Group. Our Directors also understand that the market for some of those insurance products is competitive, which poses downward pressure on the premiums. Being a new player in the market of those insurance products, our Group may only be able to charge a relatively lower insurance premium for such insurance products in comparison with the existing players. The loss ratio for those new insurance business may also be higher than that of motor vehicles insurance. Further, it is also possible that there are some other risks which we are not aware of at this stage. There is no assurance that our Group will be able to make a profit from those new insurance businesses at the early stage of operation. We may suffer loss which in turn adversely affects our Group's overall performance and financial conditions.

Currently, we intend to diversify our insurance products to area with similar industry environment to our existing business so that we can leverage on our experience. In this connection, we will undergo a feasibility study and engage new staff who possess the relevant expertise. After satisfying the relevant legal and regulatory requirements on those types of insurance such as increasing Target's share capital and obtaining the relevant licences from the IA, Target will offer the new insurance products to Target's existing customers whilst securing new customers simultaneously.

To obtain the authorization of the IA, Target will probably be required to satisfy the IA that, inter alia, (i) Target's board has sufficient knowledge and relevant experience of insurance business to guide Target and oversee its activities effectively, (ii) Target has, and will continue to have, sufficient financial resources to pre-finance Target's proposed operations as set out in our business plan, (iii) Target will undergo a detailed market feasibility study in respect of Target's proposed operations and, based on the result of feasibility study, is able to demonstrate the viability of Target's business plan, (iv) Target's proposed operations would not have a destabilizing effect on the insurance market in Hong Kong, and (v) Target has a viable business plan for its business expansion and Target has the capacity to undertake such a new class of business. Target's directors anticipate that Target will proceed to handle the increase of Target's share capital and other related regulatory matters within six to twelve months from the Listing Date. Target believes that at the initial stage for developing Target's new class of business, the IA will closely monitor Target's new operation and impose specific restrictions on Target regarding its new class of business such as limits on its gross premium income and total number of policy in force for the new class of business. As such, Target anticipates that Target's initial operation scale for new class of business would be limited and hence, Target's operation and financial performance would not be materially affected by Target's new class of business in the near future.

Strengthen our existing relationships with our agents

In Hong Kong, a lot of taxi and PLB owners engage motor trading/management companies to manage their taxi and PLB for them. As part of the management services, the motor trading/management companies may refer their customers to our Group for the purpose of purchasing motor insurance. During each of the three years ended 31 December 2013 and the six months ended 30 June 2014, approximately 86.2%, 79.0%, 80.7% and 83.4% of our total amount of gross premium written by our Group was generated from those insurance policies referred to by such motor trading/management companies which act as our agents. We intend to continue to participate and sponsor those activities organized by taxi and PLB industry organizations in Hong Kong so as to strengthen our existing relationships with these motor trading/management companies.

Some of our businesses are referred to us by other insurance agents which do not offer motor trading/management services. During each of the three years ended 31 December 2013 and the six months ended 30 June 2014, approximately 13.0%, 20.3%, 18.7% and 15.9% of our total amount of gross premium written by our Group was generated from those insurance policies referred by such insurance agents. We intend to strengthen our existing relationships with these insurance agents by regularly visiting them to understand their needs.

We will also endeavour to develop new agency relationships with those motor trading/management companies and insurance agents which currently have no business relationship with us.

Enhance our corporate image

We intend to enhance our corporate image and develop our customer base through other means. We promote our business through our website and the radio channels, targeting owners and drivers of taxi, PLB and other vehicles. We also keep networking with motor trading/management companies and insurance agents in Hong Kong by organizing certain social events such as banquets. We also (i) sponsor cash and lucky draw prizes to various social functions organized by taxi and PLB industry organizations and other charity events organized by charitable organizations; and (ii) publish advertisements in various publications of the taxi and PLB industry organizations. In 2014, our Group has been awarded the Creative Strategy Excellence Awards (卓越創意策略獎), Social Services Excellence Awards (卓越社會愛心服務獎), Sincerity Services Excellence Awards (卓越服務真誠獎), Eco-enterprise Excellence Awards (卓越環保企業獎) and Business Excellence Awards (卓越商業大獎) by The Professional Validation Centre of Hong Kong Business Sector. We will continue to gain recognition from the business community and the Hong Kong society. Our Directors believe that, by enhancing our corporate image and increasing the public awareness of our Group, more motor vehicles owners will approach our Group for our insurance products.

OUR INSURANCE PRODUCTS

Our key insurance products include third party insurance and comprehensive insurance for motor vehicles and majority of our customers are owners of taxi and PLB in Hong Kong. For third party insurance, we insure against third party legal liabilities. For comprehensive insurance, we insure against: (i) loss of or damage to motor vehicles and (ii) third party legal liabilities.

Net insurance premium revenue represents gross premium written by us on motor insurance policies issued or renewed during the corresponding period, with deduction of reinsurance premium and change in provision for unearned premium.

The following table illustrates the breakdown of our gross premium written by business segments during each of the three years ended 31 December 2013 and the six months ended 30 June 2014.

	Year ended 31 December						**Six months ended 30 June**	
	2011		**2012**		**2013**		**2014**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Taxi								
Comprehensive	16,367	*5.3%*	13,052	*4.2%*	17,032	*5.3%*	16,734	*10.3%*
Third Party	164,567	*52.8%*	144,597	*47.0%*	155,204	*48.5%*	75,541	*46.4%*
Subtotal	180,934	*58.1%*	157,649	*51.2%*	172,236	*53.8%*	92,275	*56.7%*
PLB (Green)								
Comprehensive	10,274	*3.3%*	4,225	*1.4%*	4,340	*1.4%*	1,901	*1.2%*
Third Party	44,402	*14.2%*	45,947	*14.9%*	48,494	*15.2%*	22,994	*14.1%*
Subtotal	54,676	*17.5%*	50,172	*16.3%*	52,834	*16.6%*	24,895	*15.3%*
PLB (Red)								
Comprehensive	8,710	*2.8%*	6,349	*2.1%*	5,120	*1.6%*	2,165	*1.3%*
Third Party	36,978	*11.9%*	35,457	*11.5%*	35,402	*11.1%*	19,573	*12.1%*
Subtotal	45,688	*14.7%*	41,806	*13.6%*	40,522	*12.7%*	21,738	*13.4%*
Other vehicles *(Note)*								
Comprehensive	7,749	*2.5%*	20,287	*6.6%*	18,149	*5.7%*	8,555	*5.3%*
Third Party	22,628	*7.2%*	37,806	*12.3%*	36,018	*11.2%*	15,138	*9.3%*
Subtotal	30,377	*9.7%*	58,093	*18.9%*	54,167	*16.9%*	23,693	*14.6%*
Total	311,675	*100.0%*	307,720	*100.0%*	319,759	*100.0%*	162,601	*100.0%*

Note: Other vehicles mainly include light goods carrying vehicles, motorcycles and private cars.

Principal terms of our insurance policies

The term of our insurance policy is usually for one year. We will usually send renewal notices one to two months before the expiry of the current term of the insurance policies.

The major common terms of our third party and comprehensive insurance policies for taxi and PLB are set out below:

- The Insured shall pay the premium as specified in the insurance policy and our Group will provide the insurance subject to the terms and conditions of the insurance policy.

- The insurance coverage under the insurance policies for taxi is operative only when the motor vehicle is used (i) for the carriage of passengers or goods in connection with the Insured's business; or (ii) for social domestic and pleasure purposes, whereas those for PLB is operative only when the motor vehicle is used (i) for the carriage of passengers or goods in connection with the Insured's business; (ii) for social domestic and pleasure purposes; or (iii) as a public light bus by any person to whom the vehicle is hired.

- The insurance policies for both taxi and PLB will not operate when the motor vehicle is used (i) for racing, pace-making, reliability-trial or speed testing; or (ii) whilst drawing a vehicle except the towing of any one disabled mechanically propelled vehicle.

- In the event of no claim being made or arising under the insurance policy during a period of insurance specified in the policy immediately preceding the renewal of the insurance policy, a no claim discount is offered for the renewal premium. For details of premiums, see the paragraph headed "Premiums and pricing" of this section.

- The insurance excludes loss, damage, cost or expense of whatsoever nature directly or indirectly caused by, resulting from or in connection with any act of terrorism regardless of any other cause or event contributing concurrently or in any other sequence to the loss. If our Group alleges that by reason of this exclusion, any loss, damage, cost or expense is not covered by this insurance, the burden of proving the contrary shall be upon the Insured.

- Our Group will not be liable under the insurance policy in respect of any accident, loss, damage or liability caused, sustained or incurred whilst the motor vehicle is being driven by, or is in the charge of, or is under the control of the Insured or any other person who is employed by the Insured and is driving on the Insured's order or with his/her permission:

  (a) who is convicted of an offence for being under the influence of drink or drugs to such an extent as to be incapable of having proper control of the motor vehicle; or

  (b) when the proportion of alcohol in his/her breath, blood or urine exceeds the prescribed limit as stipulated in Section 2 of the Road Traffic Ordinance (Chapter 374 of the Laws of Hong Kong) as may be amended from time to time or any legislation which replaces the same; or

(c) who is convicted of an offence for failing, without reasonable excuse, to provide a specimen of breath, blood, or urine for testing or analysis as required by law.

- In the event of any occurrence which may give rise to a claim under the insurance policy, the Insured shall immediately give notice thereof to our Group with full particulars. Every letter, claim, writ, summons and process shall be notified or forwarded to our Group immediately on receipt by the Insured. Notice shall also be given in writing to our Group immediately when the Insured or any person claiming to be indemnified shall have knowledge of any impending prosecution inquest or fatal inquiry in respect of any occurrence which may give rise to a claim under the insurance policy. In case of theft or other criminal act which may be the subject of a claim under the insurance policy, the Insured shall give immediate notice to the police and shall cooperate with our Group in securing the conviction of the offender.

- In certain cases, our Group are still liable to settle the claim by laws or by virtue of agreement with the Motor Insurers' Bureau of Hong Kong. However, under such circumstances, we will have the right of recourse against the Insured.

We endeavour not to take excessive risks in our insurance business. In general, unless our management specifically approves otherwise, we usually do not provide insurance for motor vehicles which are considered to be of high risk, e.g. motor vehicles of certain brands, oil tankers, motor vehicles for transportation of dangerous goods, etc.

Premiums and pricing

Our Directors consider that the market for motor insurance is competitive in Hong Kong. As such, we closely monitor the market to ensure that our premiums are competitive.

The premium payable by the Insured usually comprises (i) the premium payable to our Group and (ii) the contribution to the funds of the Motor Insurers' Bureau of Hong Kong (which is equivalent to 3% of the premium payable to our Group).

In the determination of the exact amount of premium for each insurance policy, we will take into account the similar product offerings in the market and risks associated with the specific motor vehicles to be insured. Such risk factors include inter alia, (i) the types, cubic capacity and permitted gross vehicle weight of the vehicles and (ii) the insurance records of the Insured. Additional premiums may be required to be paid by the Insured if (i) the relevant vehicle has reached certain age and/or (ii) the owners or drivers of the relevant insured vehicle are young or inexperienced in driving.

In line with the market practice, we offer no claim discounts to our customers. In the event of no claim being made or arising under the insurance policy of the Insured during the current period of insurance, the Insured will be offered certain discount on the premium if they renew their insurance policies. Depending on the types of motor vehicles, the no claim discounts range around 10% - 20% for the first renewal. If the Insured does not make any claim for more than one year, the no claim discount will increase up to certain maximum limit depending on the type of vehicles.

The following table sets out the average gross premium for our insurance policies offered to taxi and PLB and other vehicles during each of the three years ended 31 December 2013 and the six months ended 30 June 2014:

	Year ended 31 December						Six months ended	
	2011		2012		2013		30 June 2014	
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
per vehicle	Comprehensive	Third Party	Comprehensive	Third Party	Comprehensive	Third Party	Comprehensive	Third Party
Taxi	22,208	16,787	22,010	17,257	24,759	19,062	26,947	20,623
PLB (Green)	46,279	36,425	46,944	37,114	49,318	37,563	51,378	37,087
PLB (Red)	52,788	42,998	52,908	43,083	53,333	44,643	56,974	44,283
Other vehicles *(Note)*	9,759	2,585	9,744	2,911	11,308	2,998	11,671	2,840

Note: Other vehicles mainly include light goods carrying vehicles, motorcycles and private cars.

As compared to the respective industry average as set out in the section headed "Industry Overview" of this prospectus:

- our average gross premium written for taxi of approximately HK$17,200, HK$17,600 and HK$19,500 for each of the three years ended 31 December 2013 respectively were approximately 0.9% to 1.2% higher;
- our average gross premium written for PLB (Green) of approximately HK$37,900, HK$37,800 and HK$38,300 for each of the three years ended 31 December 2013 respectively were approximately 4.1% to 5.6% higher; and
- our average gross premium written for PLB (Red) of approximately HK$44,600, HK$44,300 and HK$45,600 for each of the three years ended 31 December 2013 respectively were approximately 0.1% to 1.5% higher.

Our Directors believed that although our customers are price-sensitive, they are willing to pay slightly higher premium to our Group because (i) our premiums are not materially deviated from the industry average; (ii) we have long operating history with reputation for specializing in taxi and PLB motor insurance even in difficult times; (iii) we have an established network of agents specialized in motor trading/management in Hong Kong, which continuously refer business to us; and (iv) we always emphasize on handling claims of our customers in an efficient manner in order to retain our customer loyalty and maintain our market reputation.

OUR CUSTOMERS

Our customers are the vehicle owners who are also the policy holders. Given that most of our insurance products are for taxi and PLB, majority of our customers are the owners of taxi and PLB. The number of taxis and PLBs in Hong Kong has remained almost static during the past five years at around 18,100 and 4,345 respectively.

During each of the three years ended 31 December 2013 and the six months ended 30 June 2014, the gross premium written for:

- taxi accounted for approximately 58.1%, 51.2%, 53.8% and 56.7% of the total gross premium written by our Group respectively;
- PLB accounted for approximately 32.2%, 29.9%, 29.3% and 28.7% of the total gross premium written by our Group respectively; and
- other motor vehicles accounted for approximately 9.7%, 18.9%, 16.9% and 14.6% of the total gross premium written by our Group respectively.

During each of the three years ended 31 December 2013 and the six months ended 30 June 2014, the number of insurance policies written by our Group was approximately 22,600, 26,300, 24,700 and 11,500 respectively. The following table sets out the number of each type of insurance policies written by our Group during each of the three years ended 31 December 2013 and the six months ended 30 June 2014:

	Year ended 31 December						Six months ended 30 June 2014	
	2011		2012		2013			
	Comprehensive	Third Party	Comprehensive	Third Party	Comprehensive	Third Party	Comprehensive	Third Party
Taxi	737	9,803	593	8,379	688	8,142	621	3,663
PLB (Green)	222	1,219	90	1,238	88	1,291	37	620
PLB (Red)	165	860	120	823	96	793	38	442
Other vehicles *(Note)*	794	8,755	2,082	12,989	1,605	12,014	733	5,331
Total	**1,918**	**20,637**	**2,885**	**23,429**	**2,477**	**22,240**	**1,429**	**10,056**

Note: Other vehicles include mainly light goods carrying vehicles, motorcycles and private cars. Although the number of insurance polices of other vehicles is not significantly less than, or is even more than, the insurance policies of taxi and PLB, the gross premium written to other vehicles are, in general, usually much less than the gross premium written to taxi and PLB. Therefore, during the Track Record Period, insurance on other vehicles only represents a minor portion of our business in term of gross premium written. For more details about premiums, please refer to the paragraph headed "Premiums and pricing" of this section.

As at 31 December 2011, 2012, 2013 and 30 June 2014, the numbers of our insurance policy in force were approximately 22,300, 26,200, 24,800 and 24,600 respectively. As at the Latest Practicable Date, the numbers of taxi insurance policy in force, the number of PLB insurance policy in force and the total number of motor vehicle insurance policy in force were approximately 9,100, 2,300 and 23,900 respectively.

For each of the three years ended 31 December 2013 and the six months ended 30 June 2014, the number of renewed policies of our Group represented approximately 70.2%, 66.0%, 84.5% and 83.0% of our total number of polices written by our Group during the corresponding periods respectively. The remaining polices were newly written policies. The relatively higher percentage of newly written policies during the two years ended 31 December 2012 was mainly due to the increasing number of insurance policies for goods carrying vehicles written, which was then the development focus of our Group. Despite an increase in average gross premium for our insurance policies in 2013, we were able to retain most of our then existing customers, though the number of newly written policies decreased for the year ended 31 December 2013.

For each of the three years ended 31 December 2013 and the six months ended 30 June 2014, the amount of premium written by our Group from those insurance policies sold to:

- our largest customer was approximately HK$6.6 million, HK$6.7 million, HK$8.3 million and HK$5.3 million respectively, representing approximately 2.1%, 2.2%, 2.6% and 3.2%; and
- our five largest customers was approximately HK$20.9 million, HK$20.3 million, HK$25.1 million and HK$12.6 million respectively, representing approximately 6.7%, 6.6%, 7.8% and 7.7% of the total gross premiums written by our Group during the corresponding periods respectively.

We sold our insurance policies to those five largest customers during the Track Record Period through our agents. All our five largest customers during the Track Record Period were Independent Third Parties and none of them was a reinsurer of our Group. Our Directors confirm that none of our Directors, their respective close associates or any Shareholder who owns 5% or more of the issued Shares of our Company immediately following the completion of the Share Offer had any interest in any of our five largest customers during the Track Record Period.

OUR SALES AND MARKETING

We sell our insurance policies mainly through the following three channels:

- sales through our agents;
- sales through brokers, which approach our Group for and on behalf of the end customers; and
- direct sales.

We sold over 99% insurance policies through agents in terms of the gross premium written during the Track Record Period while our sales through other channels are minimal.

Before our potential customers decide to purchase insurance from our Group, they usually enquire about our premiums. We, or our agent, will inform them our premiums in accordance with our internal underwriting guidelines. If our potential customers decide to purchase insurance from our Group, they are required to complete our standard form titled "Motor Vehicle Insurance Proposal Form" and submit to same and other related documents (including, inter alia, the vehicle register, the identification documents of the owners and drivers of the vehicle to be insured, the driver licence, etc.) to us for processing. If our potential customers purchase our insurance through agents or brokers, the agents/ brokers are required to submit the aforesaid proposal form and related documents to us for approval.

Upon receipt of such proposal form, we commence our approval process and issue the insurance policies to our potential customers once approved.

The following table sets out the gross premium written by us during each of the three years ended 31 December 2013 and the six months ended 30 June 2014 in respect of our sales channels:

	Year ended 31 December			Six months ended
	2011	**2012**	**2013**	**30 June 2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Sales through our agents	309,042	305,425	317,774	161,493
Sales through brokers	2,055	1,651	1,346	699
Direct sales	578	644	639	409
Total	**311,675**	**307,720**	**319,759**	**162,601**

Sales through our agents

Our agents are mainly motor trading/management companies and insurance agents.

In Hong Kong, a lot of taxi and PLB owners engage motor trading/management companies to manage their taxi and PLB, including the arrangement of motor insurance for their vehicles.

During each of the three years ended 31 December 2013 and the six months ended 30 June 2014, the total amount of premium written by our Group under those insurance policies sold through:

- our agents represented approximately 99.1%, 99.3%, 99.4% and 99.3%;
- our largest agent represented approximately 10.1%, 9.8%, 9.7% and 10.7%; and
- our five largest agents represented approximately 36.4%, 41.4%, 39.8% and 38.7%;

of the total gross premium written by our Group during the corresponding periods respectively.

General Underwriters was one of our five largest agents during each of the three years ended 31 December 2013 and the six months ended 30 June 2014. Prior to 1 November 2011, Mr. Chiu, an executive Director, was a partner of General Underwriters and thus, General Underwriters was a Connected Person. Mr. Chiu ceased to be a partner of General Underwriters with effect from 1 November 2011. Further, Atlantic Ocean Underwriters Limited, another one of our five largest agents during each of the years ended 31 December 2012 and 2013 and the six months ended 30 June 2014, is owned as to approximately 93.8% of its entire issued share capital by Mr. Lai Yiu Kwong, a brother of Mr. Lai, an executive Director. Accordingly, Atlantic Ocean Underwriters Limited is an associate of Mr. Lai, and a Connected Person of the Company. For more details, please refer to the section headed "Connected Transactions" of this prospectus. Save for the aforesaid, all of our five largest agents during the Track Record Period were Independent Third Parties and none of them was a reinsurer of our Group. Our Directors confirmed that save for the aforesaid, none of our Directors, their respective close associates or any Shareholder who owns 5% or more of the issued Shares of our Company immediately following the completion of the Share Offer had any interest in any of our five largest agents during the Track Record Period.

Before we appoint an agent, we will check whether it has obtained the relevant licence. Throughout the Track Record Period, the number of agents appointed by us remained stable at around 110. We have entered into a non-exclusive agency agreement for sale of general insurance with each of these agents, the major terms of which are as follows:

- The agent shall act as the agent of our Group in Hong Kong for the purpose of introducing insurance business to our Group and the agent shall faithfully and diligently promote the business of our Group.
- The agency arrangement is non-exclusive in nature.
- The agent shall at all times act strictly in accordance with the instructions, directions and conditions which may from time to time be given to it by our Group. The agent shall consult our Group and obtain our approval in respect of any risks or matter for which our Group have made no provision in its instructions.
- There is no definite term for the agency agreement. Our Group or the agent may terminate the agency agreement at any time and without giving any reason for so doing by giving certain days of prior notice (usually 30 days) to the other.

- The agent shall give immediate notice to our Group whenever it receives notice of any loss or claim made or to be made under a policy issued through the agency arrangement.
- Our agent shall collect all premiums on policies issued or renewed through its agency.
- The agent shall pay to our Group in such manner as our Group may direct an amount equal to each premium due on relevant policies from the Insured within a certain period of time (usually 10-60 days) of the end of the month in which such premium is due from the Insured. The agent agrees to pay the premiums due on all relevant policies irrespective of whether or not the agent receives payment from the insured unless either the agent notifies our Group that the insured has defaulted in payment of the premium and such notice is received prior to the due date for payment of such premium by the agent or if any policy is cancelled, as from its inception or otherwise, the agent shall be liable to pay only such premium (if any) as may be due by reason of the cancellation of the policy.
- Our Group shall pay to the agent commission in respect of the policies of the relevant class issued and renewed through its agency. Our agent may deduct the commission directly from the premium payable to our Group.
- The agency arrangement shall be terminated if, inter alia, (i) (for individual) the agent die or have a petition for bankruptcy order to be made against him presented to court or made against him, (ii) (for company) pass a resolution to wind-up or have a petition for winding-up against it, (iii) any receiver of any court has been appointed to take possession or control of any substantial part of its assets or property, or (iv) the agent ceases to be a member of MIB.

During the Track Record Period, our rate of commissions in respect of the policies of taxi and PLB was usually 5% of the premiums. Our rate of commissions in respect of the policies of other types of vehicles ranged from 10% to 30%. Such rates of commissions were generally in line with the market rates.

During each of the three years ended 31 December 2013 and the six months ended 30 June 2014, the aggregate amount of commissions we paid to our agents were approximately HK$21.2 million, HK$26.6 million, HK$26.4 million and HK$12.6 million respectively.

The underwriting team of our Group follows up with the agents on the issue of insurance policies and related documents on a daily basis. Our Accounts Department will also compile monthly statements in respect of the agents and monitor their performance. Our Group will issue quarterly reports to review the underwriting performance of each agent and will evaluate those agents which cannot bring profitable business to our Group.

Sales through brokers

Brokers do not have any contractual relationships with our Group and they approach our Group for and on behalf of the end customers.

During the Track Record Period, our rate of commissions in respect of the policies of taxi and PLB were usually 5% of the premiums. Such rate of commissions were generally in line with the market. During each of the three years ended 31 December 2013 and the six months ended 30 June 2014, the amount of premium written by our Group from those insurance policies sold through the brokers represented approximately 0.7%, 0.5%, 0.4% and 0.4% of the total amount of gross premium written by our Group during the corresponding periods respectively.

During each of the three years ended 31 December 2013 and the six months ended 30 June 2014, the aggregate amount of commissions we paid to brokers were approximately HK$147,000, HK$171,000, HK$151,000 and HK$97,000 respectively.

Direct sales

Occasionally, there are individual customers who attended our office to purchase insurance directly from our Group. Direct sales only represent a minor portion of our business.

During each of the three years ended 31 December 2013 and the six months ended 30 June 2014, the amount of premium written by our Group from those insurance policies sold to our walk-in customers represented approximately 0.2%, 0.2%, 0.2% and 0.3% of the total amount of premium written by our Group during the corresponding periods respectively.

Marketing

Due to our long operation history, we have well-established market networks with motor trading/ management companies and insurance agents in Hong Kong and our Directors believe that they are familiar with our products. We keep networking with these motor trading/management companies and insurance agents in Hong Kong by organizing certain social events such as banquets. We also (i) sponsor cash and lucky draw prizes to the various social functions organized by the taxi and PLB industry organizations and other charity events organized by charitable organizations; and (ii) publish advertisements in various publications of the taxi and PLB industry organizations.

In addition, we usually promote our insurance products through our website at www.targetins.com.hk. We also promote our business by participating in a radio broadcast programme on radio channels, in which general road safety and motor insurance knowledge will be shared with the public.

CLAIMS MANAGEMENT

It is our policy to ensure that reports of traffic accidents involved by our Insured are handled professionally and legitimate claims are dealt with expeditiously. We are also alerted of fraudulent claims and recovery actions against third party are achieved swiftly.

The majority of the claims reported to our Group were third party claims relating to taxi. During each of the three years ended 31 December 2013 and the six months ended 30 June 2014, the number of third party claims relating to taxi were approximately 2,300, 2,100, 2,000 and 900 respectively, representing approximately 66.8%, 62.7%, 60.6% and 59.7% of the total number of claims during the corresponding periods respectively. The following table sets out the number of claims reported to our Group during each of the three years ended 31 December 2013 and the six months ended 30 June 2014:

	Year ended 31 December						Six months ended 30 June 2014	
	2011		2012		2013			
	Comprehensive	Third Party	Comprehensive	Third Party	Comprehensive	Third Party	Comprehensive	Third Party
Taxi	212	2,289	155	2,098	168	2,045	110	914
PLB (Green)	126	368	59	399	35	414	14	188
PLB (Red)	36	177	38	155	30	167	10	74
Other vehicles *(Note)*	47	170	115	329	159	358	63	157
Total	**421**	**3,004**	**367**	**2,981**	**392**	**2,984**	**197**	**1,333**

Note: Other vehicles include mainly light goods carrying vehicles, motorcycles and private cars.

During each of the three years ended 31 December 2013 and the six months ended 30 June 2014, the amount of net claims incurred by our Group was approximately HK$209.2 million, HK$198.0 million, HK$178.0 million and HK$80.8 million respectively. The following table sets out the amount of net claims incurred by our Group during each of the three years ended 31 December 2013 and the six months ended 30 June 2013 and 2014:

	Year ended 31 December						Six months ended	
	2011		2012		2013		30 June 2014	
	Compre-hensive	Third Party	Compre-hensive	Third Party	Compre-hensive	Third Party	Compre-hensive	Third Party
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Taxi	10,173	116,979	11,137	123,866	7,527	101,523	3,143	48,851
PLB (Green)	4,686	27,936	642	11,985	1,791	15,718	(1,071)	12,661
PLB (Red)	12,790	22,632	1,734	23,049	(2,486)	13,707	(292)	3,110
Other vehicles *(Note)*	3,118	10,935	7,493	18,124	17,246	22,995	7,051	7,345
Total	**30,767**	**178,482**	**21,006**	**177,024**	**24,078**	**153,943**	**8,831**	**71,967**

Note: Other vehicles include mainly light goods carrying vehicles, motorcycles and private cars.

We classify the claims we received into three categories: (i) own damage claims, (ii) third party property damage claims and (iii) third party bodily injury claims.

We process and investigate reported claims in a structured manner. We have established a claim assessment process to ensure the authenticity and quality of the reported claims. Claimants are required to submit detailed documentation. Our staff assess the reported claims in accordance with detailed internal guidelines, which require comprehensive review and verification of major documents and events. The appropriateness of the reported claims is assessed by reviewing the status of the relevant policies or benefits, as well as any limitations set forth in the relevant insurance policies, such as terms related to exclusions. We then verify the identities of the claimants or Insured and collect and review documentation related to the events of which the claim is based to detect any possible fraud. The claims management team of our Group is experienced in investigating potential fraudulent claims and preparing appropriate evidence to facilitate the police investigation. In particular, we have employed Mr. Ngai Shu Tak Nathaniel in 2006, who is now our senior claims manager and a member of our senior management. Mr. Ngai worked in Hong Kong Police for 31 years from 1975 as a probationary inspector until his retirement in the rank of chief police inspector in 2006. For details on the biographical details of Mr. Ngai, please refer to the section headed "Directors, Senior Management and Employees" of this prospectus.

We make initial provisions for all own damage claims, third party property damage claims, third party bodily injury claims at the end of each month.

We deal with the liability issue of the reported claims at an early stage. When there is prosecution against the Insured and/or insured driver, our Group may defend on his/her behalf in order to safeguard the interest of our Group.

If a claim is verified, the amount payable is calculated and, if approved, is paid to the relevant party. After settlement, depending on the situation of the claim on a case-by-case basis, we may recover such claim, partly or entirely, from (i) the policyholder for such portion of claim which he is responsible as stated in the relevant policy (if any); (ii) third party such as the wrongdoer for the accident and/or his insurer (if applicable); and/or (iii) reinsurers for such portion of the claims which exceeds the Excluded Sum (if applicable).

Since 2013, we have streamlined claims settlement process which include (i) encouraging the insured to report the accident promptly for early identification of potential claims, (ii) proactively offering settlement for pre-action claims in order to save legal costs, (iii) making payment into court in litigations sooner in order to encourage speedy settlement and (iv) proactively following up with third party claimants or their lawyers on the required documentations and acceptance of offers. These measures have resulted in the reduction of (i) the lead time between claims report and claims settlement in general; and (ii) the reserve that is required to provide for the outstanding claims. By maintaining our Claims Department with around 9 staff, we made approximately 2,600, 3,500, 5,300 and 2,400 claims payments for each of the three years ended 31 December 2013 and the six months ended 30 June 2014 respectively.

Claims Handling Procedures

In order to make a claim, the Insured is required to report the claims to us. Our Group provides standard form titled "Notice of Accident under Motor Policy" in order to facilitate reporting. Sometimes we receive letter claiming for third party property damage or third party bodily injuries. Upon receipt of such notices or letters, we will process the reported claims. Depending on the type of claims, we will consider making initial provisions if necessary. Such provisions may be adjusted from time to time when there is any updated status on those claims (e.g. the progress of settlement or litigations).

Own Damage Claim ("OD Claim")

Upon receipt of an OD Claim, we will send an assignment form to the appointed motor surveyor to conduct survey. The survey report will be checked and assessed before its recommendation on settlement method (e.g. repair or total loss) and its amount are accepted.

The OD Claim will then be further processed as follows:

– *Repair:* We may authorize the repairer to repair the vehicles and issue settlement cheque to the repairer.

– *Total loss:* We will inform the Insured and issue settlement cheque to the Insured or other relevant parties (such as finance company). We will then arrange to sell the scrap salvage.

– *Theft:* We will request the police for the investigation report. We will also interview the Insured for any further/latest information about the theft. Depending on whether the vehicle is subsequently located, we will handle the claim in the manner as set out in the sub-paragraph headed "Repair" or "Total loss" above. After settlement of the claims, we will inform the police that the ownership of the missing vehicle has been transferred to our Group in case the stolen vehicle is subsequently located.

– *Recovery:* We will conduct an owner search of the third party vehicle via the Transport Department of the HK Government. We will remind the vehicle owner/driver to report the accident to their motor insurer and send a recovery letter with supporting documents to them. Depending on whether a settlement offer is made, we may consider accepting the settlement offer or taking legal actions.

Third Party Property Damage Claim ("TPPD Claim")

If a TPPD claim is received, we will first request the third party to provide us with all supporting documents before making any settlement offer. We will then make a settlement offer to the third party. If no settlement is reached, the TPPD claim will be resolved in courts.

Third Party Bodily Injury Claim ("TPBI Claim")

When a TPBI Claim is received, we will first request the third party to provide us with all supporting documents. We will then make a settlement offer to the third party. If no settlement is reached, the TPBI Claim will be resolved in courts.

For most TPBI Claims, a solicitors' firm will be instructed to take over the conduct of the case/proceedings. We will also monitor and follow up the case/proceedings with them closely. We may also consider making sanctioned offer or sanctioned payment into court in order to try to settle the claim as soon as possible. If necessary, we may request for medical examination or expert report, surveillance report, counsel's advice, etc. When a settlement is finally reached (whether with or without court trials), payment will be made to third party and/or other relevant parties via the solicitors' firm we have so instructed.

During the Track Record Period and up to the Latest Practicable Date, there was no complaint filed by any holders of our insurance policies or their beneficiaries or rightful claimants against our Group.

REINSURANCE

We are required under the ICO to purchase and maintain an adequate reinsurance arrangement. Maintaining reinsurance is also part of our risk management strategy. An one-year excess-of-loss reinsurance contract is entered into between our Group on the one hand, and a panel of reinsurers on the other hand every year.

During the Track Record Period, we maintained reinsurance in respect of those Losses exceeding certain specified sum (the "Excluded Sum") arising from the accidents that were covered by our insurance policies in the contract year. Under such excess-of-loss reinsurance arrangement, (a) in the event that a single Loss is below the Excluded Sum, we are solely responsible for the entire amount of such Loss; and (b) in the event that a single Loss exceeds the Excluded Sum, we are only responsible for portion of such Loss up to the Excluded Sum and the reinsurers are responsible for the remaining portion of such Loss above the Excluded Sum (the "Reinsurer Portion of Losses"). The Excluded Sum is determined after arm's length negotiation with reference to inter alia, reinsurance premium rates, estimation on gross premium written, our financial strength and inflation, etc.

We reinsure those risks that we assume under our insurance products to reduce our exposure to Loss involving significant amount and protect our capital resources. When we maintain reinsurance, we cede to those reinsurers a portion of the risk that we assume under our insurance products and pay premiums to reinsurers accordingly. We generally consider the following factors in the selection of reinsurers: (i) the reputation of the reinsurers, (ii) the appropriateness of the retention amount, scopes of coverage and the participating reinsurers, (iii) the financial position of the reinsurers and (iv) the credit rating of the reinsurers. All our reinsurers are international reinsurance companies.

During each of the three years ended 31 December 2013 and the six months ended 30 June 2014, there were 12, 9, 9 and 9 reinsurers participated in the panel and entered into the reinsurance contract respectively. Pursuant to the reinsurance contract, the reinsurers have fully underwritten the entire Reinsurer Portion of Losses, with each reinsurer agreeing to bear a specified percentage of the Reinsurer Portion of Losses as stipulated in the contract. During each of the three years ended 31 December 2013 and the six months ended 30 June 2014, (i) our largest reinsurer agreed to bear 40%, 40%, 40% and 40% of the Reinsurer Portion of Losses respectively whilst our five largest reinsurers agreed to bear 74.0%, 83.0%, 83.5% and 83.5% of the Reinsurer Portion of Losses respectively; and (ii) the other reinsurers agreed to bear the remaining 26.0%, 17.0%, 16.5% and 16.5% of the Reinsurer Portion of Losses respectively.

The amount of the Losses borne by our reinsurers comprised of two elements:

(i) those Losses recoverable arising from claims paid by our Group; and

(ii) those estimated Losses recoverable arising from the outstanding claims and IBNR of our Group.

The amount of Losses borne by our reinsurers arising from claims paid by our Group during each of the three years ended 31 December 2013 and the six months ended 30 June 2014 were approximately HK$10.1 million, HK$9.1 million, HK$15.1 million and HK$1.4 million respectively. The amount of estimated Losses borne by our reinsurers arising from outstanding claims and IBNR ("estimated claims recoverable from reinsurers") during each of the three years ended 31 December 2013 and the six months ended 30 June 2014 were approximately HK$37.1 million, HK$6.8 million, (HK$51.4 million) and HK$2.2 million respectively. It represents the change in estimated claims recoverable from reinsurers and is generally adjusted in correspondence to the change in the provision for the outstanding claims and IBNR. As a result of the streamlined claims management of our Group in 2013, the provision for gross outstanding claims and IBNR as at 31 December 2013 substantially decreased as compared to that as at 31 December 2012 and the Group recorded a reversal of the provision for the outstanding claims and IBNR for the year ended 31 December 2013 with a positive impact in the Group's income statement. Correspondingly, the reversal of estimated claims recoverable from reinsurers with a negative impact was recorded in the Group's income statement at approximately HK$51.4 million for the year ended 31 December 2013.

All of our five largest reinsurers during the Track Record Period were Independent Third Parties. We have established business relationships with our five largest reinsurers during the Track Record Period for 3 to 14 years. Our Directors confirmed that none of our Directors, their respective close associates or any Shareholder who owns 5% or more of the issued Shares of our Company immediately following the completion of the Share Offer had any interest in any of our five largest reinsurers during the Track Record Period.

The reinsurance premium payable by our Group is equivalent to certain percentage of the gross premium of our Group which was arrived after arm's length negotiation with reinsurers taking into consideration of various factors such as the proposed Excluded Sum, the anticipated gross premium of our Group and our claim record. During each of the three years ended 31 December 2013 and the six months ended 30 June 2014, our premiums ceded to third party reinsurers were HK$44.6 million, HK$42.5 million, HK$43.9 million and HK$21.4 million respectively, representing approximately 14.3%, 13.8%, 13.7% and 13.2% of the total amount of gross premium written by us during the corresponding periods respectively. Please refer to the section headed "Financial Information" of this prospectus for more information on premiums ceded to reinsurers. During the Track Record Period, we have not experienced any default of our reinsurers. The major terms of the reinsurance arrangement are as follows:

- the reinsurers agree to cover the portion of the Losses of our Group arising out of our motor vehicle insurance policies which exceeds the Excluded Sum;

- the term of the reinsurance contract is for one year;

- our Group shall be required to pay the reinsurance premium by four equal quarterly instalments based on the minimum reinsurance premium predetermined with reference to the estimated gross premium written by our Group; if the actual gross premium written by our Group is more than the estimated amount, the Group shall pay the adjusted reinsurance premium as soon as reasonably practicable;

- the reinsurers shall not be liable to certain incidents/risks, including but not limited to: (i) war, invasion, acts of foreign enemies, civil war, rebellion, revolution, (ii) nuclear energy risks, (iii) racing, rallies and/or speed trials except as specially agreed, (iv) vehicles on rails and not on terra firma, and (v) transportation of high explosives, oil, chemicals or gases in liquid, compressed or gaseous form;

- the reinsurers shall pay their share of all loss settlements and amounts paid within certain specified period (usually 30 days) of receipt of request from our Group;

- the reinsurance contract may be terminated if either the reinsurer or our Group: (i) loses half or more of its paid-up capital; (ii) goes into liquidation, whether voluntary or compulsory, or have a receiver appointed or be unable to effect payment due; (iii) be acquired or become controlled by or transfer its business to any other persons or corporations; (iv) be unable to settle balances due under the reinsurance contract as a result of government action or decree; or (v) commits any breach of the conditions of the reinsurance contract.

Target is required under the ICO to arrange for adequate reinsurance protection for the risks underwritten with reinsurers with sound financial status. In considering the adequacy of an authorized insurer's reinsurance arrangements, the IA will generally take into account, among other things, the following factors:

- reinsurance management framework of the insurer;

- type of reinsurance arrangements;

- maximum retention of the insurer;

- spread of risks among reinsurers; and

- security of reinsurers.

Our reinsurance arrangements are subject to review by our management from time to time, taking into account our Group's operation status, the market condition and the requirements of the IA regarding the selection of reinsurers. Target is required to submit to the IA a summary on major reinsurance arrangement annually.

Arrangement with reinsurance intermediary

We enter into the reinsurance arrangements through a reinsurance intermediary which charges service fee or brokerage from the reinsurers. We are not required to pay any service fee or brokerage to the reinsurance intermediary. Instead, we earn commission income (representing approximately 3% of our reinsurance premium ceded) from the reinsurance intermediary. The commission income amounted to approximately HK$1.3 million, HK$1.3 million, HK$1.3 million and HK$0.6 million for each of the three years ended 31 December 2013 and the six months ended 30 June 2014 respectively. Meanwhile, the service fee or brokerage is a matter between the reinsurance intermediary and the reinsurers.

AFTER-SALES SERVICES

We engage Eastop Motors Limited ("**Eastop**"), an Independent Third Party, to provide after-sales services on our behalf. Pursuant to an agreement dated 1 April 2005 and a supplement deed dated 15 October 2014 entered into between Eastop and us, the services that Eastop provides to our Group exclusively include, inter alia, (i) gathering feedback and handling queries from the customers about the motor insurance products and services provided by our Group; (ii) managing and overseeing the performance of the agents and the end customers of their duties under the insurance policies; (iii) providing assistance to customers in their claims; and (iv) providing other after-sales services.

The other major terms of our arrangement with Eastop are as follows:

- Eastop is required to comply with any instructions that may be issued by our general manager and/or our Board from time to time.

- There is no definite term for the agreement and could be terminated by Eastop or our Group by not less than six-month notice.

- The appointment of Eastop may also be terminated if Eastop, inter alia, (i) commits any material or persistent breach of the agreement, (ii) is guilty of any dishonesty or grave misconduct or (iii) is presented with a petition or an order made for the winding up of Eastop.

- Eastop agrees that its service shall be provided by Mr. Yuen Wai Piu (a director and shareholder of Eastop) or any other personnel agreed by our Group from time to time for and on behalf of Eastop.

- If the appointment of Eastop is terminated, Eastop and Mr. Yuen Wai Piu shall not provide similar services any to any other insurer within nine months from the date of termination.

A service fee equivalent to a predetermined percentage of the premium generated from those accounts of the agents/customers which have been assigned or delegated by our Group to Eastop for management and coordination will be paid to Eastop. Eastop shall be responsible for its own outgoing expenses and disbursements in the provision of its services to our Group. Mr. Yuen is also entitled to certain options under our Pre-IPO Share Option Scheme, details of which are set out in the section headed "Statutory and General Information" as set out in Appendix V to this prospectus. During each of the three years ended 31 December 2013 and the six months ended 30 June 2014, Eastop provided after-sales services to around 75 agents of our Group (representing approximately 68.2% of the total number of around 110 agents) and we have paid approximately HK$7.7 million, HK$6.9 million, HK$7.3 million and HK$3.9 million to Eastop as service fee respectively.

Mr. Yuen has worked in the taxi and PLB industry for years and has extensive network and business relationship in the industry and with those agents and brokers. Our Company is not aware of any other market players engaging third party(ies) to provide after-sales services. Our Directors are of the view that our arrangement with Eastop (i) assisted our initial business development in taxi and PLB segment back in 2005; and (ii) benefits our business maintenance and continuous development in the taxi and PLB segment; and (iii) assists us to collect market information and assists customers in their claims more effectively and efficiently. In the event that Eastop ceases to provide after-sales services to us, our Group may consider inviting other service providers with similar calibre as Eastop to provide us with such services. Our Group has also been actively taking part in various promotion and industry events to further strengthen our existing business networks and explore new business opportunities. Further, the underwriting team of our Group maintains sufficient level of connections with existing customers which enables to handle the relevant work.

INVESTMENTS

We invest the premiums and other income generated from our insurance business.

Our Objectives

Our principal investment objectives include:

- to enhance the utilization of the assets of our Group to maximize the return to the Group and at the same time by adopting a prudent manner to contain and control possible risks to safeguard the assets of our Group;
- to ensure a well-structured investment portfolio by reference to the relevant internal guidelines, policies and compliance with the relevant laws and regulations;
- to keep inherent underlying investment-related risks (market risk, credit risk, liquidity risk, operational risk, legal risk, etc.) in manageable manner; and
- to choose investment products and tools with high degree of liquidity.

Our Investment Policies

The general rules on our investment portfolio management include, inter alia:

- our investment portfolio should be able to spread our Group's investments across a diversified range of financial assets so as to avoid concentration risks; and
- our investment portfolio enables our Group to achieve a steady investment return with calculated and acceptable risk level.

The main types of financial assets typically held by our Group comprise (i) bonds and other fixed income instruments, (ii) equities and equity-related investments, (iii) debts, deposits and other rights and (iv) real properties.

Investments in bonds and other fixed income instruments

With respect to bonds and other fixed income instruments, our Group usually invests in bonds denominated in HK dollar, US dollar or RMB with S&P ratings of not lower than B+ issued by various reputable issuers.

If any bonds has lower rating or has no rating, its issuer or guarantor should be a listed company and the shares of such issuer or guarantor shall be a constituent stock of major international index. Their market capitalization shall be no less than HK$2 billion. The total amount of our investment in unrated bonds shall not exceed HK$40 million.

Investments in equities and equity-related investments

With respect to equities and equity-related investments, our Group usually invests in equities which are constituent stocks of major international indexes, such as MSCI Hong Kong Index, MSCI China Index, Hang Seng Index, Hang Seng China Enterprises Index, etc.

If the shares chosen are not constituent stocks of the above-mentioned indexes, its issuer or guarantor should be a company listed on the Stock Exchange or on a foreign stock exchange recognized by the IA. The market capitalization of the issuer or guarantor shall be no less than HK$2 billion. The total amount of our investment in such shares shall not exceed HK$40 million.

The shares of each company to be invested by our Group shall not exceed 20% of our total investments in equities and equity-related instruments.

There is no specific requirement on the business of those companies we invest in. However, we aim to maintain a well-balanced diversification in our investment in different segments and sectors, such as, PRC-related business, technology, financial services, public utilities, telecommunications, consumer services, healthcare, energy, etc.

Investments in debts, deposits and other rights

This category of investments refers to investments in cash, fixed deposits (in HK dollar or other major foreign currencies), exchange fund bills, certificates of deposit, etc. According to the requirements of the IA, Target shall maintain fixed deposit of no less than HK$330 million (including statutory deposit in the sum of HK$100 million) and we are required to obtain the prior written consent of the IA if any such amount of fixed deposits is not to be maintained.

Investments in real properties

Our Group focuses on investments in commercial properties in Hong Kong with both future potential value appreciation and current rental income generation.

Our Investment Management

Our Group has established an investment committee since 2003, which is authorized by our Board to implement and monitor our investment objectives, policies and restrictions. Upon Listing, the investment committee will comprise Dr. Choi, Mr. Muk Wang Lit Jimmy, Mr. Chan Hok Ching and Mr. Wong Shiu Hoi Peter, all being Directors. Our investment committee is mainly responsible for, inter alia, (i) ensuring the proper application of funds available to our Group for investment and such investments are made to the best interest of our Group at all times and in accordance with our Company's investment policy and (ii) ensuring all investments by Target complies with the statutory requirements as may be applicable under any laws, ordinances, regulations and rules that are currently in force in Hong Kong and/or guidelines issued by the IA or any other relevant authority. For the experiences of our Directors, please refer to the section headed "Directors, Senior Management and Employees" of this prospectus.

In addition to the daily review on the performance of equity securities and deposits and monthly review on the performance of debt securities by our executive Directors and our senior management, our investment committee shall review the performance of our investment portfolio at least 4 times per year. The investment committee shall evaluate any investment (or a series of investments of similar nature) amounting to or exceeding HK$100 million. A resolution of the investment committee may also be required.

Our Investment & Business Development Department is responsible for managing our investment portfolio on a daily basis. As at the Latest Practicable Date, our Investment & Business Development Department comprised 3 staff and is headed by Mr. Rui Yuanqing, one of our senior management. For details of the biographical details of Mr. Rui, please refer to the section headed "Directors, Senior Management and Employees" of this prospectus.

We have compiled written policy and procedures on investment portfolio management. Any revisions or modifications to the investment objectives, policies and restrictions contained therein have to be subject to the prior written approval of our Board.

Target shall make prior or prompt written notifications or applications to the IA should there be any material deviations of our investments from our internal policy and procedures on investment portfolio management.

Target is subject to the supervision of IA. In this connection, Target is required to seek approval from the IA for investment exceeding certain monetary limit.

Our culture of disciplined investment and risk management has enabled us to maintain financial stability through business and economic cycles, including global economic downturns. We believe that the scale of our investment portfolio is appropriate for our business.

Our investment portfolio

During the Track Record Period, our investment portfolio consisted of the following principal assets:

- listed and unlisted equity securities;
- listed and unlisted debt securities; and
- bank deposits, bank balances and cash.

As at 31 December 2011, 2012 and 2013 and 30 June 2014, the carrying value of our investment portfolio was approximately HK$668.6 million, HK$794.5 million, HK$803.4 million and HK$839.6 million respectively. The table below sets out the respective carrying value of the principal assets of our investment portfolio as at 31 December 2011, 2012 and 2013 and 30 June 2014:

	As at 31 December						As at 30 June	
	2011		2012		2013		2014	
		Approx.		*Approx.*		*Approx.*		*Approx.*
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Listed and unlisted equity securities								
Ordinary shares – listed in Hong Kong	31,562	4.7	32,846	4.1	47,649	5.9	69,307	8.2
Ordinary shares – listed outside Hong Kong	–	–	–	–	614	0.1	704	0.1
Preference shares – unlisted	6,439	1.0	–	–	–	–	–	–
Sub-total	**38,001**	**5.7**	**32,846**	**4.1**	**48,263**	**6.0**	**70,011**	**8.3**
Listed and unlisted debt securities								
Listed debt securities								
Bonds listed in Hong Kong	–	–	–	–	145,962	18.2	150,876	18.0
Unlisted debt securities								
Bonds and certificate of deposit with fixed maturity date	38,243	5.7	41,829	5.3	60,817	7.6	56,578	6.7
Bonds without fixed maturity date	9,252	1.4	12,237	1.5	17,987	2.2	7,151	0.9
Sub-total	**47,495**	**7.1**	**54,066**	**6.8**	**224,766**	**28.0**	**214,605**	**25.6**
Bank deposits, bank balances and cash								
Short-term time deposits (original maturity within 3 months)	421,179	63.0	557,099	70.1	429,747	53.5	396,936	47.3
Cash at banks and in hand	30,928	4.6	18,964	2.4	627	0.1	566	0.1
Statutory deposit	100,000	15.0	100,000	12.6	100,000	12.4	100,000	11.9
Time deposits with original maturity over 3 months	31,034	4.6	31,514	4.0	–	–	57,503	6.8
Sub-total	**583,141**	**87.2**	**707,577**	**89.1**	**530,374**	**66.0**	**555,005**	**66.1**
TOTAL	**668,637**	**100.0**	**794,489**	**100.0**	**803,403**	**100.0**	**839,621**	**100.0**

As at 31 December 2011, 2012, 2013 and 30 June 2014, our investments in:

- equity securities represented approximately 5.7%, 4.1%, 6.0% and 8.3%;
- debt securities represented approximately 7.1%, 6.8%, 28.0% and 25.6%; and
- bank deposits, bank balances and cash represented approximately 87.2%, 89.1%, 66.0% and 66.1%;

of our total carrying value of our investment portfolio respectively.

We owned one investment commercial property located at 1st Floor, 39-41 Argyle Street, Mongkok, Kowloon, Hong Kong and leased the same to an Independent Third Party for a term of three years commencing from 16 March 2011 at a monthly rental of HK$90,000. We have entered into a sale and purchase agreement on 22 November 2011 with another Independent Third Party to dispose of the said property at a consideration of HK$16.9 million. Completion of the sale and purchase has taken place on 31 December 2011.

Equity securities

As at 31 December 2011, 2012 and 2013 and 30 June 2014, the carrying value of equity securities invested by our Group was approximately HK$38.0 million, HK$32.8 million, HK$48.3 million and HK$70.0 million respectively. We mainly invest in securities listed on the Stock Exchange, including shares, units in exchange traded funds (ETF) and units in real estate investment trust (REIT). The main businesses engaged by those companies or underlying assets invested by our Group include, inter alia, banking, property development, insurance, public utilities, airlines, energy and infrastructure.

We mainly focus on those blue chip stocks, Hang Seng Index constituent stocks and Hang Seng China Enterprises Index constituent stocks. Nevertheless, we may also invest in other equity securities.

Debt securities

The debt securities invested by our Group included government bonds, corporate bonds and certificate of deposit.

Government bonds

We invested in government bonds issued by HK Government from 2013 onwards. All the government bonds invested by our Group are listed on the Stock Exchange. As at 31 December 2013 and 30 June 2014, the carrying value of government bonds invested by our Group was approximately HK$146.0 million and HK$150.9 million respectively, representing approximately 64.9% and 70.3% of the total carrying value of all debt securities invested by our Group respectively. The S&P ratings of those government bonds are AAA.

The government bonds we purchased include the series due on 28 July 2014, 22 June 2015 and 24 June 2016 respectively. The interest rate for each interest payment date will be determined and announced on the relevant interest determination date as the higher of (i) the floating rate, being the arithmetic average of the year-on-year rates of change in the Composite Consumer Price Index compiled and published by the Census and Statistics Department of HK Government based on the results of the most recent Household Expenditure Survey at the relevant interest determination date (currently being the 2009/10-based Composite Consumer Price Index) for the six most recent preceding months, rounded to the nearest two decimal places; and (ii) the fixed rate of 1.00%, per annum, payable every six months in arrear. We have received interest of those government bonds at the rates ranging from 4.02% to 4.78%.

Corporate bonds and certificate of deposit

We invested in corporate bonds issued by various companies, comprising mainly those constituents of Hang Seng Index and Hang Seng China Enterprises Index and certificate of deposit issued by a bank. As at 31 December 2011, 2012, 2013 and 30 June 2014, the carrying value of corporate bonds invested by our Group was approximately HK$47.5 million, HK$54.1 million, HK$78.8 million and HK$63.7 million respectively, representing approximately 100%, 100%, 35.1% and 29.7% of the total carrying value of all debt securities invested by our Group during the corresponding periods respectively. The major terms of our corporate bonds usually include the maturity date, distribution of dividend and the right of redemption. In general, dividends will be distributed semi-annually in arrears each year by the issuer of the debt securities at a specified rate. Some issuers have the right to redeem, at their option, the debt securities in whole or in part, whereas some may only redeem the debt securities in whole but not in part, at such date and at such price as set out in the offering documents of the relevant debt securities.

The table below sets out the S&P ratings and the aggregate nominal amount of government bonds, corporate bonds and certificate of deposit held by our Group as at 31 December 2011, 2012, 2013 and 30 June 2014 respectively:

	As at 31 December			**As at 30 June**
	2011	**2012**	**2013**	**2014**
	Nominal amount	**Nominal amount**	**Nominal amount**	**Nominal amount**
	'000	*'000*	*'000*	*'000*
AAA *(Note 1)*	–	–	HK$145,962	HK$150,876
From AA to BBB- *(Note 2)*	RMB1,930 US$1,500	RMB1,590 US$500	RMB1,500 US$500	RMB20,000 US$500
BB+ or below *(Note 3)*	RMB5,000 US$1,100	RMB3,000 US$1,100	RMB4,500 US$2,370	RMB3,000 US$870
Unrated or N/A *(Note 4)*	RMB12,700 US$2,200	RMB17,700 US$1,600	RMB17,700 US$3,170	RMB10,700 US$1,450

Notes:

1. "AAA" means extremely strong capacity to meet financial commitments and is the highest ratings.

2. "BBB-" is considered lowest investment grade by market participants. The coupon rates of those corporate bonds held by our Group with S&P ratings of AA to BBB- denominated in (i) RMB are in the range of 1.6% and 3.8% and (ii) US dollar are in the range of 6% and 6.409%.

3. "BB+" is considered highest speculative grade by market participants. In general, debt securities with ratings BB+ or below are subject to higher credit risks as compared with those with ratings BBB- or above. The coupon rates of those corporate bonds held by our Group with S&P ratings of BB+ or below denominated in (i) RMB are in the range of 6.5% and 9.75% and (ii) US dollar are in the range of 8.25% and 13.25%.

4. "Unrated or N/A" comprises the unrated corporate bonds and certificate of deposit. The coupon rates of these corporate bonds and/or certificate of deposit held by our Group denominated in (i) RMB are in the range of 1.8% and 8.5% and (ii) US dollar are in the range of 5.875% and 13.875%. Our Group invested in non-investment grade bonds because of their high return rates.

Some of the debt securities we invested in have a fixed maturity date while some have no maturity date. As at 31 December 2011, 2012 and 2013 and 30 June 2014, the carrying value of those debt securities we invested in:

- with a fixed maturity date represented approximately 80.5%, 77.4%, 92.0% and 96.7%; and
- with no maturity date represented approximately 19.5%, 22.6%, 8.0% and 3.3%,

of the total carrying value of all debt securities we invested in respectively.

The following table sets forth a breakdown of our investments in government bonds, corporate bonds and certificate of deposit by maturity as of the dates indicated:

	As at 31 December						As at 30 June	
	2011		2012		2013		2014	
	HK$'000	*Approx. %*	*HK$'000*	*Approx. %*	*HK$'000*	*Approx. %*	*HK$'000*	*Approx. %*
Due in 1 year or less	415	1.1	1,979	4.7	42,804	20.7	105,164	50.7
Due in 1 year through 3 years	19,812	51.8	24,911	59.5	129,469	62.6	82,241	39.6
Due in 3 years through 5 years	4,897	12.8	10,230	24.5	17,990	8.7	4,057	2.0
Due after 5 years	13,118	34.3	4,709	11.3	16,516	8.0	15,992	7.7
Total	**38,243**	**100.0**	**41,829**	**100.0**	**206,779**	**100.0**	**207,454**	**100.0**

Bank deposits, bank balances and cash

Save for a minor portion of our cash at banks and in hand, we deposit most of our cash in time deposits. Among those time deposits, Target is required to maintain a time deposit of a specified amount throughout the Track Record Period with a licensed bank in Hong Kong as a statutory deposit pursuant to the instruction given by the IA. The time deposit can only be released with prior written consent of the IA.

During each of the three years ended 31 December 2013 and the six months ended 30 June 2014, the time deposits represents approximately 94.7%, 97.3%, 99.9% and 99.9% of the total amount of our bank deposits, bank balances and cash respectively.

Our bank deposits mainly comprised HK dollar, US dollar and RMB time deposits (including statutory deposits) in various banks. As at 31 December 2011, 2012, 2013 and 30 June 2014, the amount of bank deposits in our investment portfolio (including statutory deposit) was approximately HK$552.2 million, HK$688.6 million, HK$529.7 million and HK$554.4 million respectively. The table below sets out the amount of our time deposits in HK dollar, US dollar and RMB (including statutory deposits) as at 31 December 2011, 2012, 2013 and 30 June 2014 respectively:

	As at 31 December			As at 30 June
	2011	**2012**	**2013**	**2014**
	'000	*'000*	*'000*	*'000*
HK dollar deposits	HK$430,900	HK$554,778	HK$389,900	HK$447,400
US dollar deposits	US$4,000	US$5,010	US$5,122	US$5,899
RMB deposits	RMB74,060	RMB76,235	RMB78,650	RMB49,512

During the Track Record Period, the interest rate per annum of (i) the HK dollar deposits were in the range of 0.15% and 2.3%, (ii) the US dollar deposits were in the range of 1.2% and 2.18% and (iii) the RMB deposits were in the range of 0.55% and 3.6%.

Most of our bank deposits are short-term time deposits with original maturity within 3 months. For those time deposits with original maturity over 3 months, the maturity date will usually not exceed 1 year. As at 31 December 2011, 2012 and 2013 and 30 June 2014:

- the amount of short-term time deposits with original maturity within 3 months were approximately HK$421.2 million, HK$557.1 million, HK$429.7 million and HK$396.9 million respectively, representing approximately 72.2%, 78.7%, 81.0% and 71.5% of our total amount of bank deposits, bank balances and cash respectively; and
- the amount of time deposits with original maturity over 3 months (including statutory deposit) were approximately HK$131.0 million, HK$131.5 million, HK$100.0 million and HK$157.5 million respectively, representing approximately 22.5%, 18.6%, 18.9% and 28.4% of our total amount of bank deposits, bank balances and cash respectively.

Our Group does not have any hedging strategy in making investments.

For more information about our investment portfolio, please refer to the section headed "Financial Information" and the Accountants' Report as set out in Appendix I to this prospectus.

Investment restrictions

Target is subject to various restrictions in investing our assets under the laws and the IA.

Our investments are subject to (i) statutory requirements under the ICO and (ii) the residual and discretionary power granted to the IA under section 35 of the ICO.

Up to the Latest Practicable Date, the IA has imposed the following major requirements on Target's investments:

- Target is required to maintain time deposits of no less than HK$330 million (including statutory deposit in the sum of HK$100 million);
- Target is required to obtain prior written consent from the IA before making investment of HK$10 million or above or a series of investments of a similar nature which aggregates to HK$10 million or above (save and except for deposits in banks);
- Target is required to inform the IA within 7 days having been made investment of HK$1 million or above or a series of investments of a similar nature which aggregates to HK$1 million or above (save and except for deposits in banks);
- Target's total investment in bonds that do not have a credit rating shall not exceed HK$40 million;
- Target shall not lend, advance or guarantee any funds to any related parties, such as directors, shareholders, controllers, their relatives and affiliated companies; and
- Target shall not place deposits with or transfer assets (except for normal insurance transactions) or provide financial assistance to any specified person without first obtaining written consent from the IA.

In addition to those restrictions imposed by laws and the IA, our Group has also adopted, inter alia the following internal investment policies as at the Latest Practicable Date:

- Our Group will not carry out (i) short selling of securities, (ii) margin purchases of securities, (iii) investment in commodity futures contracts, warrants, options or other derivatives, precious metals and (iv) investment with unlimited liability, e.g. general partnership;
- Our Group will not purchase any securities which will result in our Group holding more than 10% of any class of securities of a company or more than 10% of the outstanding voting securities of a company;
- Our Group will not take legal or management control of any investment;
- Our Group will not invest in any mutual funds, unit trusts or other collective investment vehicles which will result in our Group holding more than 5% of the total eligible asset value as defined in section 2 of the Insurance Companies (General Business) (Valuation) Regulation (Chapter 41G of the Laws of Hong Kong).

Investment Income

During each of the three years ended 31 December 2013 and the six months ended 30 June 2014, our investment income was approximately HK$15.2 million, HK$17.6 million, HK$21.1 million and HK$9.9 million respectively, representing approximately 5.0%, 6.3%, 7.2% and 6.5% of our total income during the corresponding periods respectively. Our investment income primarily included (i) interest income from bank deposits and available-for-sale financial assets; (ii) dividend income from available-for-sale financial assets; (iii) loss or gain on disposal of available-for-sale financial assets; (iv) net foreign exchange gains or losses; (v) rental income from investment properties; and (vi) gain on disposal of investment properties. The following table sets out the breakdown of investment income during each of the three years ended 31 December 2013 and the six months ended 30 June 2014:

	Year ended 31 December			Six months ended
	2011	**2012**	**2013**	**30 June 2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Interest income from bank deposits	6,838	10,582	9,890	4,764
Interest income from available-for-sale financial assets	3,425	3,886	7,585	5,556
Dividend income from available-for-sale financial assets	1,734	1,141	1,153	1,225
(Loss) Gain on disposal of available-for-sale financial assets	(4,668)	(106)	341	1,001
Net foreign exchange gains (losses)	2,185	2,047	2,092	(2,598)
Rental income from investment properties	854	–	–	–
Gain on disposal of investment properties	4,859	–	–	–
Net investment income	15,227	17,550	21,061	9,948

Our investment yield, which is calculated by dividing investment income for the year/period by the balance of the investment portfolio as at the respective year/period end date, during each of the three years ended 31 December 2013 and the six months ended 30 June 2014 was approximately 1.4%, 2.2%, 2.6% and 1.2% respectively. For more details, please refer to the section headed "Financial Information" of this prospectus.

RISK MANAGEMENT

Our Group is committed to an effective risks management as it is central to our continued growth and success.

Objectives of our risk management systems

The major objectives of our risk management systems are as follows:

- To encourage proactive rather than reactive management of risks;
- To improve identification of opportunities and threats and to minimize loss;
- To improve financial reporting and corporate governance;
- To comply with relevant legal and regulatory requirements and international norms;
- To improve stakeholders' confidence and trust.

Our principal risk exposures

We have compiled risk register for internal reference, setting out the risk type, the source of risk, the impact of the risk, risk assessment and risk treatment. The major risks faced by our Group are categorized into the following:

Business risks – Risks related to business factors such as customer demand, revenue growth, macro-economic conditions, competition and regulatory environment that are faced by each business lines and their ability to meet earnings target.

Financial risks – Risks resulting from volatility in the underlying financial market factors such as interest rate, foreign exchange and equity prices.

Operational risks – Risks of direct or indirect loss resulting from inadequate or failed internal processes, people or systems.

Risk management structure

Our Board, together with the following committees established by our Group, are responsible for managing various risks faced by our business:

Board

Our Board shall approve our Group's risk management framework which defines the objectives, principles, activities and areas of responsibility of risk management.

Our Board shall oversee the effectiveness of the framework and delegate the responsibility for implementing the related policies and procedures to management. In particular, the risk committee of the Board will be mainly responsible for (i) advising the risk profile and risk management strategy of our Group; (ii) considering, reviewing and approving risk management policies and guidelines; and (iii) assessing and monitoring risk levels and related resources allocation.

Audit committee

The audit committee is accountable to our Board and shall, inter alia, oversee our Group's risk management and internal audit activities, meet and report to our Board of its findings and recommendation on any matters regarding risk management and internal controls.

Upon Listing, the audit committee comprises Mr. Wan Kam To, Mr. Wong Shiu Hoi Peter and Mr. Szeto Wai Sun. Mr. Wan Kam To is the chairman of the audit committee. Their biographical details are set out in the section headed "Directors, Senior Management and Employees" of this prospectus.

Investment committee

The investment committee of Target is mainly responsible for:

- ensuring the proper application of funds available to our Group for investment and such investment are made to the best interest of our Group at all times;
- ensuring all investments by Target complies with the statutory requirements as may be applicable under any laws, ordinances, regulations and rules that are currently in force in Hong Kong and/or guidelines issued by the IA or any other relevant authority;
- drawing up investment policy as may be appropriate from time to time and, after having obtained approval of the Board, making investments decisions on behalf of our Group within the scope and ambit of such investment policy; and
- identifying the potential risks in respect of the investments made by our Group and assessing such risks and introducing appropriate risk management measures therefor.

Upon Listing, the investment committee will comprise Dr. Choi, Mr. Muk Wang Lit Jimmy, Mr. Chan Hok Ching and Mr. Wong Shiu Hoi Peter. Dr. Choi is the chairman of the investment committee. Their biographical details are set out in the section headed "Directors, Senior Management and Employees" of this prospectus.

Reinsurance committee

The reinsurance committee of Target is mainly responsible for ensuring that adequate reinsurance arrangements are always in place to protect our business and obtaining the best terms in acquiring first class reinsurance protection with first class reinsurers in line with the reinsurance need.

Upon Listing, the reinsurance committee will comprise Mr. Muk Wang Lit Jimmy, Dr. Cheung and Mr. Chan Hok Ching. Mr. Muk Wang Lit Jimmy is the chairman of the reinsurance committee. Their biographical details are set out in the section headed "Directors, Senior Management and Employees" of this prospectus.

Underwriting committee

The underwriting committee of Target is mainly responsible for assisting our Board in formulating our Group's policy of underwriting risks, our Group's policy of determination of premium with reference to different risks and insurance covers, evaluating the performance of our agents and assessing their commissions.

Upon Listing, the underwriting committee will comprise Mr. Chan Hok Ching, Mr. Muk Wang Lit Jimmy, Mr. Rui Yuanqing and Ms. Or Pik Yuk. Mr. Chan Hok Ching is the chairman of the underwriting committee. Their biographical details are set out in the section headed “Directors, Senior Management and Employees” of this prospectus.

Major business risk management policies

Underwriting of risks

Our Group periodically reviews the criteria for assessing the premiums applicable to different risks and insurance coverage before determining the premium rates. Our Group compiles underwriting guidelines and periodically reviews, updates and revises the same and will take all necessary steps to ensure that the underwriting guidelines are followed in the acceptance of risks. We also constantly gather market information and data via all available channels to evaluate our Group’s competitiveness so as to adjust and respond internally in the premiums determination and updating of our underwriting guideline with reference to the external market conditions. We also constantly look for ways to streamline and enhance our underwriting process.

Monitoring of agents

Our Group constantly monitors the conditions of our agents, payment patterns and credit limits and terms in order to ensure our timely collection of premiums.

Handling of claims

Our Group is prudent in making initial claims provisions and periodically reviews the claim files and makes provision adjustments in response to latest information and data available at the material time. We are always vigilant to fraudulent claims.

Our Group monitors and ensures recovery claims/cases are processed and followed through constantly and expeditiously to recover the outlays within the earliest possible time frame.

We oversee and ensure smooth and effective operation of the claims settlement function and should constantly look for ways to streamline the claims settlement process and enhance the expeditious quality claims service.

We also ensure that our claims settlement function is not compromised by underwriting risks with inadequate premium rate.

Major financial risk management policies

Our principal investment objective is to generate long-term total returns through a diversified portfolio of investments. Maintaining liquidity is also another important objective in investments. In order to achieve the investment objectives, our Group may engage or seek advice and assistance from outside financial professionals from time to time.

The investment committee designated by our Board is responsible to implement and monitor our investments and our investment objectives, policies and restrictions. Any revisions or modifications to our investment objectives, policies and restrictions are subject to the prior written approval of our Board.

Investment of the assets of our Group is subject to various restrictions as may be determined by the applicable laws and regulations and our Directors from time to time, details of which are set out in the subparagraph headed “Investment Restrictions” under the paragraph headed “Investments” in this section.

Major operational risk management policies

Fraud risk management

Our Group is committed to having a high standard of ethical conduct and adopt a zero tolerance approach to fraud. Fraud risks include but not limited to fraudulent financial reporting, misappropriation of assets, improper or unauthorized expenditure, etc.

As part of our fraud risk management, we have adopted a whistle blowing policy, pursuant to which our Group encourages all employees to report promptly any or suspected internal improprieties, unethical acts, malpractices, fraudulent acts, corruptions, etc. Upon receipt of the report, our Chairman may, if necessary, convene a Board meeting to consider any further action that should be taken by our Group.

Information technology security

Our Group has adopted information technology (IT) security policy, including, user access right protected by user ids, passwords, etc. different accounts have different access rights. Our computer system is also equipped with data backup function to prevent accidental data loss and is tailor-made for our requirements in underwriting of insurance policies, claim handlings and accounting in order to minimize errors in our daily operations.

Self-dealings

In general, it is our policy that all self-dealings and preferential treatment of favoured internal and external entities (whether personal or corporate) shall be avoided and discouraged as far as possible. Our chief executive officer and other senior management are required to be always alert on those issues and report to our Board upon discovery of such transactions. Our Board will consider each of such transactions with due care and consideration, having regard to each particular circumstances and with reference to the applicable laws and regulations in Hong Kong and the guidelines of IA (where applicable). The general principle of fairness shall be taken into account and observed by our Board at all times. Our Board shall approve or reject such transactions as it may deem fit and proper. In approving such transactions, our Board may impose such condition as it may deem fit and proper.

COMPETITION

According to the report of Euromonitor, the motor insurance industry in Hong Kong is highly fragmented with a large number of international and local insurers and fairly varied product and service offerings. There are low overall entry barriers in this industry.

Our Directors are of the view the insurance market for taxi and PLB in Hong Kong is competitive since (i) the motor insurance product is almost homogeneous in general; (ii) our customers and potential customers are usually price-sensitive and (iii) there is high transparency in the pricing information among the market players such that we may easily lose customers if our premiums offered are not competitive. Certain other insurance companies and commercial banking groups with insurance business are also providing insurance products for taxi and PLB. For more details on the industry environment, please refer to the section headed "Industry Overview" of this prospectus. The major areas of market competition include, inter alia, premium rates charged, efficiency of handling of claims, etc. Our Directors consider that (i) our commitment to the market even in difficult times; (ii) our long and established relationships with our agents; and (iii) our efficient and effective claims management have enabled us to maintain our dominant market position. For details of our competitive strengths, please refer to the paragraph headed "Competitive Strengths" of this section.

Our competitors, whether local or foreign, may have more and better financial resources, experiences and market reputation as compared to ours. Nevertheless, we believe that the Listing would enhance our financial resources and strengthen our market position and allow us to compete with local and foreign competitors.

INSURANCE

We maintain insurance for our employees in accordance with the relevant laws of Hong Kong and an insurance against any accidental loss or damage to the property at our head office as specified in the insurance policy. Our Directors are of the view that we have maintained sufficient insurance coverage for our business and operations.

HEALTH, WORK SAFETY AND ENVIRONMENTAL MATTERS

Due to the nature of our business, we do not currently have any material liabilities relating to health, work safety and environment and do not expect that we would incur any material liabilities relating to health, work safety and environment which could have any material adverse impact on our business and operating results.

LEGAL PROCEEDINGS

During the Track Record Period and up to the Latest Practicable Date, there was no litigation or arbitration pending or threatened against our Group which could have a material effect on our Group's financial condition or results of operation. We were also not aware of any material claims, investigation or regulatory action pending or threatened against our Group which could have a material effect on our Group's financial condition or results of operation.

PROPERTIES

As at the Latest Practicable Date, we did not own any property, whether for self-use or investment purpose.

Our Group has leased the following property in Hong Kong as our head office:

Properties	Use	Amount of monthly rental	Term of lease
Units 1708 – 1710, 17th Floor, Miramar Tower, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong	Head Office	HK$318,150.00 (plus monthly air-conditioning charge and management fee of HK$43,177.50 and quarterly rates of HK$32,700.00)	Three years commencing from 1 August 2013 and expiring on 31 July 2016

The above property is leased from an Independent Third Party. During each of the three years ended 31 December 2013 and the six months ended 30 June 2014, we incurred approximately HK$2.5 million, HK$2.5 million, HK$3.3 million and HK$2.2 million respectively as rental payments.

According to section 6(1) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this prospectus is exempted from compliance with the requirements of section 38(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which require a valuation report with respect of all Group's interests in land or buildings, of the reason that, as at 30 June 2014, our Group does not have any interest in properties which has a carrying amount of 15% or more of the total assets of our Group.

During the Track Record Period, we owned one investment commercial property located at 1st Floor, 39-41 Argyle Street, Mongkok, Kowloon, Hong Kong and had leased the same to an Independent Third Party for a term of three years commencing from 16 March 2011 at a monthly rental of HK$90,000. We entered into a sale and purchase agreement on 22 November 2011 with another Independent Third Party to dispose of the said property at a consideration of HK$16.9 million. Completion of the sale and purchase took place on 31 December 2011.

We had leased a property located at Ground Floor, Land Lot No. 1102, Kam Tin Tsuen, New Territories, Hong Kong from Mr. Lai Yiu Kwong (the "Landlord"), a brother of Mr. Lai, an executive Director, for a term of one year commencing from 19 February 2011 for use as our warehouse at a monthly rental of HK$2,000. We entered into a termination of tenancy agreement with the Landlord on 30 January 2012, pursuant to which the said lease arrangement was terminated. For further details, please refer to the section headed "Connected Transactions" of this prospectus.

INTELLECTUAL PROPERTY RIGHTS

We carry out our business under the trademark of . The trademark has been registered with the Trade Marks Registry, Intellectual Property Development of the HK Government for class 36 and is valid for ten years commencing from 25 October 2011. We consider the trademark an important means to promote our business in the competitive business environment in Hong Kong. As of the Latest Practicable Date, we have applied for the registration of additional four trademarks in Hong Kong under classes 16 and 36.

Further details of our intellectual property rights are set out in the paragraph headed "Intellectual Property" in the section headed "Further information about the business" in Appendix V to this prospectus.

We confirm that we are not involved in any proceedings in respect of, and we have not received notice of any dispute or claim for infringement of, any intellectual property rights of any third party.

AWARDS

After years of development, our services have accomplished a number of milestones and have obtained a number of awards as set out below:

Award	Awarding Organization	Year of Issue
Creative Strategy Excellence Awards (卓越創意策略獎)	The Professional Validation Centre of Hong Kong Business Sector	2014
Social Services Excellence Awards (卓越社會愛心服務獎)	The Professional Validation Centre of Hong Kong Business Sector	2014
Sincerity Services Excellence Awards (卓越服務真誠獎)	The Professional Validation Centre of Hong Kong Business Sector	2014
Eco-enterprise Excellence Awards (卓越環保企業獎)	The Professional Validation Centre of Hong Kong Business Sector	2014
Business Excellence Awards (卓越商業大獎)	The Professional Validation Centre of Hong Kong Business Sector	2014

STAFF

Staff

As at the Latest Practicable Date, our Group employed a total of 37 staff in Hong Kong. A breakdown of which by function is as follows:

	Total
Management	6
Accounts Department	3
Claims Department	9
Underwriting Department	9
Investment & Business Development Department	3
Human Resources and Administration Department	7
Total	37

Recruitment policy

Our Board will determine the overall human resources requirements of our Group from time to time in order to cope with the business plan of our Group. We will take into account the working experience and the academic background of the applicants when we make employment decisions.

In order to retain valuable staff, we review the salaries of our staff annually with reference to market condition and their performance and improvement in related training and academic achievement.

Mandatory provident fund

Our Group has participated in a mandatory provident fund scheme as required under the laws of Hong Kong and has complied with the same. As required under the laws of Hong Kong, 5% of the employees' relevant income per month is contributed to the provident fund, subject to a maximum limit as may be imposed by the relevant regulatory authority from time to time.

Staff benefits

We provide on-the-job training to our staff when necessary. We may request our staff to attend in-house or external courses. We also encourage our staff to participate in professional examinations and obtain professional insurance qualifications by reimbursing the relevant fees/expenses to the staff.

Relationship with staff

We recognize the importance of having good working relationship with our staff. We have not experienced any significant problems with our staff nor disruption to our operations due to labour disputes or industrial actions, nor have there been any material difficulties in the recruitment and retention of experienced staff.

Our Directors believe that our Group has good working relationship with our staff as a whole.

LICENCES AND REGULATORY COMPLIANCE

In addition to business registration certificate, companies carrying on insurance business in or from Hong Kong must obtain authorisation from the IA. Authorisation will only be granted to insurers meeting certain requirements under the ICO, including, among other things, the following aspects: paid up capital amount, solvency margin, fitness and properness of directors and controllers, adequacy of reinsurance arrangements as well as results of actuarial review. There is no expiry date for the authorisation of IA, provided that IA has the power to revoke such authorisation if Target does not satisfy their requirements which may be imposed by them from time to time. For details of the authorisation requirements of insurance companies in Hong Kong, please refer to the paragraph headed "Regulation of Insurance Companies" under the section headed "Regulatory Overview" of this prospectus.

As advised by our Hong Kong legal advisors, as at the Latest Practicable Date, our Group has obtained all the approvals, permits, consents, licences and registrations required for our business and operations and all of them are in force.

Target is subject to the supervision of the IA and is required to comply with the following major supervisory measures:

- Target is required to notify and/or apply for prior approval of the IA for the appointment of any new director or alternate director or the change of controllers of Target;
- Target is required to compile and submit to the IA (i) the monthly premium and exposure schedule by class of vehicle and type of coverage; (ii) latest taxi and PLB premium rate tables; (iii) latest taxi and PLB premium rate comparison tables; (iv) monthly investment analysis schedule as at the end of each calendar month; (v) the monthly management accounts (including the calculation of solvency margin ratio);
- Target is required to compile and submit to the IA general insurance business quarterly returns in respect of the period ended 31 March, 30 June, 30 September and 31 December each year;
- Target is required to compile and submit the audited financial information to the IA annually in accordance with the requirements of ICO;
- Target is required to submit to the IA an annual actuarial report prepared by a professional actuary and peer-reviewed by another professional actuary;
- Target is subject to the maximum authorized limits on (i) the amount of annual gross premium income, (ii) the total numbers of motor vehicle insurance policy in force and (iii) subject to the overall limit in (ii), the total number of taxi and PLB insurance policy in force imposed by the IA;
- Target is required to satisfy the solvency requirement as stipulated under the ICO and submit the solvency analysis to the IA each month. The ICO has also set out the formula for the calculation of the required amount of assets owned by Target;
- Target shall obtain the IA's prior written consent for investment exceeding a certain monetary limit; and
- Target is required to submit to the IA a summary on material reinsurance arrangement annually.

For the relevant laws and regulations applicable to our Group's business and operation in Hong Kong, please refer to the section headed "Regulatory Overview" of this prospectus.

Restrictions imposed by the IA and the ICO

The following table summarizes the major restrictions imposed by the IA and the ICO on Target in relation to investment and financial healthiness as at the Latest Practicable Date.

Area of Restrictions		Details and the amount of each of the Restrictions (including the limits)
Investment portfolio	1a.^	Investment of HK$10 million or above*
		Target is required to obtain prior written consent from the IA before making investment of HK$10 million or above or a series of investment of a similar nature which aggregates to HK$10 million or above.
	1b.^	Investment of HK$1 million or above*
		Target is required to inform the IA within 7 days after having made investment of HK$1 million or above or a series of investments of a similar nature which aggregates to HK$1 million or above.
		** except deposits of money with an authorised institution*
	1c.^	Investment in bonds
		Target's total investment in bonds that do not have a credit rating shall not exceed HK$40 million.
		During the Track Record Period, the amount of our investment in unrated bonds as at each year/period end ranged from approximately HK$18.5 million to HK$39.1 million.
Fixed deposits	2.^	Maintenance of fixed deposits
		Target is required to maintain fixed deposits of not less than HK$330 million (including statutory deposit in the sum of HK$100 million).
		During the Track Record Period, our fixed deposits (including the statutory deposits) amounted to over HK$550 million as at each year/period end.
Assets	3.	Assets in Hong Kong
		The amount of Target's assets in Hong Kong must be not less than the aggregate of:
		(i) 80% of our liabilities after deducting the amount in respect of which contracts of reinsurance have been entered into; and
		(ii) the Relevant Amount.
		During the Track Record Period, we maintained over 95% of our assets in Hong Kong. For details, please refer to the subparagraph headed "Maintenance of Asset" under the paragraph headed "Regulation of Insurance Companies" under the section headed "Regulatory Overview" of this prospectus.

Solvency margin ratio	4.	Solvency margin ratio Target is required to maintain a 200% solvency margin ratio, i.e. the value of its eligible net assets should be not less than 200% of the Relevant Amount as applicable to it. For details of our solvency margin ratio as at the end of each of the Track Record Period, please refer to the paragraph headed "Solvency margin ratio" under the section headed "Financial Information" on page 183 of this prospectus.
Gross premium income	5.^	Annual gross premium income The aggregate of the gross premium income received or receivable by Target during each financial year shall not exceed HK$390 million. For details of the amount of our annual gross premium written during the Track Record Period, please refer to the paragraph headed "Gross Premium Written" under the section headed "Financial Information" on page 165 of this prospectus.
Number of policy in force	6a.^	Total number of motor vehicle insurance policy in force Target's total number of motor vehicle insurance policy in force at any one time shall not exceed 28,000.
	6b.^	Total number of insurance policy in force for taxi and PLB Subject to the overall limit as set out in paragraph 6a above, Target's total number of taxis and PLB insurance policy in force at any one time shall not exceed 15,000. For details of the number of our insurance policies in force as at the end of each of the Track Record Period, please refer to the paragraph headed "Gross Premium Written" under the section headed "Financial Information" on page 165 of this prospectus.

^ Such restrictions are imposed specifically on Target only

While the restrictions numbered 3 and 4 above are generally imposed on all general insurers in Hong Kong, the other restrictions are imposed specifically on Target to ensure the liquidity and solvency of Target. Historically, after reviewing the financial resources of Target and the then market situation, the IA approved Target's application and relaxed certain restriction on investment portfolio based on the improved financial position of Target in 2010.

Furthermore, in respect of business scale, the IA has imposed specific restrictions on Target regarding (i) the aggregate of the gross premium income received or receivable during each financial year; (ii) total number of motor vehicle insurance policy in force at any time; and (iii) total number of taxis and PLB insurance policy in force at any time, so as to ensure market stability. In this respect, after reviewing the financial resources of Target and the then market situation, the IA approved Target's application and relaxed these requirements based on the improved financial position of Target in 2011.

Save as disclosed in the paragraph headed "Non-compliance" below in this section, Target has complied with all the above restrictions imposed by the IA or the ICO during the Track Record Period.

In view that the net proceeds from the Share Offer (after deducting the underwriting commissions and other estimated expenses in connection with the Share Offer) will significant enhance the capital base of the Company and strengthen the financial resources of Target, we will discuss with the IA regarding the restrictions specifically imposed on Target and apply to the IA for relaxation regarding investment portfolio, fixed deposits, gross premium and/or number of policy in force based on the then improved financial position of Target by the net proceeds accordingly.

NON-COMPLIANCES

The following table sets forth a summary of our Group's material legal and regulatory non-compliances during the Track Record Period:

Nature and timing of non-compliance	Reasons for non-compliance	Legal consequences and potential maximum penalties	Rectification actions taken and status as at the Latest Practicable Date
In respect of investment limit imposed by the IA			
Failure by Target to obtain the written consent of the IA in accordance with the requirements imposed by the IA under section 35(1) of the ICO for investments over the specified limit made during the periods (i) between January and February 2011 (the "2011 Incident") and, (ii) between November 2012 and April 2013 (the "2012/2013 Incident") in relation to the terms "similar nature" and "a relatively short span of time" respectively. As Target is required to inform the IA within 7 days after making investments over HK$1 million, Target notified the IA within 7 days in accordance with such requirements after making the investments leading to the 2011 Incident and the 2012/2013 Incident. The IA subsequently informed Target its interpretation on the terms "similar nature" and "a relatively short span of time" respectively and its relevant requirements.	*In respect of the 2011 Incident:* In the absence of express guidelines and without seeking further clarification from the IA, the management of Target had assumed the term "a series of investments of similar nature" in the section 35(1) requirements on the investments as investments in the same bond at the same time. However, the IA considers that (i) investments in different bonds at different times, and (ii) notified investments should be taken into account for the term "similar nature". *In respect of the 2012/2013 Incident:* In respect of the term "a series of investments of a similar nature", investments made within "a relatively short span of time" are to be taken as made within a series. In the absence of express guidelines and without seeking further clarification from the IA, the management of Target had assumed "a relatively short span of time" to be a certain period of time. However, the IA considers that it is interpreted as a longer period of time.	Under section 41(1) of the ICO, any person who makes default in complying with any requirement imposed under section 35(1) of the ICO commits an offence and is liable to a fine of HK$200,000 (and imprisonment for 2 years in the case of an individual, which is not applicable for Target) and a fine for HK$1,000 for each day on which the offence continues. *In respect of the 2011 Incident:* Under section 58 of the ICO, criminal proceedings for an offence under the ICO shall not be instituted after the expiration of 2 years from the discovery of the offence by the IA or 6 years from the commission of the offence, whichever is earlier. As Target has already obtained the relevant written consent from the IA in respect of the 2011 Incident on 20 April 2011 (i.e. more than 2 years after the discovery of the said non-compliance by the IA), our Hong Kong legal advisors are of the view that the 2011 Incident is no longer subject to prosecution or penalty.	*In respect of the 2011 Incident:* Such non-compliance has already been rectified as Target has obtained the relevant written consent from the IA on 20 April 2011. *In respect of the 2012/2013 Incident:* Such non-compliance has already been rectified by disposal of one of the relevant bonds on 17 March 2014.

NON-COMPLIANCES (Cont'd)

Nature and timing of non-compliance	Reasons for non-compliance	Legal consequences and potential maximum penalties	Rectification actions taken and status as at the Latest Practicable Date
In respect of investment limit imposed by the IA (Cont'd)			
		In respect of the 2012/2013 Incident: As the incident had already been rectified by disposal of one of the relevant bonds on 17 March 2014, Target is therefore subject to a maximum penalty of HK$528,000 (being HK$200,000 plus HK$1,000 x 328 days).	
In respect solvency requirement imposed by the IA			
Failure by Target to meet the solvency requirement as imposed by the IA during the period commencing from 1 August 2011 until 31 December 2012 after prior year adjustment The IA had noticed this prior year adjustment and the resulting breach of solvency requirements from their scrutiny of Target's audited financial statements for the year ended 31 December 2013 (together with the balance sheets restated with prior year adjustment figures for the years ended 31 December 2011 and 2012) that were submitted to the IA on 30 May 2014.	In the audit of financial statement of 31 December 2013, the management of Target has adjusted the unearned portion of reinsurance premium ceded (Note) and made a prior year adjustment for the year ended 31 December 2011 which resulted in this non-compliance incident.	Under section 26 of the ICO, the IA may exercise its powers of intervention under sections 27 to 35 of the ICO which, among others include (i) restricting an insurer to effect any contracts of insurance; (ii) requiring an insurer not to make investments of a specified class or description; (iii) requiring that assets of an insurer of a value equal to the whole or a specified proportion of its domestic liabilities shall be maintained in Hong Kong; (iv) requiring that the whole or a specified portion of the assets of an insurer shall be held by a person approved by the IA as trustee for the insurer; (v) requiring an insurer to secure that the aggregate of the premiums received by it shall not exceed a specified amount; (vi) acceleration of accounting documents to be provided to the IA; (vii) requiring an insurer to provide information or documents about specific matters; and (viii) requiring an insurer to take such action in respect of its affairs, business or property as the IA considers appropriate. There is no monetary penalty in this regard.	This non-compliance incident constitutes a technical breach and has already been rectified by 31 December 2012. The IA is aware of such technical breach. As at the Latest Practicable Date, Target is not aware that the IA intends to or may impose any additional requirements or other regulatory action on Target or exercise its powers of intervention under sections 27 to 35 of the ICO because of Target's technical breach of the solvency requirement.

(Note: After re-examining the accounting treatment of unearned portion of reinsurance premium ceded, it was considered to be more appropriate to recognize reinsurance premium ceded as an expense over the period of the reinsurance contract.)

NON-COMPLIANCES (Cont'd)

Nature and timing of non-compliance incident	Reasons for non-compliance incident	Legal consequences and potential maximum penalties	Rectification actions taken and status as at the Latest Practicable Date
In respect of the late filing of notice			
Late filing of a notice with the Companies Registry regarding the resignation of the auditor of Target in September 2011 in contravention of section 140A(3) of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) (as in force during the relevant period) (the "**Predecessor Companies Ordinance**").	Due to unintended and inadvertent omission of the then company secretary of Target who was responsible for company secretarial and corporate administrative matters.	Under section 140A(7), section 351 and the Twelfth Schedule of the Predecessor Companies Ordinance, if a company fails to comply with section 140A(3), the company and every officer of the company who is in default shall be liable on (i) indictment conviction to a maximum punishment of HK$150,000 and (in case of an individual) 2 years imprisonment; or (ii) on summary conviction to a maximum punishment of HK$50,000 and (in case of an individual) 6 months imprisonment.	This non-compliance has already been rectified as the required filing of the notice of resignation with the Companies Registry had already been made on 15 October 2014.

Up to the Latest Practicable Date, (i) Target has not been prosecuted nor has it received any notice of prosecution in relation to the non-compliances regarding investment limit and solvency requirement imposed by IA; and (ii) Target and/ or its officers have not been prosecuted nor have they received any notice of prosecution in relation to the non-compliance incidents regarding its late filing of notice.

Moreover, during the day-to-day communication with the IA, our Group was not aware of (i) any negative findings or regulatory concerns from the IA on the financial condition and internal control of Target and the fitness and properness of its directors or (ii) any penalised/regulatory punishment that the IA is going to impose on Target and/or its directors and/or its officers in relation to the above non-compliance incidents. Based on the aforesaid understanding of the Group and also considering that the IA has been well informed and aware of the said non-compliances and such non-compliances had already been rectified, our Hong Kong legal advisors are therefore of the opinion that the risk of revocation of the authorisation given by the IA for Target to carry on insurance business or the imposition of regulatory action on Target solely as a result of the aforesaid non-compliances is remote.

Our Directors were of the view that such non-compliances will not result in any material adverse impact to our Group's business, financial condition and operation results. In addition, our Directors are of the view that the chance of imprisonment of the directors of Target in respect of the non-compliances regarding its late filing of notice is remote given that (i) the breach was not committed wilfully; and (ii) the non-compliance had already been rectified.

In addition, Dr. Cheung, Dr. Choi, Mr. Chiu, Mr. Lai, Independent Assets, Allied Connect, Generous Rich and Champion City (collectively, the "Indemnifiers") have entered into a deed of indemnity with and in favour of our Company (for ourselves and as trustee for our subsidiary) to provide indemnities on a joint and several basis, in respect of any liability for penalty/fine in relation to the above non-compliances.

Measures to enhance our internal controls

In order to continuously improve our corporate governance and internal controls in general, we have adopted and intend to continue to adopt the following measures:

General measures

(a) Our Board is responsible for establishing formal and transparent arrangements to ensure compliance with the Listing Rules and all relevant laws and regulations. Our audit committee is accountable to our Board and will assist our Board in overseeing our risk management and internal control procedures, including internal controls in ensuring compliance with the Listing Rules and all relevant laws and regulations after Listing.

(b) We have access to external professional advisors, including external auditors, legal advisors, internal control consultant and other advisors if necessary, for professional advice on compliance with the statutory requirements as applicable to us from time to time. We will also appoint a compliance advisor with effect from the Listing Date to provide advice to our Directors and management team on matters relating to the Listing Rules.

Specific measures to ensure our on-going compliance

(c) We have implemented and will continue to make periodic arrangements to update our Directors, senior management and employees on the Listing Rules and the relevant laws and regulations (including the IA's requirements).

(d) We have employed a financial controller who has over 10 years of experience in public accounting firm specializing in general insurance industry to manage and supervise all accounting and internal control related matters and assist the chief executive officer in monitoring Target's compliance with the IA's requirements.

(e) Target has communicated with the IA before making any investment exceeding HK$1 million (excluding bank deposits) since April 2013.

(f) Target has updated its investment portfolio management policy in October 2014 to include requirements on notification to the IA and/or prior written approval from the IA.

(g) Target has engaged a professional corporate secretarial firm to handle all corporate secretarial matters of both our Company and Target to ensure their compliance of all applicable rules and regulations.

In addition, on 8 July 2014, our Group engaged an independent external consulting firm, namely RSM Nelson Wheeler Consulting Limited, as our internal control consultant to conduct a review of the management and accounting procedures and internal control environment of our Group under the internal control framework as recommended by the Committee of Sponsoring Organizations of the Treadway Commission. Based on its review covering the period from July 2013 to August 2014, the internal control consultant has not found any major deficiencies with respect to our internal controls, systems and procedures but has recommended certain actions on measures for enhancement including the major ones as set out in the above table. The internal control consultant has also conducted a follow-up review in October 2014 and noted that our Company has taken actions on internal control enhancement, and in particular in respect of the non-compliances as mentioned above, (i) our Company has updated its "Investment Portfolio Management Policy and Procedures" to reflect its current practice of investment procedures, including the procedures for getting the IA's approvals on investments; (ii) our Company prepares a daily report on "Portfolio of Stocks" which includes compliance check by comparing the investment limit imposed by the IA and the amount utilized for each category of investments; (iii) the management of the Company understands that it will seek clarification from the IA in a timely manner when there is any doubt on the IA's requirement and will continuously monitors its solvency margin ratio; and (iv) our Company has engaged a professional corporate secretarial firm to handle the corporate secretarial matters of our Company. Our Board shall at all times have the responsibility to ensure our Group's compliance with all the relevant legislations, regulations, guidance notes, industry standards and guidelines.

Having considered the facts and circumstances leading to the non-compliances, the advices given by our Hong Kong legal advisors, the relevant rectification and on-going compliance measures mentioned above, our Directors are of the view that our Group has taken all reasonable steps to strengthen our internal control system to prevent future non-compliance with all applicable legal and regulatory requirements and that these past non-compliances do not affect the suitability of our Directors to act as directors of a listed issuer and the suitability for listing of our shares on the Stock Exchange. The Sponsor concurred with such view of our Directors on the same basis as described above.

DISCONTINUED CONNECTED TRANSACTIONS

During the Track Record Period, we have entered into certain transactions with our Connected Persons which constitute connected transactions within the meaning of the Listing Rules but which will not continue after Listing.

Tenancy Agreement between Target and Mr. Lai Yiu Kwong

On 19 February 2011, Target entered into a tenancy agreement (the "**Tenancy Agreement**") with Mr. Lai Yiu Kwong, a brother of Mr. Lai, an executive Director, and therefore an associate of Mr. Lai and a Connected Person, pursuant to which Mr. Lai Yiu Kwong as landlord agreed to lease to Target as tenant a warehouse situated at Kam Tin Village, New Territories, Hong Kong. The Tenancy Agreement was for a term of one year commencing from 19 February 2011 and expiring on 18 February 2012. The amount of rent payable under the Tenancy Agreement was HK$2,000 per month. Pursuant to a termination agreement entered into between Target and Mr. Lai Yiu Kwong on 30 January 2012, the parties mutually agreed to terminate the Tenancy Agreement with retrospective effect from 29 November 2011. Accordingly, for the year ended 31 December 2011, Target paid approximately HK$18,000 in aggregate as rent to Mr. Lai Yiu Kwong pursuant to the Tenancy Agreement.

Provision of insurance agency services by General Underwriters

General Underwriters engages in provision of insurance agency services and is one of our agents in Hong Kong. For each of the three years ended 31 December 2013 and the six months ended 30 June 2014, the aggregate amount of commissions paid to General Underwriters for its agency services were approximately HK$3.6 million, HK$7.3 million, HK$6.6 million and HK$2.7 million respectively.

Prior to 1 November 2011, Mr. Chiu, an executive Director, was a partner of General Underwriters and thus, General Underwriters was a Connected Person. Following the cessation of Mr. Chiu being a partner of General Underwriters with effect from 1 November 2011, transactions between Target and General Underwriters will not constitute continuing connected transactions after Listing.

Transactions with Mr. Muk Wang Lit Jimmy

During the Track Record Period, Mr. Muk Wang Lit Jimmy ("**Mr. Muk**"), an executive Director, has introduced vehicle insurance businesses to Target. In return, Target paid commissions to Mr. Muk for the introductions on normal commercial terms. For each of the three years ended 31 December 2013 and the six months ended 30 June 2014, the amount of commissions paid to Mr. Muk were approximately HK$2,000, nil, nil and nil respectively. It has been mutually agreed between Target and Mr. Muk that Mr. Muk will not be paid for business introductions since 2012. Accordingly, the said transactions between Target and Mr. Muk will not constitute continuing connected transactions after Listing.

CONTINUING CONNECTED TRANSACTIONS

We have entered into certain transactions with our Connected Persons which will continue after Listing and which will constitute continuing connected transactions within the meaning of the Listing Rules.

(A) Continuing Connected Transactions fully exempt from shareholders' approval, annual review and all disclosure requirements

Provision of insurance services by Target to Connected Persons

Background

We provide motor insurance services in respect of private motor vehicles belonging to certain Connected Persons in the ordinary and usual course of business of our Group. Each of the above insurance policies is for a term of one year and on normal commercial terms. Each of the insurance policies was individually entered into between us and each of the relevant Connected Persons. It is expected that such transactions will continue after Listing.

Relationships

The relevant Connected Persons with whom we have provided motor insurance services are certain Directors, namely Dr. Cheung, Mr. Chan, Mr. Lai, Mr. Chiu, and/or their associates, being private companies controlled by them or their family members.

Historical Transaction Amounts

For each of the three years ended 31 December 2013 and the six months ended 30 June 2014, the aggregate annual premium paid to our Group from the relevant Connected Persons were approximately HK$152,000, HK$225,000, HK$203,000 and HK$160,000 respectively.

Listing Rules Implications

As the applicable percentage ratios under Chapter 14 of the Listing Rules for the transactions under each of the above insurance policies are on an annual basis less than 5% and the annual total consideration is less than HK$3 million, by virtue of Rule 14A.76(1)(c) of the Listing Rules, such transactions constitute *de minimis* continuing connected transactions fully exempt from shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

Our Directors (including our independent non-executive Directors) have confirmed that the transactions under each of the above insurance policies are in the ordinary course of business of our Group, on normal commercial terms, fair and reasonable and in the interests of our Group and Shareholders as a whole.

Provision of insurance agency services by The Oscar Motors Company Limited

Background

The Oscar Motors Company Limited ("**Oscar**") engages in the business of selling motorcycles and is one of our agents in Hong Kong for the sale of the motor insurance policies for Target.

Relationship

Oscar is owned as to 92% by Mr. Lai, an executive Director. Accordingly, Oscar is an associate of Mr. Lai, and a Connected Person of the Company.

Historical Transaction Amounts

For each of the three years ended 31 December 2013 and the six months ended 30 June 2014, the aggregate amount of commissions paid to Oscar were approximately HK$0.8 million, HK$0.8 million, HK$0.8 million and HK$0.4 million respectively.

Oscar Agency Agreement

To regulate the continuing business relationship between us and Oscar after Listing, Target, in its ordinary course of business and on normal commercial terms, has entered into an agency agreement with Oscar on 23 December 2014 (the "**Oscar Agency Agreement**").

Under the Oscar Agency Agreement, Target shall pay to Oscar commissions in respect of motor insurance policies issued and renewed through the agency services provided by Oscar. The rates of the commissions payable to Oscar are determined on an arm's length basis and comparable to prevailing market rates or at rates similar to those payable by our Group to Independent Third Parties.

The Oscar Agency Agreement is for a term of 3 years with retrospective effect from 1 January 2014 and ending on 31 December 2016. Either Target or Oscar may terminate the Oscar Agency Agreement at any time by giving to the other party 30 days' notice in writing.

Listing Rules Implications

As the applicable percentage ratios under Chapter 14 of the Listing Rules for the transactions under the Oscar Agency Agreement are on an annual basis less than 5% and the annual total consideration is less than HK$3 million, by virtue of Rule 14A.76(1)(c) of the Listing Rules, such transactions constitute *de minimis* continuing connected transactions fully exempt from shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

Our Directors (including our independent non-executive Directors) have confirmed that the transactions under the Oscar Agreement are in the ordinary course of business of our Group, on normal commercial terms, fair and reasonable and in the interests of our Group and Shareholders as a whole.

(B) Continuing Connected Transactions exempt from the circular (including independent financial advice) and shareholders' approval requirements

Provision of insurance agency services by Atlantic Ocean Underwriters Limited

Background

Atlantic Ocean Underwriters Limited ("**Atlantic Ocean**") engages in the business of providing insurance agency services and is one of our agents in Hong Kong for the sale of the motor insurance policies for Target.

Relationship

Atlantic Ocean's entire issued share capital is owned as to approximately 93.8% by Mr. Lai Yiu Kwong, a brother of Mr. Lai, an executive Director. Accordingly, Atlantic Ocean is an associate of Mr. Lai, and a Connected Person of the Company.

Historical Transaction Amounts

For each of the three years ended 31 December 2013 and the six months ended 30 June 2014, the amount of commissions paid to Atlantic Ocean were approximately HK$3.2 million, HK$5.8 million, HK$5.6 million and HK$2.4 million respectively.

Atlantic Ocean Agreement

To regulate the continuing business relationship between us and Atlantic Ocean after Listing, Target, in its ordinary course of business and on normal commercial terms, has entered into an agency agreement with Atlantic Ocean on 23 December 2014 (the "**Atlantic Ocean Agreement**").

Under the Atlantic Ocean Agreement, Target shall pay to Atlantic Ocean commissions in respect of motor insurance policies issued and renewed through the agency services provided by Atlantic Ocean. The rates of the commissions payable to Atlantic Ocean are determined on an arm's length basis and comparable to prevailing market rates or at rates similar to those payable by our Group to Independent Third Parties.

The Atlantic Ocean Agreement is for a term of 3 years with retrospective effect from 1 January 2014 and ending on 31 December 2016. Either Target or Atlantic Ocean may terminate the Atlantic Ocean Agreement at any time by giving to the other party 30 days' notice in writing.

Proposed Annual Caps on Future Transaction Amounts

We anticipate that the annual caps for our Group's total transaction amount with Atlantic Ocean contemplated under the Atlantic Ocean Agreement for each of the three financial years ending 31 December 2014, 31 December 2015 and 31 December 2016 will not exceed HK$5.8 million, HK$6.7 million and HK$7.7 million respectively.

As our Group plans to increase its market share in motor vehicle insurance, the proposed annual caps are calculated based on the historical transaction amounts with Atlantic Ocean for the three years ended 31 December 2013 and the projected increase in transaction amounts with Atlantic Ocean at the rate of 3.6%, 15.0% and 15.0% per annum respectively for each of the three financial years ending 31 December 2016. From time to time, we receive enquiries from our agents regarding our insurance products for other vehicles. Based on its past experience, our Group considers that the customers are generally sensitive to pricing and as long as our Company is willing to adopt a competitive pricing policy as compared to the market, our agents (including Atlantic Ocean) should be able to introduce more customers to our Group. To the best knowledge of the Company, a certain portion of Atlantic Ocean's customers are owners of private cars and goods carrying vehicles. Based on the above and taking into account of (i) the market trends for motor vehicle insurance with inclination to purchase comprehensive insurance and rising motor vehicle insurance premiums, details of which is set out in the paragraph headed "Market Trends" under the section headed "Industry Overview" of this prospectus; and (ii) our Group's intended expansion with focus on insurance of private cars and goods carrying vehicles, our Directors consider that the projected increase at a rate of 15.0% for each of the two years ending 31 December 2016 is reasonable and achievable. We will closely monitor the transaction amounts with Atlantic Ocean and will comply with all other relevant requirements under Chapter 14A of the Listing Rules.

Listing Rules Implications

As the applicable percentage ratios under Chapter 14 of the Listing Rules for the transactions under the Atlantic Ocean Agreement are on an annual basis less than 25% and the annual total consideration is less than HK$10 million, by virtue of Rule 14A.76(2)(b) of the Listing Rules, such transactions constitute continuing connected transactions exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

Our Directors (including our independent non-executive Directors) have confirmed that the transactions under the Atlantic Ocean Agreement are in the ordinary course of business of our Group, on normal commercial terms, fair and reasonable and in the interests of our Group and Shareholders as a whole.

WAIVER APPLICATION FOR CONTINUING CONNECTED TRANSACTIONS

As the applicable percentage ratios under Chapter 14 of the Listing Rules for the transactions under the Atlantic Ocean Agreement as set out above are on an annual basis less than 25% and the annual total consideration is less than HK$10 million, by virtue of Rule 14A.76(2)(b) of the Listing Rules, such transactions constitute continuing connected transactions exempt from the circular (including independent financial advice) and shareholders' approval requirements but are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules.

Our Directors (including our independent non-executive Directors) are of the view that the transactions under the Atlantic Ocean Agreement are in the ordinary course of business of our Group, on normal commercial terms, fair and reasonable and in the interests of our Group and Shareholders as a whole. Our Directors (including our independent non-executive Directors) are of the view that the proposed annual caps in respect of transactions under the Atlantic Ocean Agreement are fair and reasonable and are in the interests of our Shareholders as a whole.

The transactions under the Atlantic Ocean Agreement are expected to continue on a recurring basis after Listing and have been fully disclosed in this prospectus and potential investors will participate in the Share Offer on the basis of such disclosure, our Directors consider that it would be impractical, unduly burdensome and would add unnecessary administrative costs and workload for us to make disclosure of the transactions under the Atlantic Ocean Agreement in compliance with the announcement requirements in Rule 14A.35 of the Listing Rules.

Accordingly, our Group has applied for, and the Stock Exchange has granted us on 29 December 2014, a waiver from strict compliance with the announcement requirements relating to continuing connected transactions set out in Chapter 14A of the Listing Rules for the transactions under the Atlantic Ocean Agreement.

CONFIRMATION FROM THE SPONSOR

The Sponsor having reviewed the relevant information and historical figures prepared and provided by our Group relating to the transactions under the Atlantic Ocean Agreement, is of the view that the entering into of the transactions under the Atlantic Ocean Agreement have been and will be in the ordinary and usual course of business of our Group, the transactions under the Atlantic Ocean Agreement including the proposed annual caps were entered into on normal commercial terms, and the terms of the transactions under the Atlantic Ocean Agreement including the proposed annual caps are fair and reasonable and in the interests of our Group and our Shareholders as a whole.

CONTROLLING SHAREHOLDERS

Immediately after the completion of the Share Offer (but without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, the options granted under the Pre-IPO Share Option Scheme and the options which may be granted under the Share Option Scheme), the Controlling Shareholders will control the exercise of voting rights of 36.75% of the Shares eligible to vote at general meetings of our Company.

Pursuant to Rule 10.07(1) of the Listing Rules, each of the Controlling Shareholders has undertaken to our Company and the Stock Exchange that, save as pursuant to the Share Offer and the Stock Borrowing Agreement, he/it will not and will procure the relevant registered holders not to:

(i) in the period commencing from the date of this prospectus and ending on the date which is six months from the Listing Date (the "**First Six-Month Period**"), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares (or any interest therein) in respect of which he/it is shown in this prospectus to be the beneficial owner; and

(ii) in the period of six months commencing on the date falling the expiration of the First Six-Month Period, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares (or any interest therein) in respect of which he/it is shown in this prospectus to be the beneficial owner if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a controlling shareholder of our Company (as defined in the Listing Rules).

Each of the Controlling Shareholders has also undertaken to our Company and the Stock Exchange that, within the period commencing on the date of this prospectus and ending on the date which is 12 months from the Listing Date, he/it will:

(i) when he/it or the registered owner pledges or charges any securities or interests in the securities of our Company beneficially owned by him/it, whether directly or indirectly, in favour of an authorised institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of securities so pledged or charged; and

(ii) when he/it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of our Company will be disposed of, immediately inform our Company of such indications.

Our Company will inform the Stock Exchange as soon as practicable after we have been informed of the matters referred to in (i) or (ii) above by any Controlling Shareholder and disclose such matters by way of an announcement in compliance with the Listing Rules.

BACKGROUND OF THE CONTROLLING SHAREHOLDERS

Immediately after completion of the Share Offer (but without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, the options granted under the Pre-IPO Share Option Scheme and the options which may be granted under the Share Option Scheme), the Controlling Shareholders will hold directly and indirectly 36.75% of the Shares eligible to vote at the general meetings of our Company.

Independent Assets is a company incorporated in the BVI with limited liability on 3 July 2014. It is an investment holding company and does not have any business operation. It is wholly-owned by Dr. Cheung. Dr. Cheung is our chairman and executive Director.

Dr. Cheung was raised and has lived in Hong Kong for a substantial period of time. Dr. Cheung is not and has not been a full time government official of any country, and he is not and has not been a full time employee of a state/government-owned/operated entity.

Immediately after completion of the Share Offer (taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, the options granted under the Pre-IPO Share Option Scheme and the options which may be granted under the Share Option Scheme), Dr. Cheung (through Independent Assets) will be interested in 36.75% of the entire issued share capital of our Company. As Dr. Cheung and Independent Assets are entitled to exercise or control the exercise of 30% or more of the voting power at our general meetings, they are regarded as our Controlling Shareholders under the Listing Rules.

NON-COMPETITION UNDERTAKING

Each of the Controlling Shareholders, Dr. Choi, Mr. Chiu, Mr. Lai, Allied Connect, Generous Rich and Champion City (collectively the "**Covenantors**") has entered into a deed of non-competition (the "**Deed of Non-competition**") in favour of our Company (for ourselves and as trustee for each of our subsidiaries from time to time), pursuant to which each of the Covenantors jointly and severally, irrevocably and unconditionally undertakes and covenants with our Company (for ourselves and as trustee for each of our subsidiaries from time to time) that during the period when the Covenantors and/or their respective associates, directly or indirectly, whether individually or taken together, remain as the substantial shareholders (as defined in the Listing Rules) of our Company (the "**Restricted Period**"), he/it will not and will procure his/its respective associates not to directly or indirectly, either on their own account or in conjunction with or on behalf of any person, firm or company (whether as an investor, shareholder, partner, director, management, employee, consultant, agent or otherwise or whether for profit, reward or otherwise), engage, participate or hold any right or interest in or render any services to or otherwise be involved or interested in any business carried out by our Group comprising, but without limitation to, motor insurance business and general insurance business, which is or may be in competition with the business of any members of our Group from time to time (the "**Restricted Business**").

Each of the Covenantors has irrevocably undertaken and warranted to our Company that, during the Restricted Period, the Covenantors will not, and will cause their respective associates not to:–

(i) take any action which constitutes an interference with or a disruption of the Restricted Business including, but not limited to, solicitation of our Group's customers, agents or personnel of any member of our Group;

(ii) use the trademark or business mark of our Company other than for the business and interest of our Group;

(iii) disclose or communicate any confidential information to any third party other than for the business and interest of our Group; and/or

(iv) use (whether for his/its own benefit or that of any other person) any confidential information for any purpose other than for the business and interest of our Group.

If any business opportunity is offered to any of the Covenantors or their respective associates which falls under the category of Restricted Business, the Covenantors (i) shall direct to our Group any such business opportunity; (ii) shall provide to our Company all information and documents possessed by him/it or his/its associates in respect of the business opportunity to enable our Company to evaluate the merit of the business opportunity and shall promptly notify our Company of any material change in such information or documents so provided; (iii) shall provide to our Company all reasonable assistance as requested by our Company to enable our Group to secure the business opportunity; and (iv) shall not pursue the business opportunity unless and until our Company gives written notice to the Covenantors that our Group will not pursue such business opportunity.

Such non-competition undertaking does not apply to:

(i) the holding of shares or other securities issued by our Company or any of our subsidiaries from time to time;

(ii) the holding of shares or other securities in any company which has an involvement in the Restricted Business, provided that such shares or securities are listed on a recognized stock exchange and the aggregate interest of the Covenantors and their respective associates (as "interest" is construed in accordance with the provisions contained in Part XV of the SFO) do not amount to more than 5% of the relevant share capital of the company in question and the Covenantors and their respective associates do not otherwise control the majority of the board of directors of that company;

(iii) the contracts and other agreements (including any business carried on and service provided pursuant thereto and the transactions contemplated thereunder) entered into between members of our Group and the Covenantors and/or their respective associates; and

(iv) the involvement or participation of the Covenantors in a Restricted Business in relation to which our Company has agreed in writing to such involvement or participation, following a decision by the independent non-executive Directors to allow such involvement or participation subject to any conditions the independent non-executive Directors may require to be imposed.

The Deed of Non-competition will cease to have effect upon the earlier of the date after the Listing on which (i) the Covenantors cease to be, either individually or collectively with any of their respective associates, the substantial Shareholders of our Company; or (ii) the securities of our Company cease to be listed on the Stock Exchange or any other stock exchange recognized under the SFO.

Corporate governance measures

Our Company will adopt the following measures to monitor compliance with and, if necessary, enforce the Deed of Non-competition, manage the conflict of interests arising from the competing business and to safeguard the interests of the Shareholders:

(i) our independent non-executive Directors will review, on an annual basis, the compliance by the Covenantors with the Deed of Non-competition;

(ii) each of the Covenantors undertakes and covenants with our Company that for so long as the Deed of Non-competition remains in effect, he/it will promptly provide to our Company such information as our Company may from time to time (and at least annually) reasonably request to ascertain compliance by the Covenantors of their obligations under the Deed of Non-competition;

(iii) each of the Covenantors undertakes and covenants with our Company that, if requested by our Company, he/it will issue a letter to our Company, confirming his/its full compliance with the relevant terms of the Deed of Non-competition and consenting to our Company's disclosure of the contents of such letter in the annual report(s) of our Company and/or such other document(s) as otherwise published by our Company; and

(iv) our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the non-competition undertaking of the Covenantors under the Deed of Non-competition in the annual report(s) of our Company and/or such other document(s) as otherwise published by our Company.

In addition to the annual review by our independent non-executive Directors and the confirmation and declaration by the Covenantors in relation to their compliance with the Deed of Non-competition, in accordance with the Articles, if matters in which any Director(s) and his/their associates are materially interested are to be considered and approved at any meetings of the Board (the "**Conflicted Matters**"), such Director(s) will be required to refrain from voting or forming part of the quorum when the Board considers and approves the Conflicted Matters.

As the Covenantors have given non-competition undertakings in favour of our Company, and none of them have interests in other businesses that compete or are likely to compete with the business of our Group, our Directors are of the view that they are capable of carrying on our Group's business independently of the Covenantors following the Listing.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors are satisfied that our Group can function, operate and carry on our business independently from our Controlling Shareholders and their respective close associates (other than our Group) based on matters described above and the following reasons:

Management Independence

Our Board will comprise six executive Directors and three independent non-executive Directors upon Listing. Our management and operational decisions are made by our Board and senior management. Independent Assets is an investment company wholly owned by Dr. Cheung. Dr. Cheung is also the sole director of Independent Assets. Therefore, the only overlapping director between our Group and Independent Assets is Dr. Cheung. Our Group and Independent Assets are therefore managed by different management persons and there are sufficient non-overlapping Directors who are independent and have relevant experience to ensure the proper functioning of the Board.

Based on the above and the following reasons, our Directors consider that our Board is able to perform and manage our business independently from the Controlling Shareholders:

(a) With one-third of our Board members being independent non-executive Directors, there will be a sufficiently robust and independent voice within our Board, bringing independent judgment to the decision making process of our Board and to counter-balance any situation involving conflict of interest and protect the interests of our independent Shareholders;

(b) our Board is supported by an experienced full time management team which are independent from our Controlling Shareholders. We have the capabilities and personnel to perform all essential administrative functions, including financial and accounting, human resources and business management on a stand-alone basis;

(c) each Director is aware of his fiduciary duties as a Director, which require, among other things, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his personal interest; and

(d) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently and manage our business independently from the Controlling Shareholders after Listing.

Operational Independence

Independent Assets is an investment holding company and does not carry on any business other than holding the equity interests in our Company.

We have full rights to make business decisions and to carry out our business independently from our Controlling Shareholders and their respective associates. On the basis of the following reasons, our Directors consider that our Group will continue to be operationally independent of our Controlling Shareholders and their respective close associates after Listing:

(a) save as disclosed in the sections headed "Risk Factors" and "Business" in this prospectus, we have obtained all relevant licenses material to the operation of our business and have sufficient capital, equipment and employees to operate our business independently;

(b) we have our own administrative and corporate governance infrastructure, including our own Accounts Department, Human Resources and Administrative Departments and have established a set of internal control procedures to facilitate the effective operation of our business;

(c) save for the connected transactions disclosed under the section headed "Connected Transactions" of this prospectus and the related party transactions disclosed under note 27 to the Accountants' Report set out in Appendix I to this prospectus, there have been no other business transactions between our Group and our Controlling Shareholders or their respective associates and our Directors do not expect that there will be any other transactions between our Group and our Controlling Shareholders or their respective associates upon or shortly after Listing; and

(d) we have independent access to our clients and none of our Controlling Shareholders nor their respective associates has any interest in any business which competes or is likely to compete with the business of our Group.

Financial Independence

Our Group has our own accounting systems, Accounts Department, independent treasury function for cash receipts and payments and we make financial decision according to our own business needs.

During the Track Record Period and before the completion of the Reorganisation, each of Dr. Cheung and Dr. Choi were required by the IA to execute a letter of undertaking to the effect that each of them would (i) upkeep and maintain the capitalization of Target, by infusion of additional fresh paid-up capital as and when necessary, at or above the level specified by the IA; and (ii) provide adequate financial resources to Target for any pre-financing of its business growth and for maintaining Target's financial soundness at all times so as to enable Target to meet promptly its insurance obligations and liabilities. Further, as one of the conditions imposed by the IA when granting its approval to our Company, Independent Assets, Allied Connect, Generous Rich and Champion City under the Reorganisation pursuant to section 13B of the ICO, each of Dr. Cheung, Dr. Choi, Mr. Chiu and Mr. Lai were required by the IA to execute a letter of undertaking to the effect that each of them would (i) upkeep and maintain the capitalization of Target, by infusion of additional fresh paid-up capital as and when necessary, at or above the level specified by the IA; and (ii) provide continuous financial support to Target as may be required from time to time. Save as the aforesaid, our Directors confirm that during the Track Record Period, and up to the Latest Practicable Date, none of the Controlling Shareholders or their respective associates had provided any guarantee and/or undertaking to our Group.

Notwithstanding the undertaking given by each of Dr. Cheung, Dr. Choi, Mr. Chiu and Mr. Lai to the IA as mentioned above, our Directors confirm that our Group is unlikely to rely on our Controlling Shareholders for financing after the Share Offer, as we expect that our working capital will be funded by our operating income without reliance on the Controlling Shareholders. Therefore, there is no financial dependence on the Controlling Shareholders save as for compliance purpose as aforesaid.

DIRECTORS

The following sets forth certain information regarding our Directors.

Name	Age	Position in our Group	Date of joining our Group	Date of appointment	Roles and responsibilities
Dr. Cheung Haywood (張德熙)	62	Chairman and executive Director	November 2010	28 August 2014	Overall corporate strategies, planning, management and business development of our Group
Mr. Lai Bing Leung (黎秉良)	68	Executive Director	August 1977	12 September 2014	Overall marketing activities and participating in brand building activities of our Group
Mr. Chiu Sun Ting (趙新庭)	69	Executive Director	August 1977	12 September 2014	Supervision and management of overall accounting and finance matters of our Group
Dr. Choi Chiu Fai Stanley (蔡朝暉)	45	Executive Director	November 2010	12 September 2014	Formulation of overall investments strategy and monitoring investment performance of our Group
Mr. Muk Wang Lit Jimmy (穆宏烈)	60	Executive Director and chief executive officer	April 1979	12 September 2014	Managing and overseeing the operation of all functions and monitoring Target's compliance with the IA's requirement
Mr. Chan Hok Ching (陳學貞)	52	Executive Director	July 2010	28 August 2014	Assisting the Chairman in the strategic planning and day-to-day management of our Group
Mr. Wan Kam To (尹錦滔)	61	Independent non-executive Director	November 2014	1 November 2014	Overseeing management independently
Mr. Wong Shiu Hoi Peter (黃紹開)	73	Independent non-executive Director	November 2014	1 November 2014	Overseeing management independently
Mr. Szeto Wai Sun (司徒維新)	55	Independent non-executive Director	November 2014	1 November 2014	Overseeing management independently

Executive Directors

Dr. CHEUNG HAYWOOD (張德熙), aged 62, is an executive Director and chairman of the Board. He joined our Group in 2010. He has over 31 years' experience in metals trading, securities and futures brokerage and forex dealings in Hong Kong. Dr. Cheung has extensive business connections in Hong Kong and the PRC. He has served as the President of the Executive and Supervisory Committees of Chinese Gold & Silver Exchange Society from June 2010 to December 2014. Since then, he has become the Chairman of the Supervisory Committee of the Society. He is also the President of the New Territories General Chamber of Commerce for the year 2012 to 2014.

Dr. Cheung was an executive director of Simsen International Corporation Limited ("Simsen") (Stock Code: 993), a company listed on the Main Board of the Stock Exchange, from July 1997 to April 2010 and was the controlling shareholder of Simsen from March 2004 to March 2010. He was also appointed as the chairman of Simsen in September 2004. Dr. Cheung resigned from the chairmanship and the directorship of Simsen on 23 April 2010 and was thereafter appointed as its honorary chairman.

The auditors of Simsen has issued qualified opinions arising from limitation of audit scope on the financial statements of the Simsen for each of the years ended 30 April 2006 and 2007 respectively. According to the respective annual reports of Simsen, the reasons for the qualified opinions was mainly due to (i) the inaccessibility of the books and records of a disposed associate and its subsidiaries (the "Disposed Companies") following the disposal for the year ended 30 April 2006 as the books and records of the Disposed Companies were kept in the respective offices of the Disposed Companies and the purchaser of the Disposed Companies refused to provide the relevant information to the then auditors of Simsen for ascertaining the net assets disposed of by Simsen at the disposal date and the gain on such disposal and before the disposal, Simsen was not able to control the Disposed Companies nor its full books and records because Simsen held only approximately 49.44% shareholding interests in the disposed associate and was not its controlling shareholder; and (ii) the absence of adequate effective controls and a system malfunction identified in the bullion trading division of a subsidiary of Simsen for the year ended 30 April 2007. Being the then chairman and an executive director of Simsen, Dr. Cheung was responsible for the overall corporate strategies, planning, management and business development of Simsen. He, together with other directors of Simsen, was responsible for approving the relevant accounts although Dr. Cheung was not directly involved in the above incidents.

Dr. Cheung was the director of Cheung's Securities Brokers Limited (now known as "United Simsen Securities Limited") ("CSB"), a wholly-owned subsidiary of Simsen, during the period between November 1995 and June 2010 and was responsible for the overall corporate strategies, planning and business development of CSB. During the period between 2 May 2006 and 20 September 2006, on behalf of Dr. Cheung, CSB issued cheques with an aggregate amount of approximately HK$5.2 million to settle Dr. Cheung's personal expenses for his administrative convenience. Dr. Cheung fully repaid CSB by a cheque in full at the end of the same day on which such payments were made. Dr. Cheung considered that these arrangements were simply an exchange of one of his personal cheque for several cheques of CSB for the sake of convenience and hence would not enable him to use the funds and/or the credit facilities of CSB. Since Dr. Cheung was a controlling shareholder and the chairman of Simsen at the material time, the auditor of Simsen brought to the attention of the board of Simsen that such arrangement might constitute a connected transaction of Simsen under Chapter 14A of the Listing Rules. Such arrangement has been ceased in late September 2006. Simsen has made an announcement regarding the above on 11 September 2007.

During the period between October 2001 and April 2006, Simsen, through CSB, made regular advances (the "Advances") to Success New Investment Limited ("Success New"), a company beneficially owned by a person independent of Simsen and its connected persons for the operations of Success New and personal use of the beneficial owner of Success New. The arrangement in respect of the Advances was made between CSB and Success New without any written agreement. The maximum amount of Advances was approximately (i) HK$12.9 million during the period from 31 October 2001 to 30 March 2004; (ii) HK$11.7 million during the period from 31 March 2004 to 28 February 2006; and (iii) HK$8.6 million during the period from 1 March 2006 to 13 April 2006. Those Advances were repaid in full by cheques issued by Success New and the cheques were deposited into the bank account of CSB on the same day of the Advances. Dr. Cheung considered that there was no advance to Success New as there was no outstanding amount due from Success New to CSB at the end of each day of the Advances. However, CSB was subsequently advised that the Advances were made for one day as these arrangements enabled Success New to use the Advances for one day before the cheques could be cleared by the bank in the following day. The Advances were made because, inter alia, (i) of the personal relationship between the beneficial owner of Success New and the family of Mr. Cheung Yan Lung (the father of Dr. Cheung), including Dr. Cheung and Mr. Stanley Cheung (the brother of Dr. Cheung), both of whom were then executive directors of Simsen and (ii) the beneficial owner of Success New has referred investment opportunities and business partners to Simsen. When the Advances were first made to Success New in October 2001, no disclosure obligation was required pursuant to the then Listing Rules. Subsequently, those Advances, on certain occasions, triggered general disclosure obligations and constituted discloseable transactions under the Listing Rules as amended on 31 March 2004 and 1 March 2006. Although Dr. Cheung, as the then chairman and an executive director of Simsen, and certain directors of Simsen were aware of the advances arrangements, the directors of Simsen failed to comply with the relevant requirements under the Listing Rules since they were only become aware of such disclosure requirements when Simsen discussed with its auditors in August 2006 for the preparation of the financial statements of Simsen for the year ended 30 April 2006. During the period between August and September 2006, Simsen proceeded to pursue in details the advance arrangements with Success New, including the detailed arrangement, the amounts involved, the nature of such arrangements, the legal and regulatory implications thereof and whether the arrangements would constitute any breach to the then Listing Rules. Until late September 2006, Simsen concluded that the advance arrangements with Success New would constitute a breach of the then Listing Rules and thus such and all other similar arrangements have been ceased since then and all Advances had been repaid. Simsen has made an announcement regarding the Advances on 6 October 2006 and published a circular on 18 October 2006 with details regarding the Advances.

Further, the SFC has publicly reprimanded CSB for breach of Client Money Rules in September 2005. In February 2003, CSB agreed to be a liquidity provider for the transactions in structured products for a securities firm. CSB was required to ensure that there were sufficient funds in its bank accounts to settle the transactions and there was no limit to CSB's liability for the liquidity provision. The directors of CSB underestimated the amount of funds required to maintain liquidity and the risk exposure that CSB may face due to market volatility. Between April and September 2003, the securities firm's net long position was approximately HK$10 million. However, on 28 and 29 October 2003, the securities firm's net long position suddenly jumped to HK$37 million and HK$30 million respectively and there were insufficient funds in CSB's account to settle the transaction on T+2. Also, although the settlement date for the 29 October 2003 transaction was Saturday, 1 November 2003, CSB's staff mistakenly thought that it was Monday, 3 November 2003 and arranged for the funds to be made available on 3 November 2003. Therefore, when CCASS demanded CSB to settle the securities firm's 29 October 2003 transactions, the demand was rejected due to an insufficient balance in CSB's account on 1 November 2003. The demand was only met on the next business day. There was a lack of care when CSB failed to make available sufficient funds to meet CCASS's demand for settlement payment. CSB did not implement a policy to handle a sudden increase in net purchases by the securities firm, despite

CSB's agreement to provide liquidity without limit. Further details regarding the above non-compliance (including CSB's remedial measures of conducting an internal control review, upgrading its computer system and employing additional responsible officers) are set out in the announcement of Simsen dated 1 September 2005. Dr. Cheung confirmed that CSB had subsequently ceased to be a liquidity provider for transactions of such securities firm nor enter into similar arrangement to minimize its risk for handling a sudden increase in its net purchases.

Dr. Cheung was a director of Hong Kong TelePDA Technology Limited ("HKTTL") during the period between 10 November 2000 and 6 December 2002. HKTTL was a mobile device network operator providing wireless access services through PDA. HKTTL operated a network to deliver various kinds of information to PDA installed with software developed by it. HKTTL became unprofitable. The board of directors of HKTTL thus decided to cease such unprofitable business and HKTTL was subsequently dissolved by creditor's voluntary winding up on 28 November 2006. Dr. Cheung was not subject to any legal liabilities and/or litigations historically and as at the Latest Practicable Date. Nominated by a corporate investor, Dr. Cheung was only one of the members of the board of directors who assisted in formulating the overall business strategies and policies and was not involved in the day-to-day management of HKTTL.

In April 2000, the SFC announced that it had publicly reprimanded Dr. Cheung as a dealing director of CSB because it is alleged that (i) during the period between January and December 1997, the staff of CSB were not registered under the SO or the Commodities Trading Ordinance before undertaking securities dealing and commodities trading for clients and (ii) between March 1998 and June 1998, another director of CSB on the instruction of Dr. Cheung had pledged securities belonging to two clients without proper prior written authority as required by section 81 of the SO. Dr. Cheung has misconceived that as long as written authority would be obtained from the clients, CSB could act upon a verbal agreement from an authorised representative of the clients concerned, which was the then prevailing market practice. The SFC concluded that the action of Dr. Cheung impugned his fitness and properness to be registered as well as impugning the fitness and properness of CSB as a securities dealer under the SO. In this connection, (i) Dr. Cheung has surrendered his registration as a dealer and was not allowed to apply for registration for 1 year, (ii) CSB has undertaken to the SFC to appoint an independent accountant to review CSB's compliance and internal control systems and implement recommendations made and (iii) CSB has undertaken to the SFC to appoint a compliance manager to be responsible for the day-to-day compliance function at CSB. Upon the expiry on the one-year suspension period for registration, Dr. Cheung has never made any application for license to carry out regulated activities. Dr. Cheung confirmed that CSB had, as undertaken, appointed the independent accountant and compliance manager shortly after SFC's reprimand in April 2000 and he had discussed with both the independent accountant and compliance manager on the recommended measures for enhancing CSB's compliance and internal control systems and the same have also been implemented.

Cheung Yan Lung Stock Investment Company ("CYL"), a partnership which was formerly owned by Mr. Cheung Yan Lung (the father of Dr. Cheung) and Dr. Cheung as to 50% and 50% respectively at the relevant time, was privately reprimanded by the SFC on 4 January 1993 for unlicensed securities dealings of a dealing representative of CYL with an unlicensed third party in contravention of SO between 1 July 1991 and 18 August 1991. Dr. Cheung was one of the partners of CYL in the 1990s who was responsible for the overall operation and management of CYL.

In 1987, Cheung's Commodity Traders Limited ("CCTL") was alleged by the Futures Exchange to have been involved in breaches of regulations of the Futures Exchange arising out of client's defaults. Based on the recollection of Dr. Cheung, during the stock market crash in October 1987, many clients failed to honour their commitments in respect of the Hang Seng Index future contracts and many future brokers (including CCTL) were unable to pay margin calls to the clearing house for such future contracts; and accordingly, CCTL breached the Future Exchange regulations because of its failure to pay the clearing house. CCTL settled with the clearing house thereafter with the payment of a mutually agreed sum. In view of the fact that it was an incident on the entire futures broker industry and the general capital market, Dr. Cheung confirmed that CCTL was not investigated by the Future Exchange and no penalty was imposed on CCTL or any of its directors by Futures Exchange in this regard. In addition, to the best recollection of Dr. Cheung, CCTL had later ceased its future contracts trading because of the adverse market conditions. During the period between January 1983 and May 1997, Dr. Cheung was a director of the said company and his major duty was to assist in formulating the overall business strategies and policies.

Dr. Cheung obtained a Bachelor of Science degree from Concordia University in Canada in 1978 and a Master degree of business administration from City University of Hong Kong in 2012. He has also obtained a Doctor degree of Business Administration from the City University of Hong Kong in 2014.

Our Directors (including the independent non-executive Directors) and the Sponsor considered that Dr. Cheung is, in overall, competent and able to fulfil his duties of care and diligence, and hence is suitable to act as a Director pursuant to Rules 3.08 and 3.09 of the Listing Rules as he possesses the experience, knowledge and skill as well as the character to be a director of our Company. In arriving at their view, our Directors and the Sponsor have taken into consideration the following:

1. there is no evidence that the non-compliances/ incidents involved any act of dishonesty, fraudulence or suggested any issue of integrity on the part of Dr. Cheung which would affect his suitability as a director of a listed company;

2. although Dr. Cheung was a responsible person for the relevant licensed companies at the material time, the non-compliances relating to CCTL, CYL and the SO occurred more than 16 years ago and Dr. Cheung was not involved in any non-compliance in connection with those activities regulated by the SFO or the SO since then;

3. the other non-compliances which occurred more than 8 years ago are of a relatively less serious in nature and Dr. Cheung was not and has not been directly involved in the day-to-day management of CSB, including those administration work at the material time;

4. Dr. Cheung was nominated as director by a corporate investor and was not involved in the day-to-day management of HKTTL;

5. Dr. Cheung has not received any further correspondences from the relevant regulatory authorities in connection with any further investigation by any judicial, regulatory or governmental authority in relation to the above non-compliances/incidents;

6. Dr. Cheung has been serving as an executive director of Simsen, a listed company on the Stock Exchange, for nearly 13 years and has also been the chairman for more than 5 years, including a period of around 4 years (from 2007 to 2010) subsequent to all the above-mentioned non-compliances/incidents. Our Directors believe that he should thus have acquired sufficient experiences and knowledge on the rules and regulations imposed on a director of a listed company;

7. while Dr. Cheung was responsible for the overall management and corporate governance of those companies, the non-compliances mostly occurred during the daily operation and hands-on execution of those companies which were delegated to other staff of the relevant companies at the material time. As advised by Dr. Cheung, there has been corporate governance and internal control procedures implemented in those companies at the material time, in which Dr. Cheung, as a director, has participated in the formulation of the same. Nevertheless, it is

inevitable that occasional accidental failure of such internal control systems beyond director's control may occur. As such, it is considered that there may not be direct correlation between the non-compliances and the competence of the directors and therefore these non-compliances should not be taken as a conclusive evidence regarding the competence of Dr. Cheung as a director of a listed company;

8. Dr. Cheung confirmed that, whenever a non-compliance was discovered, he, together with other directors of the relevant companies, had exercised their duties of care and diligence to cease the relevant activities causing such non-compliance as soon as possible and take remedial measures in order to ensure that the interest of the relevant companies and the shareholders were safeguarded. As advised by Dr. Cheung, the remedial actions included, inter alia, notifying the relevant regulatory authorities, making disclosure to the shareholders and the public on the details of the non-compliance by way of announcement and/or circular and reviewing the internal control system in order to enhance the internal control and corporate governance of the relevant companies;

9. Dr. Cheung has paramount concern on the compliance of Target at all times and has endeavoured to improve and strengthen the internal control system of Target by initiating and actively participating in formulating various internal policies, guidelines and systems for better supervising and monitoring the daily operation of the staff and setting up of the Investment and Business Development Department to provide dedicated resources on the investment operation;

10. Dr. Cheung is a director and a controller of Target as approved by the IA. Our Directors and the Sponsor are of the view that the independent assessment on Dr. Cheung's fulfillment of the "fit and proper" test by the IA is of significant reference value, although not conclusive, in assessing and determining Dr. Cheung's suitability to fulfil the requirements under Rules 3.08 and 3.09 of the Listing Rules;

11. Dr. Cheung has served as the President of the Executive and Supervisory Committees of Chinese Gold & Silver Exchange Society from June 2010 to December 2014. Since then, he has become the Chairman of the Supervisory Committee of the Society. Under Dr. Cheung's presidency, the Chinese Gold & Silver Exchange Society has introduced the registration scheme of practitioners (including the continuous professional training requirement) so as to enhance its role as the operator and self-regulator of the trading market for gold, silver and precious metals in Hong Kong. Our Directors believed that he is well aware of the importance of, and take a serious attitude to, regulatory compliance and have also acquired sufficient experiences and knowledge on the principal concept behind the rules and regulations from a regulator's perspective; and

12. Dr. Cheung has endeavoured to enrich himself on management and corporate governance, and enhance his knowledge on the relevant legislations, rules and regulations. He has attended training sessions in February 2012 and September 2014 conducted by our Company's Hong Kong legal advisors regarding, inter alia, directors' duties under the Listing Rules and the laws of Hong Kong. Regarding trainings on the requirements of the IA, Dr. Cheung attended an internal training in December 2014 and confirmed that he will attend public trainings and/or seminars in relation to the ICO and other IA requirements (if applicable). Through attending various degree courses and professional training sessions, Dr. Cheung confirmed that he is, not only keeping himself on the latest development of the applicable laws, rules and regulations, but also enhancing his awareness, knowledge and understanding on his duties and obligations as a director.

Further, our Directors (including the independent non-executive Directors) considered that Dr. Cheung has over 31 years of experiences in the financial market with extensive business connections. His business experiences and networks are equally important, and is beneficial, to the long-term development of our Group.

Mr. LAI BING LEUNG (黎秉良), aged 68, is one of the founders of our Group. Mr. Lai has about 37 years of experience in the motor insurance business. He has been an executive director of Target since 1977. He had also been the chairman of the board of Target until November 2010. In addition to his directorship role of setting objectives and formulating strategies of our Group, Mr. Lai has also been responsible for enhancing our corporate image, liaising with the regulatory authorities, exploring market opportunities and overseeing the claims operation and human resources management of our Group. Mr. Lai has also been a director of The Oscar Motors Company Limited since 1991, which is engaged in the business of sale of motorcycles and one of our agents of the sale of our motor insurance policies. Mr. Lai is also the director of a number of other private limited companies. Mr. Lai has received secondary education.

Mr. CHIU SUN TING (趙新庭), aged 69, is one of the founders of our Group. Mr. Chiu has about 37 years of experience in the motor insurance business. He has been an executive director of Target since 1977 and was the chief executive officer of Target up to October 2014. In addition to his directorship role of setting objectives and formulating strategies of our Group, Mr. Chiu has also been responsible for enhancing our corporate image, exploring market opportunities, supervising the accounting operation and overseeing the underwriting operation and the investment function of our Group. During the period between 1995 and November 2011, Mr. Chiu was a partner of General Underwriters, which was engaged in the provision of insurance agency services and one of our agents. Mr. Chiu is also the director of a number of other private limited companies. Mr. Chiu has received secondary education.

Dr. CHOI CHIU FAI STANLEY (蔡朝暉), aged 45, is an executive Director of our Group. Dr. Choi possesses about 23 years of experience in securities, futures, financial derivative products and merger and acquisition projects. Apart from working at senior positions for different financial groups in Hong Kong, Dr. Choi has also served as a member of the senior management of the following three companies, all of which are listed on the Stock Exchange, namely, the deputy chairman and an executive director of HyComm Wireless Limited (Stock Code: 499) from April 2010 to September 2010, an executive director of Simsen International Corporation Limited (Stock Code: 993) from May 2008 to April 2010 and the chief executive officer and an executive director of Cash Retail Management Group Limited (which is currently known as Carnival Group International Holdings Limited) (Stock Code: 996) from October 2006 to October 2007. Dr. Choi is currently an executive director of Media Asia Group Holdings Limited (Stock Code: 8075) since October 2011.

Dr. Choi obtained a Bachelor Degree of Business Administration (Magna Cum Laude) majoring in finance from Wichita State University in 1995 and a Degree of Master of Science from University of Illinois at Urbana-Champaign in 1996, both of which are in United States of America. He has also obtained a Doctor degree of Business Administration from the City University of Hong Kong in 2013.

Mr. MUK WANG LIT JIMMY (穆宏烈) ("Mr. Muk"), aged 60, is an executive Director and chief executive officer of the Group. Mr. Muk is also the compliance officer of Target, reporting to the Board on Target's compliance matters, and is responsible to monitor Target's compliance with the requirements under the ICO and other requirements as imposed by the IA. He joined our Group in 1979. Mr. Muk has over 35 years of experience in motor insurance business. Mr. Muk first joined the insurance industry in 1979 by joining Target in that year as claims supervisor and was responsible for handling and conducting claims and related matters. He was promoted as Claims Manager in 1982 and as assistant general manager in 1986 and was responsible for overseeing all functions and the daily operations of all departments. He was then subsequently appointed as the general manager in 1993, taking up further planning, administration, compliance and decision-making responsibilities. He has also been a director of Target since 1983, participating in setting objectives and formulating strategies and corporate governance with his fellow directors.

Mr. Muk obtained a Bachelor of Business (Business Administration) degree with Distinction from Royal Melbourne Institute of Technology in 2003 and a Master of Business Administration degree from University of Ballarat in 2006. Mr. Muk also obtained a Master Degree of Corporate Governance, which is a distance learning course, from the Open University of Hong Kong in 2013. He is a fellow of ANZIIF.

Mr. CHAN HOK CHING (陳學貞) ("Mr. Chan"), aged 52, is an executive Director of our Group. He joined the Company in July 2010 as the assistant to chairman. He was responsible for assisting the chairman in performing his duties in all areas. Mr. Chan has been appointed as an executive director of Target since June 2012. Mr. Chan has over 25 years' experience in banking and financial industry. Mr. Chan has been the general manager of Simsen International Corporation Limited ("Simsen") (Stock Code: 993), a company listed on the Main Board of the Stock Exchange from May 2002 to January 2006. He has also been an executive director and acting managing director of the said company from January 2006 to April 2010. Mr. Chan has been elected as an executive director of the New Territories General Chamber of Commerce for the year 2012 to 2014. Mr. Chan has graduated Form 5 in 1980.

Mr. Chan was appointed as a director of Hong Kong TelePDA Technology Limited ("HKTTL") in August 2002. HKTTL was subsequently dissolved by creditor's voluntary winding up on 28 November 2006. Mr. Chan was nominated as director by a corporate investor and was not involved in the day-to-day management of HKTTL.

As mentioned in the biographical details of Dr. Cheung, Simsen failed to comply with certain regulatory requirements under the Listing Rules during the period between October 2001 and April 2006.

Our Directors (including independent non-executive Directors) and the Sponsor consider that Mr. Chan is suitable to act as a Director pursuant to Rules 3.08 and 3.09 of the Listing Rules as he possesses the experience, knowledge and skill as well as the character to be a director of our Company.

In arriving at their view, our Directors and the Sponsor have taken into consideration of the following:

1. Mr. Chan has not received any future correspondences from the relevant regulatory authorities in connection with any further investigation by any judicial, regulatory or governmental authority in relation to the non-compliances/incidents in connection with Simsen;

2. Mr. Chan was nominated as director by a corporate investor and was not involved in the day-to-day management of HKTTL;

3. there is no evidence that the non-compliance in connection with Simsen involved any act of dishonesty, fraudulence or suggested any issue of integrity on the part of Mr. Chan which would affect his suitability as a director of a listed company;

4. Mr. Chan has served as an executive director and acting managing director of Simsen for around 4 years subsequent to the above-mentioned non-compliance in connection with Simsen. Our Directors believe that he should thus have acquired sufficient experiences and knowledge on the rules and regulations imposed on a director of a listed company; and

5. Mr. Chan has also attended training sessions in February 2012 and September 2014 conducted by the Company's Hong Kong legal advisors regarding directors' duties under the Listing Rules and the laws of Hong Kong.

Save as disclosed in this prospectus, each of Dr. Cheung, Mr. Lai, Mr. Chiu, Dr. Choi, Mr. Muk and Mr. Chan has confirmed that (i) he has no interest in the Shares within the meaning of Part XV of the SFO, (ii) he is independent from, and is not related to, any other Directors, members of senior management, substantial shareholders or controlling shareholders of our Group and (iii) he has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

Independent non-executive Directors

Mr. WAN KAM TO (尹錦滔) ("Mr. Wan"), aged 61, was appointed as an independent non-executive Director on 1 November 2014. He has been awarded the Higher Diploma in Accountancy by Hong Kong Polytechnic (now known as Hong Kong Polytechnic University) in 1975. Mr. Wan is a fellow member of the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Mr. Wan was a former partner of PricewaterhouseCoopers Hong Kong & China, and has been a practising accountant in Hong Kong for over 30 years with extensive experience in auditing, finance, advisory and management. Mr. Wan was a non-executive director of Taikang Life Insurance Company Limited during the period between November 2009 and March 2011. Mr. Wan also serves or has served as an independent non-executive director/ independent director of the following listed companies:

Company	Stock code	Which stock exchange the company is listed	Duration
China Resources Land Limited	1109	Stock Exchange	March 2009 to present
Dalian Port (PDA) Company Limited	2880 601880	Stock Exchange Shanghai Stock Exchange	June 2011 to present
Fairwood Holdings Limited	52	Stock Exchange	September 2009 to present
GreaterChina Professional Services Limited	8193	Stock Exchange	May 2011 to November 2013
Huaneng Renewables Corporation Limited	958	Stock Exchange	August 2010 to present
KFM Kingdom Holdings Limited	3816	Stock Exchange	September 2012 to present
Shanghai Pharmaceuticals Holding Co., Ltd.	2607 601607	Stock Exchange Shanghai Stock Exchange	June 2013 to present
S. Culture International Holdings Limited	1255	Stock Exchange	May 2013 to present
Real Gold Mining Limited	246	Stock Exchange	July 2011 to August 2011
Mindray Medical International Limited	MR	New York Stock Exchange	September 2008 to December 2014
RDA Microelectronics, Inc.	RDA	NASDAQ	November 2010 to July 2014
Harbin Bank Co., Ltd.	6138	Stock Exchange	October 2013 to present
Kerry Logistics Network Limited	636	Stock Exchange	November 2013 to present

Mr. WONG SHIU HOI PETER (黃紹開) ("Mr. Wong"), aged 73, was appointed as an independent non-executive Director on 1 November 2014. Mr. Wong obtained a Master of Business Administration Degree from the University of Macau (formerly known as the University of East Asia, Macau in 1986). Mr. Wong possesses over 40 years of experience in the financial services industry. He is the past chairman of the Hong Kong Institute of Directors and was an executive director, deputy chairman and chief executive of Haitong International Securities Group Limited. He is a former member of the Standing Committee of Company Law Reform, Listing Committee of the Stock Exchange and Financial Services Advisory Committee of the Hong Kong Trade Development Council. He is currently an overseas business advisor of Haitong Securities Company Limited. Mr. Wong also serves or has served as an independent non-executive director of the following listed companies:

Company	Stock code	Which stock exchange the company is listed	Duration
Agile Property Holdings Limited	3383	Stock Exchange	June 2014 to present
High Fashion International Limited	608	Stock Exchange	July 2004 to present
Tianjin Development Holdings Limited	882	Stock Exchange	December 2012 to present
China Household Holdings Limited (previously known as Ching Hing (Holdings) Limited)	692	Stock Exchange	January 2000 to July 2007
Theme International Holdings Limited	990	Stock Exchange	July 2004 to November 2009

Mr. SZETO WAI SUN (司徒維新) ("Mr. Szeto"), aged 55, was appointed as an independent non-executive Director on 1 November 2014. Mr. Szeto graduated from The University of Hong Kong with a Degree of Bachelor of Laws in 1982, and obtained the Postgraduate Certificate in Laws from the same university in 1983. He was admitted as a solicitor in Hong Kong in 1985 and has worked in a number of law firms in Hong Kong including Messrs Chan & Co., Y.T. and Messrs Cheung & Co., Edmund before founding Messrs Sun Lawyers (formerly known as Messrs W.S Szeto & Lee) and becoming a partner of that firm in 2003. He also joined Messrs Patrick Chan & Co. as a partner in July 2014. Mr. Szeto has completed a course of Professional Certificate in Chinese Civil & Commercial Law, which was jointly organised by Tsinghua University of the PRC and the School of Professional and Continuing Education of The University of Hong Kong in 2002. He has also been an independent non-executive director of Bright Smart Securities & Commodities Group Limited (Stock code: 1428) since August 2010.

Save as disclosed in this prospectus, each of Mr. Wan, Mr. Wong and Mr. Szeto has confirmed that (i) he has no interest in the Shares within the meaning of Part XV of the SFO, (ii) he is independent from, and is not related to, any other Directors, members of senior management, substantial shareholders or controlling shareholders of our Group and (iii) he has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

Information that needs to be disclosed pursuant to Rule 13.51(2) of the Listing Rules

There is no information of each of the Directors which needs to be disclosed pursuant to the requirements under Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules, and save as disclosed in this prospectus, there are no other matters that need to be brought to the attention of the Shareholders under Rule 13.51(2) of the Listing Rules in connection with his appointment as a Director.

Views of our Directors and the Sponsor on the independent non-executive Directors

Although the three independent non-executive Directors (collectively, the "**INEDs**") have limited experience in the insurance industry, our Directors and the Sponsor have taken into consideration the following factors and are of the view that they would be able to make sound decisions in relation to our Group's affairs:

1. Target is subject to the supervision of the IA and its business is a regulated business. Therefore, a sound business decision in relation to Target means not only a business decision or an investment decision which is profitable, but also complies with the relevant legal and regulatory requirements. In light of the aforesaid, in addition to Directors who possess the knowledge and experience in insurance industry, Directors who possess accounting and legal expertise are equally important in order to ensure that Target's business complies with the relevant legal and regulatory requirements. Each of Mr. Wan and Mr. Szeto is experienced professional and possesses expertise in their respective area of practice. Mr. Wan has been a practising accountant for over 30 years and Mr. Szeto was admitted as a solicitor since 1985. Mr. Wan and Mr. Szeto can utilize their accounting and legal expertise to assist us to comply with the relevant regulatory requirements;

2. As the past chairman of the Hong Kong Institute of Directors, Mr. Wong would have valuable input to our Group and our Directors on corporate governance issues and directors' duties, all of which will assist us in making sound business decisions;

3. Further, these Directors who possess the knowledge on the requirements of the Listing Rules and the Stock Exchange are also important to our Group. All the INEDs have been the independent non-executive directors of other companies listed on the Stock Exchange and our Directors are confident that they are familiar with those requirements and can assist us in our compliance matters and will be able to exercise independent judgment; and

4. All our executive Directors are, in general, businessmen and the experiences and expertise of the INEDs enable our Board to have a balance of skills, experience and diversity of perspectives appropriate to the requirements to our business and operation.

Notwithstanding the above, our Company undertakes to the Stock Exchange to appoint an additional independent non-executive Director with general insurance experience within 3 months after Listing.

Resignations of two former independent non-executive directors of Target

Under the Guidance Note on the Corporate Governance of Authorized Insurers, an insurer is required to appoint independent non-executive directors representing not less than one-fifth of its board of directors. Mr. Yung Ha Kuk Victor ("**Mr. Yung**") was appointed as an independent non-executive director of Target in May 2003 while Mr. Lam Yat Ming ("**Mr. Lam**") was appointed as an additional independent non-executive director to the enlarged board of Target in June 2012. Our Company intends to (i) adopt a board structure with appropriate size without excessive number of Directors, taking into account the operating scale of our Group and the number of staff we have and (ii) appoint some independent non-executive directors with experiences in listed companies and have the same board structure within our Group to facilitate management efficiency. Further, since (i) Mr. Yung had already been the independent non-executive director of Target for more than 11 years and his future appointment will be subject to shareholders' approval requirement under the Corporate Governance Code as set out in Appendix 14 to the Listing Rules; and

(ii) Mr. Lam would like to allocate more of his time to his other engagements, both of them have resigned on 31 October 2014. Our Company confirms that each of Mr. Yung and Mr. Lam has no disagreements with the board of directors of Target and there are no other matters relating to their resignation that need to be brought to the attention of the Stock Exchange.

SENIOR MANAGEMENT

The following table sets forth information regarding our senior management:

Name	Age	Position in our Group	Date of joining our Group	Date of appointment	Roles and responsibilities
Ms. Lau Ka Yee (劉家儀)	34	Financial controller	October 2014	October 2014	Manage the Accounts Department and supervise all accounting and internal control related matters and assist the chief executive officer in monitoring Target's compliance with the IA's requirements
Ms. Or Pik Yuk (柯碧玉)	52	Underwriting manager	January 1980	January 1993	Manage the Underwriting Department, e.g. approve and check all underwriting documentations
Mr. Ngai Shu Tak Nathaniel (魏樹德)	62	Senior claims manager	September 2006	January 2012	Manage the Claims Department, e.g. handle claims and approve settlements
Mr. Rui Yuanqing (芮元青)	30	Manager of Investment & Business Development Department	April 2011	May 2011	Manage the Investment & Business Development Department, e.g. investment management and analysis,explore, and evaluate new business opportunities

Ms. LAU KA YEE (劉家儀) ("Ms. Lau"), aged 34, is the financial controller of the Group. Ms. Lau has over 10 years of experience in accounting industry specializing in general insurance industry. Prior to joining our Group, Ms. Lau had worked as a senior manager of PricewaterhouseCoopers' advisory services. Ms. Lau is a member of HKICPA and has completed the Diploma in Insolvency held by HKICPA in 2010-2011. Ms. Lau graduated from Chinese University of Hong Kong with a Bachelor of Business Administration degree majoring in Professional Accountancy degree in 2003.

Ms. OR PIK YUK (柯碧玉) ("Ms. Or"), aged 52, is the underwriting manager of our Group. Ms. Or has over 30 years of experience in insurance industry. Ms. Or worked as a general clerk of the Motor Underwriting Department of Target in January 1980. In 1985, she was promoted as the Hong Kong Branch Motor Department in charge to supervise daily operation. She was then promoted as the Underwriting Supervisor of Target in 1987 and the underwriting manager since 1993.

She has passed the Principles and Practice of Insurance Examination of Insurance Intermediaries Qualifying Examination in 2000 and the General Insurance Examination of Insurance Intermediaries Qualifying Examination in 2001 respectively.

Mr. NGAI SHU TAK NATHANIEL (魏樹德) ("Mr. Ngai"), aged 62, is the senior claims manager of the Claims Department of our Group. Mr. Ngai joined Target as an assistant claims manager in September 2006 and was appointed as the claims manager in December 2006 and senior claims manager in January 2012. Prior to joining our Group, Mr. Ngai has worked in Hong Kong Police for 31 years from 1975 as a probationary inspector until his retirement in the rank of chief police inspector in 2006. He had served in various units in Hong Kong Police, including criminal investigation, traffic investigation and management, general uniform patrol and administration duties.

Mr. Ngai graduated from Chinese University of Hong Kong with a bachelor degree of science in 1975. He is a senior associate of ANZIIF.

Mr. RUI YUANQING (芮元青) ("Mr. Rui"), aged 30, has been the manager of the Investment & Business Development Department since May 2011 and is responsible for investment activities and exploring, analyzing and evaluating new business opportunities.

Prior to joining our Group, Mr. Rui worked as an operation manager in Head & Shoulders Securities Ltd. from April 2010 to April 2011. He also worked as a Project Coordinator in Simsen Services Company Limited, which is wholly owned by Simsen International Corporation Limited ("Simsen") (Stock Code: 993), a company listed on the Main Board of the Stock Exchange, from 4 August 2008 to 31 March 2010. Mr. Rui has actively engaged in various financial projects of mergers and acquisitions, including mining, securities, insurance etc. and Mr. Rui has extensive experience in due diligence, investment and asset management and holds licences under the SFO to carry on type 1 (dealing in securities) and type 9 (asset management) regulated activities under the SFO since 2010.

Mr. Rui obtained two Bachelor Degree of Economics and Engineering respectively from Shandong University of Technology & Science (山東科技大學) in China in 2007. He has obtained the Degree of Master of Science in International Banking and Finance from Lingnan University in 2008. He has also obtained Graduate Diploma of Financial Services (Insurance) from Deakin University, Australia in 2013 of which 2 out of the 4 courses were completed on campus in Hong Kong and the remaining 2 are online course. He is a fellow of ANZIIF.

COMPANY SECRETARY

Mr. TSE KAM FAI (謝錦輝) ("Mr. Tse"), aged 51, was appointed as the company secretary of our Company in August 2014. Mr. Tse is a fellow member of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. He is also a member of The Hong Kong Institute of Directors. Mr. Tse has more than 20 years of experience in handling listed company secretarial and compliance related matters. Mr. Tse is currently the company secretary of China Metal International Holdings Inc., a company listed on the Main Board of the Stock Exchange, and each of Heng Xin China Holdings Limited, Neo Telemedia Limited and Well Way Group Limited, all being companies listed on the Growth Enterprise Market of the Stock Exchange. He is also an executive director of a local professional firm providing regulatory compliance, corporate governance and corporate secretarial services to listed and unlisted corporations.

DIRECTORS' REMUNERATION

For each of the three years ended 31 December 2013 and the six months ended 30 June 2014, the aggregate amount of fees, salaries and allowances, discretionary bonuses and contribution to pension schemes paid by our Company to the Directors were approximately HK$5.2 million, HK$5.7 million, HK$5.7 million and HK$3.4 million, respectively. It is estimated that under the arrangements currently in force, the aggregate compensation payable to the Directors for the year ending 31 December 2014 will be approximately HK$6.8 million.

The remuneration paid by our Company to our top five highest paid individuals, including Directors, for each of the three years ended 31 December 2013 and the six months ended 30 June 2014 were approximately HK$5.9 million, HK$5.9 million, HK$6.0 million and HK$3.4 million, respectively.

During the Track Record Period, no remuneration was paid by our Company to, or receivable by, the Directors or our five highest paid individuals as an inducement to join or upon joining our Company. No compensation was paid by our Company to, or receivable by, the Directors, past Directors or our five highest paid individuals for the loss of any office in connection with the management of the affairs of any subsidiary of our Company during the Track Record Period.

During the Track Record Period, none of the Directors waived any emoluments. Except as disclosed above, no other payments have been paid, or are payable, by our Company or any of our subsidiaries to the Directors or our five highest paid individuals during the Track Record Period.

Under the remuneration policy of our Company, the remuneration committee will consider factors, such as salaries paid by comparable companies, tenure, commitment, responsibilities and performance, in assessing the amount of remuneration payable to our Directors.

To incentivize our Directors, senior management and employees, our Company has also adopted the Pre-IPO Share Option Scheme and the Share Option Scheme. For further details, please refer to the paragraphs headed "Pre-IPO Share Option Scheme" and "Share Option Scheme" in Appendix V to this prospectus.

COMPLIANCE ADVISOR

Our Company has appointed CLC International Limited as its compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our compliance advisor will advise us in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might constitute a notifiable and/or connected transaction, is contemplated, including share issues and share repurchases;
- if our Group proposes to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or if the business activities, developments or results of our Group deviate from any forecast, estimate or other information in this prospectus; and
- if the Stock Exchange makes an inquiry of our Group under Rule 13.10 of the Listing Rules regarding unusual movements in the price or trading volume of the Shares.

The term of the appointment shall commence on the Listing Date and end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

AUDIT COMMITTEE

Our Company established an audit committee pursuant to a resolution of the Directors passed on 23 December 2014 with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control procedures of our Group.

The audit committee comprises three independent non-executive Directors, namely Mr. Wan, Mr. Wong and Mr. Szeto. Mr. Wan is the chairman of the audit committee.

REMUNERATION COMMITTEE

Our Company established a remuneration committee pursuant to a resolution of the Directors passed on 23 December 2014 in compliance with the Corporate Governance Code and Corporate Governance Report as set forth in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to review and determine the terms of remuneration packages, bonuses and other compensation payable to the Directors and other senior management.

The remuneration committee comprises two independent non-executive Directors and one executive Director, namely Mr. Wong, Mr. Szeto and Mr. Chan. Mr. Wong is the chairman of the remuneration committee.

NOMINATION COMMITTEE

Our Company established a nomination committee pursuant to a resolution of the Directors passed on 23 December 2014. The primary duties of the nomination committee are to make recommendations to the Board on the appointment of Directors and management of Board succession.

The nomination committee comprises two independent non-executive Directors and one executive Director, namely Mr. Szeto, Mr. Wong and Mr. Muk. Mr. Szeto is the chairman of the nomination committee.

RISK COMMITTEE

Our Company established a risk committee pursuant to a resolution of the Directors passed on 23 December 2014 in order to meet best practices and enhance business management as suggested in the consultation paper on a risk-based capital framework for the insurance industry of Hong Kong. The primary duties of the risk committee are (i) to advise the risk profile and risk management strategy of our Group; (ii) to consider, review and approve risk management policies and guidelines; and (iii) to decide on risk levels and related resources allocation. The risk committee will also be responsible for advising further enhancement on corporate governance in preparation for the requirements under the risk-based capital framework (including the appointment of a chief risk officer).

The risk committee comprises two independent non-executive Directors and two executive Directors, namely Mr. Wong, Mr. Szeto, Mr. Muk and Mr. Chan. Mr. Wong is the chairman of the risk committee.

PRE-IPO SHARE OPTION SCHEME AND SHARE OPTION SCHEME

Our Group has conditionally adopted the Pre-IPO Share Option Scheme and the Share Option Scheme under which employees and consultant of our Group including executive Directors, independent non-executive Directors and other eligible participants may be granted options to subscribe for Shares. The principal terms of the Pre-IPO Share Option Scheme and the Share Option Scheme are summarised in the paragraphs headed "Pre-IPO Share Option Scheme" and "Share Option Scheme" in Appendix V to this prospectus.

So far as the Directors are aware, immediately following completion of the Share Offer (taking no account of any Shares which may be allotted and issued under the Over-allotment Option, any options granted under the Pre-IPO Share Option Scheme and any options which may be granted under the Share Option Scheme), the following persons will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will, directly or indirectly, be interested in 10% or more of any class of shares carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name	Capacity/nature of interest	Number of Shares directly or indirectly held	Position	Approximate percentage of shareholding in the Company (%)	*Note*
Dr. Cheung	Interest of a controlled corporation	183,750,000	Long	36.75	*1*
Independent Assets	Beneficial owner	183,750,000	Long	36.75	*1*
Dr. Choi	Interest of a controlled corporation	78,750,000	Long	15.75	*2*
Allied Connect	Beneficial owner	78,750,000	Long	15.75	*2*
Mr. Chiu	Interest of a controlled corporation	56,250,000	Long	11.25	*3*
Generous Rich	Beneficial owner	56,250,000	Long	11.25	*3*
Mr. Lai	Interest of a controlled corporation	56,250,000	Long	11.25	*4*
Champion City	Beneficial owner	56,250,000	Long	11.25	*4*

Notes:

1. Independent Assets is wholly-owned by Dr. Cheung.

2. Allied Connect is wholly-owned by Dr. Choi.

3. Generous Rich is wholly-owned by Mr. Chiu.

4. Champion City is wholly-owned by Mr. Lai.

Save as disclosed herein, the Directors are not aware of any person who will, immediately following completion of the Share Offer (taking no account of Shares which may be allotted and issued under the Over-allotment Option, any options granted under the Pre-IPO Share Option Scheme and any options which may be granted under the Share Option Scheme), have an interest or a short position in Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will, directly or indirectly, be interested in 10% or more of any class of shares carrying rights to vote in all circumstances at general meetings of any other member of our Group.

The issued share capital of our Company immediately following completion of the Share Offer (subject to the assumptions set forth below) is as follows:

Shares issued and fully paid or credited as fully paid:

	Number of Shares
Shares in issue as at the date of this prospectus	375,000,000
Shares to be issued under the Share Offer	125,000,000
Shares immediately following completion of the Share Offer	500,000,000

Assumptions

The above table assumes that the Share Offer becomes unconditional but takes no account of any Shares which may be allotted and issued under the Over-allotment Option and any Shares which may fall to be issued pursuant to the exercise of any options granted under the Pre-IPO Share Option Scheme and any options which may be granted under the Share Option Scheme or of any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates as described below.

Ranking

The Offer Shares will rank pari passu in all respects with all Shares in issue or to be issued as set out in the above table, and will qualify in full for all dividends and other distributions hereafter declared, made or paid on the Shares after the date of this prospectus.

Pre-IPO Share Option Scheme and Share Option Scheme

Our Company has conditionally adopted the Pre-IPO Share Option Scheme and the Share Option Scheme, the principal terms of which are summarised in the paragraphs headed "Pre-IPO Share Option Scheme" and "Share Option Scheme" in Appendix V to this prospectus.

General mandate to issue new Shares

Our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with a total number of Shares of not more than the aggregate of:

1. 20% of the total number of Shares in issue immediately following completion of the Share Offer; and

2. the total number of the Shares repurchased by our Company (if any) pursuant to a separate mandate to repurchase Shares and described more fully in the paragraph headed "General mandate to repurchase Shares" below.

This general mandate is in addition to the powers of the Directors to allot, issue or deal with Shares under a rights issue or an issue of Shares pursuant to the exercise of the Over-allotment Option, any options granted under the Pre-IPO Share Option Scheme and any options which may be granted under the Share Option Scheme or any other share scheme or similar arrangement for the time being adopted by our Company or any Shares allotted in lieu of the whole or part of a dividend on Shares in accordance with its Articles or pursuant to a specific authority granted by the Shareholders in general meeting or pursuant to the Share Offer.

This general mandate will expire:

- at the conclusion of our Company's next annual general meeting; or
- the expiration of the period within which our Company is required by the Articles or any applicable laws of Hong Kong to hold its next annual general meeting; or
- when varied or revoked by an ordinary resolution of the Shareholders in general meeting,

whichever occurs first.

For further details of this general mandate, please see the paragraph headed "Written resolutions of the Shareholders on 23 December 2014" in the section headed "Further information about our Company" in Appendix V to this prospectus.

General mandate to repurchase Shares

Our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate number of Shares of not more than 10% of the aggregate number of the Shares in issue and to be issued immediately following the completion of the Share Offer.

This general mandate only relates to repurchases made on the Stock Exchange or on any other stock exchange on which the Shares are listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules and all applicable laws. A summary of the relevant requirements in the Listing Rules is set out in the paragraph headed "Repurchase by our Company of its own Shares" in the section headed "Further information about our Company" in Appendix V to this prospectus.

This general mandate will expire:

- at the conclusion of our Company's next annual general meeting; or
- the expiration of the period within which our Company is required by the Articles or any applicable laws of Hong Kong to hold its next annual general meeting; or
- when varied or revoked by an ordinary resolution of the Shareholders in general meeting,

whichever occurs first.

For further details of this general mandate, please see the paragraph headed "Written resolutions of the Shareholders on 23 December 2014" in the section headed "Further information about our Company" in Appendix V to this prospectus.

You should read the following discussion and analysis of our results of operations and financial condition in conjunction with our combined financial statements as at and for each of the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014 and the accompanying notes included in the Accountants' Report set out in Appendix I to this prospectus. The Accountants' Report has been prepared in accordance with HKFRS. The financial data contained in this section is prepared in accordance with HKFRS.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this prospectus, particularly in the section headed "Risk Factors" to this prospectus.

Any discrepancies in any table or elsewhere in this prospectus between totals and sums of amounts listed herein are due to rounding.

OVERVIEW

Founded in 1977, we were the third largest motor insurer in Hong Kong with approximately 8.6% market share in 2013 in terms of gross premium written, in particular, we were the largest motor insurance company in Hong Kong with approximately 50.2% market share based on gross premium written in taxi and PLB segments in 2013, according to the Euromonitor Report. We focus on motor insurance to taxi and PLB in Hong Kong. For each of the three years ended 31 December 2013 and the six months ended 30 June 2014, our total gross premium written amounted to approximately HK$311.7 million, HK$307.7 million, HK$319.8 million and HK$162.6 million respectively, and our gross premium written for taxi and PLB accounted for approximately 90.3%, 81.1%, 83.1% and 85.4% to our total gross premium written respectively.

During the Track Record Period, we generate income principally from insurance premium revenue. For each of the three years ended 31 December 2013 and the six months ended 30 June 2014, our Group recorded net income of approximately HK$301.6 million, HK$278.9 million, HK$293.6 million and HK$151.9 million respectively, and our net profits after tax was approximately HK$42.1 million, HK$22.3 million, HK$48.5 million and HK$36.6 million respectively.

BASIS OF PRESENTATION

The financial information of our Group has been prepared using the principles of merger accounting under the Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") as if the Reorganisation has been completed at the beginning of the Track Record Period.

The combined income statements, the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of our Group for the Track Record Period include the results of operations of the companies comprising our Group for the Track Record Period. The combined statements of financial position of our Group as at 31 December 2011, 2012 and 2013, and 30 June 2014 have been prepared to present the state of affairs of the companies comprising our Group at the respective dates as if the Reorganisation was completed at the beginning of the Track Record Period.

The net assets of the companies comprising our Group are combined using the existing book values from the controlling parties' perspective. No adjustments are made to reflect fair values, or recognize any new assets or liabilities as a result of the Reorganisation.

Intra-group balances and transactions have been eliminated in full in preparing the financial information of our Group.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Frequency and severity of claims

Insurance claims and loss adjustment expenses, representing net claims paid and change in provision for net outstanding claims and IBNR made for the year/period, are the major expenses of our Group, accounting for approximately 81.6%, 77.9%, 75.0% and 73.2% to our total expenses for each of the three years ended 31 December 2013 and the six months ended 30 June 2014 respectively.

Our insurance claims and change in provision for net outstanding claims are principally affected by the number and level of seriousness of the claims involving our customers, which are in turn affected by the number and types of accidents happened. Our gross premium during the Track Record Period was substantially contributed by insurance policies written for taxi and PLB. The gross premium written for taxi and PLB represented approximately 90.3%, 81.1%, 83.1% and 85.4% to our total gross premium revenue for each of the three years ended 31 December 2013 and the six months ended 30 June 2014 respectively. According to the information released by the Transport Department of HK Government, the accident rates of taxi and PLB have increased in the last decade, from approximately 181.9 per 1,000 vehicles and 243.1 per 1,000 vehicles respectively in 2000 to approximately 242.6 per 1,000 vehicles and 259.4 per 1,000 vehicles respectively in 2013, which were the second and the third highest among all motor vehicles types. There is no assurance that the accident rates of taxi, PLB and other vehicles will not increase in the future. In the event that traffic accidents happen more frequently or seriously in the future, the number and amount of claims and provision for outstanding claims may increase and our results of operations and financial position may be adversely affected.

Competition and premium rates

Our Directors consider that we operate in competitive market. The motor insurance market in Hong Kong is a comparatively developed market with many competitive market players. Competition in the Hong Kong market is based primarily on the types of insurance policies offered, price and distribution capability. In determining the premium rates for our insurance policies, we primarily consider factors such as historical claims frequency and severity, claims payment, competition and the pricing of similar products in the market and analysis from the actuaries. Overall market conditions, such as the level of underwriting capacity and the severity of price competition in respect of any particular insurance policy, also influence the premium rates for our insurance policies. When market prices for insurance policies drop as a result of increased price competition or otherwise, our gross premium written from insurance policies may decrease and we may elect not to engage in price competition with our competitors for certain products which may decrease the number of insurance policies written by us. As a result, our business and results of operations may be adversely affected.

Performance of investment portfolio

Our investment income represented approximately 5.0%, 6.3%, 7.2% and 6.5% of our total income for each of the three years ended 31 December 2013 and the six months ended 30 June 2014 respectively. As at 31 December 2011, 2012 and 2013 and 30 June 2014, the carrying value of our investment portfolio, comprising equity securities, debt securities, bank deposits, bank balances and cash, was approximately HK$668.6 million, HK$794.5 million, HK$803.4 million and HK$839.6 million respectively, which represented approximately 76.0%, 78.5%, 82.7% and 83.2% of our total assets respectively. Our results of operations and financial position are affected by the quality and performance of our investment portfolio.

Our investment portfolio mainly comprises of term deposits (denominated in HK dollar, US dollar and RMB), government bonds issued by HK Government, corporate bonds and blue chip equity securities in Hong Kong. The performance of our investment portfolio is affected by inflation, fluctuation in currency exchange rates, credit and liquidity conditions, the performance and volatility of capital markets, asset values, etc. Any significant deterioration in one or more of these factors could have an adverse impact on the value of, and the income generated by, our investment portfolio and could have a material adverse effect on our business, financial position and results of operations.

Fluctuations in market interest rates, inflation and foreign exchange rates

As at 31 December 2011, 2012 and 2013 and 30 June 2014, we had bank deposits and cash of approximately HK$583.1 million, HK$707.6 million, HK$530.4 million and HK$555.0 million respectively, representing approximately 87.2%, 89.1%, 66.0% and 66.1% of the carrying value of our investment portfolio respectively. Changes in inflation or deflation affects our interest income from government bonds issued by HK Government. According to Census and Statistics Department of the HK Government, Hong Kong recorded annual rates of change in the consumer price index upon removing of all government's one-off relief measures of approximately 5.3%, 4.7%, 4.0% and 3.9% in 2011, 2012, 2013 and the first half of 2014, respectively. Changes in market interest rates will directly impact our deposit interest income. Fluctuations in interest rates may also affect the market value of the debt securities held in our investment portfolio.

Our bank deposits mainly comprised HK dollar, US dollar and RMB time deposits (including statutory deposits) in various banks. The amount of our time deposits in RMB amounted to approximately RMB74.1 million, RMB76.2 million, RMB 78.7 million and RMB49.5 million as at 31 December 2011, 2012, 2013 and 30 June 2014 respectively, representing approximately 16.4%, 13.8%, 18.9% and 11.1% of our total time deposits (including statutory deposits) during the corresponding periods respectively. The corporate bonds of our debt securities are denominated in US dollar and RMB. The carrying value of the corporate bonds and certificate of deposit denominated in RMB amounted to approximately HK$30.3 million and HK$41.5 million as at 31 December 2013 and 30 June 2014 respectively, representing approximately 38.5% and 65.1% of the carrying value of our corporate bonds respectively. According to The People's Bank of China, RMB against HKD appreciated from 0.7929 as at 30 September 2013 to 0.7925 as at 30 September 2014. Any future unfavourable change in the RMB exchange rate may adversely affect our financial position and results of operations. As HK dollar is pegged to US dollar, the foreign currency exposure to US dollar is minimal.

Reinsurance market

We are required under the ICO to reinsure a portion of the risks we underwrite to reduce our risk exposure, to protect our capital resources and to maintain stability in our operations. Reinsurance is particularly important to the management of risks in our insurance business.

We purchase excess-of-loss reinsurance from international reinsurers. Premiums ceded to reinsurers for each of the three years ended 31 December 2013 and the six months ended 30 June 2014 were approximately HK$44.6 million, HK$42.5 million, HK$43.9 million and HK$21.4 million, respectively, representing approximately 14.3%, 13.8%, 13.7% and 13.2%, respectively, of our total gross premium written during the corresponding periods.

The reinsurance market may vary with fluctuations in underwriting capacity in the market affecting the price at which reinsurance can be obtained. Underwriting capacity and rates in the reinsurance market, which are determined largely by underwriting conditions in the international market, may not necessarily move in tandem with those in the Hong Kong insurance market. Decrease in underwriting capacity in the reinsurance market leading to increases in reinsurance rates could raise the cost of reinsurance to us and potentially decrease our underwriting profit.

In addition, although we seek to manage risk by entering into reinsurance arrangements only with reputable and creditworthy reinsurers, a default by any reinsurer because of risk management, solvency or other problems could expose us to losses and therefore have an adverse effect on our results of operations and financial condition.

Regulatory environment

Our business operation, which is conducted entirely in Hong Kong, is highly regulated. IA stipulates requirements for paid-up capital, solvency margin, fitness and properness of directors and controllers, adequacy of reinsurance arrangements, annual reporting, maintenance of assets, actuarial review of insurance liabilities, corporate governance and asset management, etc. Implementation and interpretation of the laws, rules and regulations may change from time to time and such changes could have a material adverse effect on our business. If any of our business segments are subject to more stringent legal or regulatory restrictions in the future, this could have a material adverse effect on our product range, distribution network, capital requirements, day-to-day operations and consequently, our business, financial conditions and results of operations.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

We have identified certain accounting policies, estimates and judgments that are significant to the preparation of our financial information. These significant accounting policies, estimates and judgments are important for understanding our financial condition and results of operations and are set forth in note 2 of the Accountants' Report in Appendix I to this prospectus. The following paragraphs discuss certain significant accounting policies, estimates and judgments applied in preparing our Group's financial information.

Insurance contracts

Insurance contracts are defined as those contracts that transfer significant insurance risk at the inception of the contracts, or those where at the inception of the contract there is a scenario with commercial substance where the level of insurance risk may be significant. The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect.

Recognition and measurement

Gross premium written is recognized when insurance contracts are written. Premiums are recognized as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the end of the reporting period is reported as the unearned premium liability. Premiums are stated before deduction of acquisition costs and other underwriting expenses and are gross of any taxes or duties levied on premiums.

Insurance claims and loss adjustment expenses are charged to profit or loss as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the end of the reporting period even if they have not yet been reported to our Group. Our Group does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to our Group and statistical analyses for the claims incurred but not reported, and estimated expected ultimate cost of more complex claims.

Deferred acquisition costs ("DAC")

Commissions and other acquisition costs that vary with and are related to secure new insurance contracts and renew existing insurance contracts are capitalized as DAC. All other costs are recognized as expenses when incurred. The DAC is amortised over the terms of the policies as premium is earned.

Reinsurance contracts held

Contracts entered into by our Group with reinsurers under which our Group is compensated for Losses on one or more contracts issued by our Group and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets.

The benefits to which our Group is entitled under its reinsurance contracts held are recognized as reinsurance assets. These assets consist of short-term and long-term receivables that are dependent on the expected claims and reinsurance recoveries arising under the insurance contracts and the related reinsurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract.

Our Group assesses its reinsurance assets for impairment on an annual basis or when indication of impairment arises. If there is objective evidence that the reinsurance asset is impaired, our Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes that impairment loss in the profit or loss. Our Group gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is also calculated following the same method used for these financial assets.

Provision for unexpired risk

At the end of each of the Track Record Period, liability adequacy tests are performed to ensure the adequacy of the unexpired insurance contract liabilities net of related DAC assets. In performing these tests, current best estimates of future contractual cash flow and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to profit or loss by establishing a provision for losses arising from the unexpired risk.

Unearned premiums

Unearned premiums represent the proportion of gross premiums applicable to the unexpired period of the policy term. Unearned premiums are calculated by bi-monthly pro rata method on premium written without deducting the policy acquisition costs for the year/period.

Outstanding claims

Full provision is made for the estimated gross cost of claims notified but not settled on a case-by-case basis including those incurred but not reported at the end of each of the Track Record Period using the best information available at that time, including inflation where necessary.

Cost of claims includes claims handling expenses and reinsurance recoveries which would take a long time to finalise. Reinsurance recovery on reported outstanding claims is calculated on a case-by-case basis. Any differences between the original claim provisions and subsequent settlements are included in the profit or loss.

Provision is also made for any potential claims incurred but not reported at the end of each of the Track Record Period in accordance with management experience of claim development history, including an estimate of reinsurance recoveries due. Provision would be adjusted, if necessary, after considering independent actuarial review of motor insurance liabilities as at the end of each of the Track Record Period. Claims are not discounted.

Provisions

Provisions are recognized when our Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of obligation can be made. Expenditures for which a provision has been recognized are charged against the related provision in the year/period in which the expenditures are incurred. Provisions are reviewed at the end of each of the Track Record Period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditures expected to be required to settle the obligation. Where our Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated at this category or not classified in any of the other categories of financial assets. They are measured at fair value with changes in value recognized as a separate component of equity until the assets are sold, collected or otherwise disposed of, or until the assets are determined to be impaired, at which time the cumulative gain or loss previously reported in other comprehensive income shall be reclassified to profit or loss as a reclassification adjustment.

Impairment of financial assets

At the end of each of the Track Record Period, our Group assesses whether there is objective evidence that financial assets are impaired. The impairment loss of financial assets carried at amortised cost is measured as the difference between the assets' carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate. Such impairment loss is reversed in subsequent periods through profit or loss when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognized, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognized.

When an available-for-sale financial asset is impaired, a cumulative loss comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and current fair value, less any previously recognized impairment loss in profit or loss, is reclassified from equity to profit or loss as a reclassification adjustment. Impairment losses recognized in profit or loss in respect of available-for-sale equity instrument are not reversed through profit or loss. Any subsequent increase in fair value of available-for-sale equity instrument after recognition of impairment loss is recognized in equity. Reversal of impairment loss of available-for-sale debt instruments are reversed through profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

Critical accounting estimates and judgments

Estimates and assumptions concerning the future and judgments are made by the management in the preparation of the financial information of our Group. They affect the application of our Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognized in the period of revision and future periods, in case the revision also affects future periods.

The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is our Group's most critical accounting estimate. There are sources of uncertainty that need to be considered in the estimate of the liability that our Group will ultimately pay for such claims. Estimation of the ultimate cost of certain liability claims can be a complex process. Significant factors affecting the trends that influence the liability estimation process are the inconsistent court resolutions and jurisprudence. These factors have broadened the intent and scope coverage of the protections offered in the insurance contracts issued by our Group. Our Group believes that the provisions for liability claims carried at the end of Track Record Period is adequate.

Impairment of reinsurance assets

Our Group performs an impairment review on its reinsurance assets when an indication of impairment occurs. In considering whether a reinsurance asset is impaired, our Group considers whether (i) there is objective evidence, as a result of an event that occurred after initial recognition of the reinsurance asset, that our Group may not be able to receive all amounts due to it under the terms of the contract; and (ii) the event has a reliably measurable impact on the amounts that our Group will receive from the reinsurer.

Allowance for bad and doubtful debts

The provisioning policy for bad and doubtful debts of our Group is based on the evaluation by management of the collectability of the insurance receivables. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including assessing the current creditworthiness and the past collection history of each customer and/or intermediary. If the financial conditions of these customers and/or intermediaries were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance will be required. As at 31 December 2011, 2012 and 2013, and 30 June 2014, the carrying amount of insurance receivables after provision for impairment amounted to approximately HK$44.1 million, HK$44.0 million, HK$48.3 million and HK$49.8 million respectively.

Impairment of available-for-sale financial assets

Our Group determines that available-for-sale financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, our Group evaluates among other factors, the duration and extent to which the fair value of an investment is less than its cost, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flow. Impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and financing and operational cash flows.

RESULTS OF OPERATIONS

The following table sets out the combined results of our Group for each of the three years ended 31 December 2013 and the six months ended 30 June 2013 and 2014, which are derived from, and should be read in conjunction with, the financial information set out in the Accountants' Report in Appendix I to this prospectus.

COMBINED INCOME STATEMENTS AND STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Net insurance premium revenue	285,273	260,411	271,715	135,895	141,473
Investment income	15,227	17,550	21,061	8,672	9,948
Other income	1,148	958	863	421	468
Net income	301,648	278,919	293,639	144,988	151,889
Net insurance claims and loss adjustment expenses	(209,249)	(198,030)	(178,021)	(78,468)	(80,798)
Acquisition costs and other underwriting expenses, net	(27,139)	(29,616)	(32,817)	(16,466)	(16,424)
Employee benefit expenses	(12,563)	(14,562)	(15,248)	(8,181)	(8,568)
Other operating expenses	(7,497)	(11,944)	(11,259)	(6,208)	(4,582)
Expenses	(256,448)	(254,152)	(237,345)	(109,323)	(110,372)
Profit before tax	45,200	24,767	56,294	35,665	41,517
Income tax expense	(3,080)	(2,432)	(7,817)	(4,927)	(4,918)
Profit for the year/period	42,120	22,335	48,477	30,738	36,599
Other comprehensive (loss) income					
Item that was or may be reclassified subsequently to profit or loss:					
Available-for-sale financial assets					
(Losses) Gains arising during the year/period	(19,395)	15,457	1,908	(4,116)	(2,859)
Add: Reclassification of net changes in fair value to profit or loss	4,668	106	(341)	(38)	(1,001)
Net movement in fair value reserve of available-for-sale financial assets	(14,727)	15,563	1,567	(4,154)	(3,860)
Total comprehensive income for the year/period	27,393	37,898	50,044	26,584	32,739

Gross premium written

Gross premium written represents premium written by us on motor insurance policies issued or renewed during the corresponding period.

The following table illustrates the breakdown of our gross premium written by business segments during the Track Record Period.

	Year ended 31 December						Six months ended 30 June			
	2011		2012		2013		2013		2014	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Taxi										
Comprehensive	16,367	*5.3%*	13,052	*4.2%*	17,032	*5.3%*	8,066	*5.3%*	16,734	*10.3%*
Third Party	164,567	*52.8%*	144,597	*47.0%*	155,204	*48.5%*	70,153	*46.2%*	75,541	*46.4%*
Subtotal	180,934	*58.1%*	157,649	*51.2%*	172,236	*53.8%*	78,219	*51.5%*	92,275	*56.7%*
PLB (Green)										
Comprehensive	10,274	*3.3%*	4,225	*1.4%*	4,340	*1.4%*	2,130	*1.4%*	1,901	*1.2%*
Third Party	44,402	*14.2%*	45,947	*14.9%*	48,494	*15.2%*	23,309	*15.4%*	22,994	*14.1%*
Subtotal	54,676	*17.5%*	50,172	*16.3%*	52,834	*16.6%*	25,439	*16.8%*	24,895	*15.3%*
PLB (Red)										
Comprehensive	8,710	*2.8%*	6,349	*2.1%*	5,120	*1.6%*	2,751	*1.8%*	2,165	*1.3%*
Third Party	36,978	*11.9%*	35,457	*11.5%*	35,402	*11.1%*	19,111	*12.6%*	19,573	*12.1%*
Subtotal	45,688	*14.7%*	41,806	*13.6%*	40,522	*12.7%*	21,862	*14.4%*	21,738	*13.4%*
Other vehicles *(Note)*										
Comprehensive	7,749	*2.5%*	20,287	*6.6%*	18,149	*5.7%*	9,594	*6.3%*	8,555	*5.3%*
Third Party	22,628	*7.2%*	37,806	*12.3%*	36,018	*11.2%*	16,589	*11.0%*	15,138	*9.3%*
Subtotal	30,377	*9.7%*	58,093	*18.9%*	54,167	*16.9%*	26,183	*17.3%*	23,693	*14.6%*
Total	311,675	*100.0%*	307,720	*100.0%*	319,759	*100.0%*	151,703	*100.0%*	162,601	*100.0%*

Note: Other vehicles mainly include light goods carrying vehicles, motorcycles and private cars.

During each of the three years ended 31 December 2013 and the six months ended 30 June 2013 and 2014, the number of insurance policies written by our Group was 22,600, 26,300, 24,700, 11,500 and 11,485 respectively. The following table sets out the number of each type of insurance policies written by our Group during each of the three years ended 31 December 2013 and the six months ended 30 June 2013 and 2014:

	Year ended 31 December						Six months ended 30 June			
	2011		2012		2013		2013		2014	
	Compre-hensive	Third Party	Compre-hensive	Third Party	Compre-hensive	Third Party	Compre-hensive	Third Party	Compre-hensive	Third Party
Taxi	737	9,803	593	8,379	688	8,142	335	3,814	621	3,663
PLB (Green)	222	1,219	90	1,238	88	1,291	43	620	37	620
PLB (Red)	165	860	120	823	96	793	52	432	38	442
Other vehicles *(Note)*	794	8,755	2,082	12,989	1,605	12,014	849	5,597	733	5,331
Total	**1,918**	**20,637**	**2,885**	**23,429**	**2,477**	**22,240**	**1,279**	**10,463**	**1,429**	**10,056**

As at 31 December 2011, 2012 and 2013 and 30 June 2014, the number of our insurance policy in force were approximately 22,300, 26,200, 24,800 and 24,600 respectively, of which approximately 13,000, 11,400, 11,200 and 11,200 respectively were for taxi and PLB.

The following table sets out the average gross premium of each type of insurance policies written by our Group during each of the three years ended 31 December 2013 and the six months ended 30 June 2013 and 2014:

	Year ended 31 December						Six months ended 30 June			
	2011		2012		2013		2013		2014	
	HK$		*HK$*		*HK$*		*HK$*		*HK$*	
	Compre-hensive	Third Party	Compre-hensive	Third Party	Compre-hensive	Third Party	Compre-hensive	Third Party	Compre-hensive	Third Party
Taxi	22,208	16,787	22,010	17,257	24,759	19,062	24,078	18,394	26,947	20,623
PLB (Green)	46,279	36,425	46,944	37,114	49,318	37,563	49,535	37,595	51,378	37,087
PLB (Red)	52,788	42,998	52,908	43,083	53,333	44,643	52,904	44,238	56,974	44,283
Other vehicles *(Note)*	9,759	2,585	9,744	2,911	11,308	2,998	11,300	2,964	11,671	2,840

Note: Other vehicles include mainly light goods carrying vehicles, motorcycles and private cars. Although the number of insurance polices of other vehicles is not significantly less than, or is even more than, the insurance policies of taxi and PLB, the gross premium written to other vehicles are, in general, usually much less than the gross premium written to taxi and PLB. Therefore, during the Track Record Period, insurance on other vehicles only represents a minor portion of our business in term of gross premium written. For more details about premiums, please refer to the paragraph headed "Premium and pricing" of the section headed "Business" of this prospectus.

Reinsurance premium ceded

Reinsurance premium ceded represents the portion of gross premium written ceded to reinsurers which share part of the insured risk that we have assumed under motor insurance policies.

Net premium written

Net premium written represents gross premium written less reinsurance premium ceded.

Change in provision for unearned premium

Provision for unearned premiums represent the proportion of gross premiums applicable to the unexpired period of the policy term. Change in provision for unearned premium represents the difference for unearned premium at the beginning and the end of the year/period.

Net insurance premium revenue

Net insurance premium revenue represents gross premium written by us on motor insurance policies issued or renewed during the corresponding period, with deduction of reinsurance premium ceded and change in provision for unearned premium.

The following table sets out the net insurance premium revenue of our Group during the Track Record Period.

	Year ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Gross premium written	311,675	307,720	319,759	151,703	162,601
Reinsurance premium ceded	(44,570)	(42,465)	(43,903)	(20,829)	(21,447)
Net premium written	267,105	265,255	275,856	130,874	141,154
Change in provision for unearned premium	18,168	(4,844)	(4,141)	5,021	319
Net insurance premium revenue	285,273	260,411	271,715	135,895	141,473

Investment income

Investment income primarily includes (i) interest income from bank deposits and available-for-sale financial assets; (ii) dividend income from available-for-sale financial assets; (iii) loss or gain on disposal of available-for-sale financial assets; (iv) net foreign exchange gains or losses; (v) rental income from investment properties; and (vi) gain on disposal of investment properties. The following table sets out the breakdown of our investment income for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Interest income from bank deposits	6,838	10,582	9,890	5,005	4,764
Interest income from available-for-sale financial assets	3,425	3,886	7,585	2,089	5,556
Dividend income from available-for-sale financial assets	1,734	1,141	1,153	796	1,225
(Loss) Gain on disposal of available-for-sale financial assets	(4,668)	(106)	341	38	1,001
Net foreign exchange gains (losses)	2,185	2,047	2,092	744	(2,598)
Rental income from investment properties	854	–	–	–	–
Gain on disposal of investment properties	4,859	–	–	–	–
Net investment income	15,227	17,550	21,061	8,672	9,948

Other income

Other income primarily includes handling fee income.

Net insurance claims and loss adjustment expenses

Net insurance claims and loss adjustment expenses represent gross claims paid on motor insurance policies, net of (i) claims that are recovered from reinsurers, the insured and/or third parties; and (ii) the change in net outstanding claims which is the difference between the change in provision for gross outstanding claims and IBNR and the change in claims recoverable (including IBNR recoveries).

The following table sets out the number of claims reported to our Group during each of the three years ended 31 December 2013 and the six months ended 30 June 2013 and 2014:

	Year ended 31 December						Six months ended 30 June			
	2011		2012		2013		2013		2014	
	Compre-hensive	Third Party	Compre-hensive	Third Party	Compre-hensive	Third Party	Compre-hensive	Third Party	Compre-hensive	Third Party
Taxi	212	2,289	155	2,098	168	2,045	77	1,011	110	914
PLB (Green)	126	368	59	399	35	414	14	196	14	188
PLB (Red)	36	177	38	155	30	167	17	69	10	74
Other vehicles *(Note)*	47	170	115	329	159	358	85	164	63	157
Total	**421**	**3,004**	**367**	**2,981**	**392**	**2,984**	**193**	**1,440**	**197**	**1,333**

Note: Other vehicles include mainly light goods carrying vehicles, motorcycles and private cars.

The following table sets out the amount of net claims incurred by our Group during each of the three years ended 31 December 2013 and the six months ended 30 June 2013 and 2014:

	Year ended 31 December						Six months ended 30 June			
	2011		2012		2013		2013		2014	
	Compre-hensive	Third Party	Compre-hensive	Third Party	Compre-hensive	Third Party	Compre-hensive	Third Party	Compre-hensive	Third Party
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Taxi	10,173	116,979	11,137	123,866	7,527	101,523	2,912	48,881	3,143	48,851
PLB (Green)	4,686	27,936	642	11,985	1,791	15,718	(736)	5,383	(1,071)	12,661
PLB (Red)	12,790	22,632	1,734	23,049	(2,486)	13,707	(1,950)	6,898	(292)	3,110
Other vehicles *(Note)*	3,118	10,935	7,493	18,124	17,246	22,995	6,931	10,149	7,051	7,345
Total	30,767	178,482	21,006	177,024	24,078	153,943	7,157	71,311	8,831	71,967

Note: Other vehicles include mainly light goods carrying vehicles, motorcycles and private cars.

Acquisition costs and other underwriting expenses, net

Acquisition costs mainly include commission paid pursuant to our agency agreements and commission paid to our individual general insurance brokers, net of commission income from reinsurers.

The following table sets out the breakdown of the acquisition costs and other underwriting expenses of our Group during each of the three years ended 31 December 2013 and the six months ended 30 June 2013 and 2014:

	Year ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Acquisition costs and other underwriting expenses					
Insurance commission	21,310	26,738	26,512	12,660	12,688
Other underwriting expenses	7,717	6,897	7,341	3,487	3,869
Change in deferred acquisition costs	(551)	(2,745)	281	944	511
Acquisition costs and other underwriting expenses, gross	28,476	30,890	34,134	17,091	17,068
Commission income					
Insurance commission from reinsurers	(1,337)	(1,274)	(1,317)	(625)	(644)
Acquisition costs and other underwriting expenses, net	27,139	29,616	32,817	16,466	16,424

The insurance commission represents the gross commission paid to our agents and brokers. Other underwriting expenses represent the services fees paid to Eastop Motors Limited for its after-sales services. Change in deferred acquisition costs represents the difference for deferred acquisition costs (which represents the portion of insurance commission applicable to the unexpired period of the underlying policy term) at the beginning and the end of the year/period. Commission income or insurance commission from reinsurers represents the rebate of reinsurance premium ceded provided by the reinsurance intermediary to us.

Employee benefit expenses

Employee benefit expenses mainly include salaries, discretionary bonus and allowances to employees and directors and contributions to mandatory provident fund.

Other operating expenses

Other operating expenses mainly include rental charges, advertising and promotion expenses, written off of capitalized expenses (which represents the prepaid professional fees in relation to the preparation of the proposed listing of the Shares on the Stock Exchange in 2011), office expenses, depreciation, actuarial fee and audit fee.

The table below sets forth, for the periods indicated, a breakdown of our other operating expenses.

	Year ended 31 December						Six months ended 30 June			
	2011		2012		2013		2013 (unaudited)		2014	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Rental charges	2,109	28.1%	2,091	17.5%	2,810	25.0%	1,045	16.8%	1,909	41.7%
Advertising & promotion	564	7.5%	2,741	23.0%	2,358	20.9%	1,629	26.3%	749	16.3%
Written off of capitalized expenses	–	0.0%	2,203	18.4%	1,509	13.4%	1,509	24.3%	–	0.0%
Office expenses	1,291	17.2%	1,722	14.4%	1,535	13.6%	690	11.1%	767	16.7%
Depreciation	618	8.2%	663	5.6%	720	6.4%	360	5.8%	361	7.9%
Actuarial fee	844	11.3%	386	3.2%	403	3.6%	154	2.5%	114	2.5%
Audit fee	350	4.7%	350	2.9%	330	2.9%	175	2.8%	178	3.9%
Employee benefits	580	7.7%	745	6.2%	377	3.4%	159	2.6%	66	1.4%
Others	1,141	15.3%	1,043	8.8%	1,217	10.8%	487	7.8%	438	9.6%
Total	7,497	100.0%	11,944	100.0%	11,259	100.0%	6,208	100.0%	4,582	100.0%

Income tax expense

The Company and Target are domiciled or operate in Hong Kong, and are subject to Hong Kong Profits Tax at a rate of 16.5% on the estimated assessable profits arising in Hong Kong.

The effective tax rates of our Group were approximately 6.8%, 9.8%, 13.9%, 13.8% and 11.8% respectively for each of the three years ended 31 December 2013 and the six months ended 30 June 2013 and 2014 respectively. Our effective tax rates during the Track Record Period were lower than the standard tax rate of Hong Kong of 16.5% as tax exemption was granted on interest income on our bank deposits, interest income from government bonds issued by the HK Government and dividend income from available-for-sale financial assets. Previous unrecognized tax losses was utilized during the year ended 31 December 2011 and hence lowered our income tax expenses.

The following table sets out the tax charges recognized by us for the periods indicated.

	Years ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Income tax at applicable tax rates	7,458	4,087	9,288	5,884	6,850
Non-deductible expenses	7	371	260	254	–
Tax exempt revenue	(2,175)	(1,983)	(1,822)	(957)	(1,491)
Utilisation of previously unrecognized tax losses	(2,255)	–	–	–	–
Unrecognized temporary differences	41	(32)	96	48	41
Overprovision in prior year/period	–	–	–	–	(441)
Others	4	(11)	(5)	(302)	(41)
Tax expense for the year/period	3,080	2,432	7,817	4,927	4,918
Effective tax rate	6.8%	9.8%	13.9%	13.8%	11.8%

SIX MONTHS ENDED 30 JUNE 2014 COMPARED TO SIX MONTHS ENDED 30 JUNE 2013

Gross premium written

Our gross premium written increased by approximately HK$10.9 million or 7.2% from approximately HK$151.7 million for the six months ended 30 June 2013 to approximately HK$162.6 million for the six months ended 30 June 2014. The increase was primarily due to the increase in gross premium written for our taxi motor insurance policies as a result of (i) the increase in number of comprehensive insurance policies as there are more newly registered taxi since 2013; and (ii) the increase in average gross premium for our insurance policies of taxi.

Taxi

Our gross premium written for taxi increased by approximately HK$14.1 million from approximately HK$78.2 million for the six months ended 30 June 2013 to approximately HK$92.3 million for the six months ended 30 June 2014. The increase was mainly due to (i) the increase in number of comprehensive insurance policies written for taxi from 335 for the six months ended 30 June 2013 to 621 for the six months ended 30 June 2014; and (ii) the increase in average gross premium for comprehensive and third party insurance policies for taxi from approximately HK$24,078 and HK$18,394 respectively for the six months ended 30 June 2013 to approximately HK$26,947 and HK$20,623 respectively for the six months ended 30 June 2014.

PLB (Green)

Our gross premium written for PLB (Green) decreased by approximately HK$0.5 million from approximately HK$25.4 million for the six months ended 30 June 2013 to approximately HK$24.9 million for the six months ended 30 June 2014. The decrease was mainly due to the decrease in number of comprehensive insurance policies written for PLB (Green) from 43 for the six months ended 30 June 2013 to 37 for the six months ended 30 June 2014.

PLB (Red)

Our gross premium written for PLB (Red) decreased by approximately HK$0.2 million from approximately HK$21.9 million for the six months ended 30 June 2013 to approximately HK$21.7 million for the six months ended 30 June 2014. The decrease was mainly due to the decrease in number of comprehensive insurance policies written for PLB (Red) from 52 for the six months ended 30 June 2013 to 38 for the six months ended 30 June 2014.

Other vehicles

The gross premium written for other vehicles decreased by approximately HK$2.5 million from approximately HK$26.2 million for the six months ended 30 June 2013 to approximately HK$23.7 million for the six months ended 30 June 2014. The decrease was mainly due to the decrease in number of insurance policies written for other vehicles as market competitors offered competitive prices for insurance policies for other vehicles. The number of comprehensive insurance policies written for other vehicles decreased from 849 for the six months ended 30 June 2013 to 733 for the six months ended 30 June 2014 and the number of third party insurance policies written for other vehicles decreased from 5,597 for the six months ended 30 June 2013 to 5,331 for the six months ended 30 June 2014.

Reinsurance premium ceded

Our reinsurance premium ceded increased by approximately HK$0.6 million or 2.9% from approximately HK$20.8 million for the six months ended 30 June 2013 to approximately HK$21.4 million for the six months ended 30 June 2014. The increase was primarily in line with gross premium written.

Change in provision for unearned premium

Provision for unearned premium was a decrease of approximately HK$5.0 million and HK$0.3 million for the six months ended 30 June 2013 and 2014 respectively.

Net insurance premium revenue

As a result of the foregoing, our net insurance premium revenue increased by approximately HK$5.6 million or 4.1% from approximately HK$135.9 million for the six months ended 30 June 2013 to approximately HK$141.5 million for the six months ended 30 June 2014.

Investment income

Our investment income increased by approximately HK$1.2 million or 13.8% from approximately HK$8.7 million for the six months ended 30 June 2013 to approximately HK$9.9 million for the six months ended 30 June 2014. The increase was primarily due to (i) the increase in interest income from available-for-sale financial assets from approximately HK$2.1 million for the six months ended 30 June 2013 to approximately HK$5.6 million for the six months ended 30 June 2014 as a result of purchase of government bonds since June 2013; (ii) the increase in dividend income from available-for-sale financial assets from approximately HK$0.8 million for the six months ended 30 June 2013 to approximately HK$1.2 million for the six months ended 30 June 2014; and (iii) the increase in gain on disposal of available-for-sale financial assets from approximately HK$0.04 million for the six months ended 30 June 2013 to approximately HK$1.0 million for the six months ended 30 June 2014. The increase was partially offset by the decrease in net foreign exchange gain of approximately HK$0.7 million for the six months ended 30 June 2013 to a net foreign exchange loss of approximately HK$2.6 million for the six months ended 30 June 2014 as a result of the depreciation in RMB since early 2014.

Other income

Our other income increased by approximately HK$0.05 million or 11.9% from approximately HK$0.42 million for the six months ended 30 June 2013 to approximately HK$0.47 million for the six months ended 30 June 2014.

Net income

As a result of the foregoing, our net income increased by approximately HK$6.9 million or 4.8% from approximately HK$145.0 million for the six months ended 30 June 2013 to approximately HK$151.9 million for the six months ended 30 June 2014.

Net insurance claims and loss adjustment expenses

Our net insurance claims and loss adjustment expenses increased by approximately HK$2.3 million or 2.9% from approximately HK$78.5 million for the six months ended 30 June 2013 to approximately HK$80.8 million for the six months ended 30 June 2014. The increase was primarily due to the increase in net claims for PLB (Green).

Acquisition costs and other underwriting expenses, net

Our net acquisition costs and other underwriting expenses decreased by approximately HK$0.1 million or 0.6% from approximately HK$16.5 million for the six months ended 30 June 2013 to approximately HK$16.4 million for the six months ended 30 June 2014.

Employee benefit expenses

Our employee benefit expenses increased by approximately HK$0.4 million or 4.9% from approximately HK$8.2 million for the six months ended 30 June 2013 to approximately HK$8.6 million for the six months ended 30 June 2014. The increase was primarily due to increase in average salary of employees.

Other operating expenses

Our other operating expenses decreased by approximately HK$1.6 million or 25.8% from approximately HK$6.2 million for the six months ended 30 June 2013 to approximately HK$4.6 million for the six months ended 30 June 2014. The decrease was primarily due to the decrease in advertising and promotion expenses from approximately HK$1.6 million for the six months ended 30 June 2013 to approximately HK$0.7 million for the six months ended 30 June 2014 and the absence of written off of capitalized expenses for the six months ended 30 June 2014. The decrease in operating expenses was partially offset by the increase in rental charges.

Profit before tax

As a result of the foregoing, our profit before tax increased by approximately HK$5.8 million or 16.2% from approximately HK$35.7 million for the six months ended 30 June 2013 to approximately HK$41.5 million for the six months ended 30 June 2014.

Income tax expense

Our income tax expense for the six months ended 30 June 2013 and 2014 remained relatively stable at approximately HK$4.9 million. With the increase in profit before tax for the six months ended 30 June 2014 as compared to that for the six months ended 30 June 2013, the relatively stable income tax expense for the period was primarily due to over provision in prior year.

Profit for the period

As a result of the foregoing, our profit for the period increased by approximately HK$5.9 million or 19.2% from approximately HK$30.7 million for the six months ended 30 June 2013 to approximately HK$36.6 million for the six months ended 30 June 2014.

YEAR ENDED 31 DECEMBER 2013 COMPARED TO 31 DECEMBER 2012

Gross premium written

Our gross premium written increased by approximately HK$12.1 million or 3.9% from approximately HK$307.7 million for the year ended 31 December 2012 to approximately HK$319.8 million for the year ended 31 December 2013. The increase was primarily attributable to the increase in gross premium written for taxi and PLB (Green) as a result of the increase in average gross premium for our insurance products.

Taxi

The gross premium written for taxi increased by approximately HK$14.6 million from approximately HK$157.6 million for the year ended 31 December 2012 to approximately HK$172.2 million for the year ended 31 December 2013. The increase was mainly due to (i) the increase in number of comprehensive insurance policies written for taxi from 593 for the year ended 31 December 2012 to 688 for the year ended 31 December 2013; and (ii) the increase in average gross premium for comprehensive and third party insurance policies for taxi from approximately HK$22,010 and HK$17,257 respectively for the year ended 31 December 2012 to approximately HK$24,759 and HK$19,062 respectively for the year ended 31 December 2013.

PLB (Green)

The gross premium written for PLB (Green) increased by approximately HK$2.6 million from approximately HK$50.2 million for the year ended 31 December 2012 to approximately HK$52.8 million for the year ended 31 December 2013. The increase was mainly due to (i) the increase in number of third party insurance policies written for PLB (Green) from 1,238 for the year ended 31 December 2012 to 1,291 for the year ended 31 December 2013 as some of routes for PLB (Red) were switched to PLB (Green); and (ii) the increase in average gross premium for comprehensive and third party insurance policies for PLB (Green) from approximately HK$46,944 and HK$37,114 respectively for the year ended 31 December 2012 to approximately HK$49,318 and HK$37,563 respectively for the year ended 31 December 2013.

PLB (Red)

The gross premium written for PLB (Red) decreased by approximately HK$1.3 million from approximately HK$41.8 million for the year ended 31 December 2012 to approximately HK$40.5 million for the year ended 31 December 2013. The decrease was mainly due to the decrease in number of comprehensive insurance policies written for PLB (Red) from 120 for the year ended 31 December 2012 to 96 for the year ended 31 December 2013.

Other vehicles

The gross premium written for other vehicles decreased by approximately HK$3.9 million from approximately HK$58.1 million for the year ended 31 December 2012 to approximately HK$54.2 million for the year ended 31 December 2013.

In 2012, when we expanded the other vehicles market, we reduced the premium rate to gain market share, but in 2013 we did not further reduce the premium rates for other vehicles which caused the decrease in number of comprehensive and third party insurance policies written for other vehicles. The number of comprehensive and third party insurance policies written for other vehicles decreased from 2,082 and 12,989 respectively for the year ended 31 December 2012 to 1,605 and 12,014 respectively for the year ended 31 December 2013.

Reinsurance premium ceded

Reinsurance premium ceded increased by approximately HK$1.4 million or 3.3% from approximately HK$42.5 million for the year ended 31 December 2012 to approximately HK$43.9 million for the year ended 31 December 2013. The increase was in line with gross premium written and the slight increase in retention ratio.

Change in provision for unearned premium

Provision for unearned premium was an increase of approximately HK$4.8 million and HK$4.1 million for the year ended 31 December 2012 and 2013 respectively. The fluctuation was mainly driven by the increase in the unearned premium following the increase in the average gross premium of our products in 2013 but offsetting by the decrease in the number of insurance policy in force from 26,198 as at 31 December 2012 to 24,781 as at 31 December 2013 respectively.

Net insurance premium revenue

As a result of the foregoing, our net insurance premium revenue increased by approximately HK$11.3 million or 4.3% from approximately HK$260.4 million for the year ended 31 December 2012 to approximately HK$271.7 million for the year ended 31 December 2013.

Investment income

Our investment income increased by approximately HK$3.5 million or 19.9% from approximately HK$17.6 million for the year ended 31 December 2012 to approximately HK$21.1 million for the year ended 31 December 2013. The increase was primarily due to the increase in interest income from available-for-sale financial assets from approximately HK$3.9 million for the year ended 31 December 2012 to approximately HK$7.6 million for the year ended 31 December 2013 as a result of the purchase of government bonds since June 2013. The increase was partially offset by the decrease in interest income from bank deposits from approximately HK$10.6 million for the year ended 31 December 2012 to approximately HK$9.9 million for the year ended 31 December 2013.

Other income

Our other income decreased by approximately HK$0.1 million or 10.0% from approximately HK$1.0 million for the year ended 31 December 2012 to approximately HK$0.9 million for the year ended 31 December 2013.

Net income

As a result of the foregoing, our net income increased by approximately HK$14.7 million or 5.3% from approximately HK$278.9 million for the year ended 31 December 2012 to approximately HK$293.6 million for the year ended 31 December 2013.

Net insurance claims and loss adjustment expenses

Our net insurance claims and loss adjustment expenses decreased by approximately HK$20.0 million or 10.1% from approximately HK$198.0 million for the year ended 31 December 2012 to approximately HK$178.0 million for the year ended 31 December 2013. The decrease was primarily due to the decrease in net claims incurred for taxi and PLB (Red) following our claims handling and settlement process being streamlined which resulted in less legal costs being incurred and less reserve being provided for the outstanding claims.

Acquisition costs and other underwriting expenses, net

Our net acquisition costs and other underwriting expenses increased by approximately HK$3.2 million or 10.8% from approximately HK$29.6 million for the year ended 31 December 2012 to approximately HK$32.8 million for the year ended 31 December 2013. The increase was primarily due to the increase in net insurance premium revenue and the decrease in the number of our policy in force from approximately 26,200 as at 31 December 2012 to approximately 24,800 as at 31 December 2013.

Employee benefit expenses

Our employee benefit expenses increased by approximately HK$0.6 million or 4.1% from approximately HK$14.6 million for the year ended 31 December 2012 to approximately HK$15.2 million for the year ended 31 December 2013. The increase was primarily due to the increase in average salary of employees.

Other operating expenses

Our operating expenses decreased by approximately HK$0.6 million or 5.0% from approximately HK$11.9 million for the year ended 31 December 2012 to approximately HK$11.3 million for the year ended 31 December 2013. The decrease was primarily due to the decrease in written off of capitalized expenses. The written off of capitalized expenses decreased from approximately HK$2.2 million for the year ended 31 December 2012 to approximately HK$1.5 million for the year ended 31 December 2013 which was partially offset by the increase in rental charges of approximately HK$0.7 million in relation to the office premises.

Profit before tax

As a result of the foregoing, our profit before tax increased by approximately HK$31.5 million or 127.0% from approximately HK$24.8 million for the year ended 31 December 2012 to approximately HK$56.3 million for the year ended 31 December 2013.

Income tax expense

Our income tax expenses increased by approximately HK$5.4 million or 225.0% from approximately HK$2.4 million for the year ended 31 December 2012 to approximately HK$7.8 million for the year ended 31 December 2013. The increase was primarily in line with increase in profit before tax for the year ended 31 December 2013.

Profit for the year

As a result of the foregoing, our profit for the year increased by approximately HK$26.2 million or 117.5% from approximately HK$22.3 million for the year ended 31 December 2012 to approximately HK$48.5 million for the year ended 31 December 2013.

YEAR ENDED 31 DECEMBER 2012 COMPARED TO 31 DECEMBER 2011

Gross premium written

Our gross premium written decreased by approximately HK$4.0 million or 1.3% from approximately HK$311.7 million for the year ended 31 December 2011 to approximately HK$307.7 million for the year ended 31 December 2012. The decrease was primarily due to the intensified market competition as a market competitor re-entered the motor insurance market in late 2011 which caused the decrease in number of our insurance policies written for commercial vehicles.

Taxi

The gross premium written for taxi decreased by approximately HK$23.3 million from approximately HK$180.9 million for the year ended 31 December 2011 to approximately HK$157.6 million for the year ended 31 December 2012. The decrease was mainly due to the decrease in number of comprehensive and third party insurance policies written for taxi from 737 and 9,803 respectively for the year ended 31 December 2011 to 593 and 8,379 respectively for the year ended 31 December 2012.

PLB (Green)

The gross premium written for PLB (Green) decreased by approximately HK$4.5 million from approximately HK$54.7 million for the year ended 31 December 2011 to approximately HK$50.2 million for the year ended 31 December 2012. The decrease was mainly due to the decrease in number of comprehensive insurance policies written for PLB (Green) from 222 for the year ended 31 December 2011 to 90 for the year ended 31 December 2012.

PLB (Red)

The gross premium written for PLB (Red) decreased by approximately HK$3.9 million from approximately HK$45.7 million for the year ended 31 December 2011 to approximately HK$41.8 million for the year ended 31 December 2012. The decrease was mainly due to the decrease in number of comprehensive and third party insurance policies written for PLB (Red) from 165 and 860 respectively for the year ended 31 December 2011 to 120 and 823 respectively for the year ended 31 December 2012.

Other vehicles

In view of the re-entry of the market competitor in the motor insurance market, we started to expand our market share in the insurance market of other motor vehicles by offering a more competitive premium rate, thus the gross premium written for other vehicles increased by approximately HK$27.7 million from approximately HK$30.4 million for the year ended 31 December 2011 to approximately HK$58.1 million for the year ended 31 December 2012. The decrease in premium rates of comprehensive insurance and low premium rate of third party insurance for other vehicles caused the increase in number of comprehensive and third party insurance policies written for other vehicles.

The increase was primarily due to the increase in the number of comprehensive and third party insurance policies written for other vehicles from 794 and 8,755 respectively for the year ended 31 December 2011 to 2,082 and 12,989 respectively for the year ended 31 December 2012.

Reinsurance premium ceded

Reinsurance premium ceded decreased by approximately HK$2.1 million or 4.7% from approximately HK$44.6 million for the year ended 31 December 2011 to approximately HK$42.5 million for the year ended 31 December 2012. The decrease was primarily due to the decrease in gross premium written.

Change in provision for unearned premium

Provision for unearned premium was a decrease of approximately HK$18.2 million for the year ended 31 December 2011 and an increase of approximately HK$4.8 million for the year ended 31 December 2012. The fluctuation was mainly due to the significantly high opening balance of unearned premium as at 1 January 2011 resulting from our exceptional result in 2010.

Net insurance premium revenue

As a result of the foregoing, our net insurance premium revenue decreased by approximately HK$24.9 million or 8.7% from approximately HK$285.3 million for the year ended 31 December 2011 to approximately HK$260.4 million for the year ended 31 December 2012.

Investment income

Our investment income increased by approximately HK$2.4 million or 15.8% from approximately HK$15.2 million for the year ended 31 December 2011 to approximately HK$17.6 million for the year ended 31 December 2012. The increase was primarily due to the increase in interest income from bank deposits from approximately HK$6.8 million for the year ended 31 December 2011 to approximately HK$10.6 million for the year ended 31 December 2012 as more cash is generated from operating activities and we increased our bank deposits during the year. The increase was partially offset by the decrease in dividend income from available-for-sale financial assets from approximately HK$1.7 million for the year ended 31 December 2011 to approximately HK$1.1 million for the year ended 31 December 2012.

Other income

Our other income decreased by approximately HK$0.1 million or 9.1% from approximately HK$1.1 million for the year ended 31 December 2011 to approximately HK$1.0 million for the year ended 31 December 2012 due to the decrease in handling fee income.

Net income

As a result of the foregoing, our net income decreased by approximately HK$22.7 million or 7.5% from approximately HK$301.6 million for the year ended 31 December 2011 to approximately HK$278.9 million for the year ended 31 December 2012.

Net insurance claims and loss adjustment expenses

Our net insurance claims and loss adjustment expenses decreased by approximately HK$11.2 million or 5.4% from approximately HK$209.2 million for the year ended 31 December 2011 to approximately HK$198.0 million for the year ended 31 December 2012. The decrease was primarily due to the decrease in the number of claims reported and the net claims incurred for PLB during the year ended 31 December 2012.

Acquisition costs and other underwriting expenses, net

Our acquisition costs and other underwriting expenses increased by approximately HK$2.5 million or 9.2% from approximately HK$27.1 million for the year ended 31 December 2011 to approximately HK$29.6 million for the year ended 31 December 2012. The increase was primarily due to the increase in number of insurance policy written for other motor vehicles which were granted a higher commission rate as compared with that of taxi and PLB.

Employee benefit expenses

Our employee benefit expenses increased by approximately HK$2.0 million or 15.9% from approximately HK$12.6 million for the year ended 31 December 2011 to approximately HK$14.6 million for the year ended 31 December 2012. The increase was primarily due to the increase in average salary together with the increase in average head count of our employees.

Other operating expenses

Our operating expenses increased by approximately HK$4.4 million or 58.7% from approximately HK$7.5 million for the year ended 31 December 2011 to approximately HK$11.9 million for the year ended 31 December 2012. The increase was primarily due to the increase in advertising and promotion expenses and written off of capitalized expenses in relation to the preparation of the proposed listing of the Shares on the Stock Exchange in 2011. The advertising and promotion expenses increased from approximately HK$0.6 million for the year ended 31 December 2011 to approximately HK$2.7 million for the year ended 31 December 2012 as our Group launched an advertising campaign in a radio broadcasting company. The written off of capitalized expenses increased from nil for the year ended 31 December 2011 to approximately HK$2.2 million for the year ended 31 December 2012.

Profit before tax

As a result of the foregoing, our profit before tax decreased by approximately HK$20.4 million or 45.1% from approximately HK$45.2 million for the year ended 31 December 2011 to approximately HK$24.8 million for the year ended 31 December 2012.

Income tax expense

Our income tax expenses decreased by approximately HK$0.7 million or 22.6% from approximately HK$3.1 million for the year ended 31 December 2011 to approximately HK$2.4 million for the year ended 31 December 2012. The decrease was primarily due to the decrease in profit before tax for the year ended 31 December 2012.

Profit for the year

As a result of the foregoing, our profit for the year decreased by approximately HK$19.8 million or 47.0% from approximately HK$42.1 million for the year ended 31 December 2011 to approximately HK$22.3 million for the year ended 31 December 2012.

LIQUIDITY AND CAPITAL RESOURCES

Overview

In the insurance industry, liquidity generally refers to the ability of an insurance company to generate adequate amounts of cash from its normal operations, including its investment portfolio, in order to meet its financial commitments, which are principally obligations under its insurance policies. The liquidity needs of our insurance operations are affected by the frequency and severity of Losses under our motor insurance policies. Future catastrophic events, the timing and effect of which are inherently unpredictable, may also create increased liquidity requirements for our insurance operations.

Our net cash and cash equivalents were approximately HK$452.1 million, HK$576.1 million, HK$425.3 million and HK$382.4 million as at 31 December 2011, 2012 and 2013 and 30 June 2014, respectively. We generate substantial cash flows from operations as a result of most premiums being received in advance. Our positive operating cash flows, along with that portion of our investment portfolio that is held in cash and liquid securities, have historically met the then liquidity requirements of our insurance operations, as evidenced by the growth of our investment portfolio. Please refer to the paragraph headed "Investments" under the section headed "Business" of this prospectus.

Our uses of funds include underwriting expenditures (acquisition costs, reinsurance premiums and claims handling expenses), employee benefits and other operating expenses.

Cash flows

The following table sets out a summary of our combined statements of cash flows for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Net cash from operating activities	93,877	95,359	23,376	6,819	17,512
Net cash from (used in) investing activities	160,614	28,597	(134,101)	(82,005)	(60,438)
Net cash used in financing activities	(35,000)	–	(40,000)	–	–
Net increase (decrease) in cash and cash equivalents	219,491	123,956	(150,725)	(75,186)	(42,926)
Cash and cash equivalents at beginning of year/period	232,616	452,107	576,063	576,063	425,338
Cash and cash equivalents at end of year/period	452,107	576,063	425,338	500,877	382,412

Net cash from operating activities

Net cash generated from operating activities increased from approximately HK$93.9 million for the year ended 31 December 2011 to approximately HK$95.4 million for the year ended 31 December 2012. As the tax assessment was not yet finalized as at 31 December 2012, no income tax was paid in 2012. We were then discussing with the Inland Revenue Department regarding the assessment on the gain on disposal of properties in 2012 and tax expense amounted to approximately HK$2.4 million was provided in 2012 and subsequently have been settled and paid as at the Latest Practicable Date. Net cash generated from operating activities decreased from approximately HK$95.4 million for the year ended 31 December 2012 to approximately HK$23.4 million for the year ended 31 December 2013. The decrease in net cash flows generated from operating activities was primarily due to our streamlined claims handling and settlement process since 2013, which increased the gross claims paid from approximately HK$139.2 million for the year ended 31 December 2012 to approximately HK$219.3 million for the year ended 31 December 2013 and resulted in speeding up cash outflows for claims settlement accordingly. Net cash generated from operating activities increased from approximately HK$6.8 million for the six months ended 30 June 2013 to approximately HK$17.5 million for the six months ended 30 June 2014.

Net cash from (used in) investing activities

Our principal investing activities mainly related to available-for-sale financial assets and time deposits.

Net cash from investing activities decreased from approximately HK$160.6 million for the year ended 31 December 2011 to approximately HK$28.6 million for the year ended 31 December 2012. The decrease in cash inflows was primarily due to the decrease in withdrawal of time deposits with original maturity over 3 months. Net cash from investing activities decreased from a net inflow of approximately HK$28.6 million for the year ended 31 December 2012 to a net outflow of approximately HK$134.1 million for the year ended 31 December 2013. The cash outflows in investing activities for the year ended 31 December 2013 were primarily due to the increase in purchase of available-for-sale financial assets. To optimize the structure of fixed-income assets of our investment portfolio, we purchased government bonds in the aggregate principal amount of approximately HK$146.0 million in 2013 which resulted in material cash outflows in investing activities. Net cash used in investing activities decreased from approximately HK$134.1 million for the year ended 31 December 2013 to approximately HK$60.4 million for the six months ended 30 June 2014. The decrease was mainly due to the decrease in cash outflows for purchase of available-for-sale financial assets.

Net cash used in financing activities

Net cash used in financing activities were HK$35.0 million, nil, HK$40.0 million and nil for each of the three years ended 31 December 2013 and the six months ended 30 June 2014 respectively. The cash outflows for the years ended 31 December 2011 and 2013 solely represented the dividends paid. No dividends were paid or declared for the year ended 31 December 2012. No interim dividends were paid for the six months ended 30 June 2013 and 30 June 2014, thus, no cash flows for financing activities for both periods.

Solvency margin ratio

Solvency margin ratio is a measure of capital adequacy for insurance companies in Hong Kong and it is calculated by dividing eligible net asset value by the Relevant Amount.

Our operating subsidiary, Target, is required by the IA to maintain a surplus of assets over its liabilities with a specified solvency margin. For additional information, please refer to the section headed "Regulatory Overview " of this prospectus.

Our solvency margin ratio depends on our ability to increase our capital base timely and adequately to meet the growth of our business. Please refer to the sub-paragraph headed "Target's ability to comply with minimum solvency requirements is affected by a number of factors, and Target's compliance of those requirements may force us to raise additional capital, which could be dilutive to you, or could limit our growth" of the paragraph headed "Risks associated with the Industry" under the section headed "Risk Factors" of this prospectus.

Solvency margin ratio is calculated by dividing eligible net asset value by the Relevant Amount. The eligible net asset value is the total net assets value of Target after the adjustments as required under the ICO. The adjustment principles are detailed under Chapter 41G Insurance Companies (General Business) (Valuation) Regulation. In summary, adjustments of the net assets includes (i) a haircut based on the credit ratings of the listed shares, securities, unit trusts or mutual funds; and (ii) full discount on the intangible assets and deferred acquisition costs. There are different scenarios to calculate the applicable Relevant Amount. In summary, it is a reference to gross premium income and claims outstanding, additional amount for unexpired risks and fund respectively arising from the insurer's Hong Kong insurance business only.

The following table sets forth our solvency margin ratios as at 31 December 2011, 2012 and 2013 and 30 June 2014.

	As at 31 December			As at
	2011	**2012**	**2013**	**30 June 2014**
Solvency margin ratio	178.3%	206.5%	209.6%	268.9%

We fully complied with the imposed solvency requirements during the Track Record Period except for the fact that the solvency margin ratio of that subsidiary as at 31 December 2011 as re-calculated after a prior year adjustment made in 2013, was below 200% of solvency margin ratio required by the IA. This constituted a technical breach which has already been rectified by 31 December 2012. For details, please refer to the paragraph headed "Non-compliance" under the section headed "Business" of this prospectus.

Our solvency margin ratio increased from approximately 178.3% as at 31 December 2011 to approximately 206.5% as at 31 December 2012. The increase was primarily due to the increase in other reserve which was contributed by the fair value gain of the available-for-sale financial assets.

Our solvency margin ratio increased from approximately 206.5% as at 31 December 2012 to approximately 209.6% as at 31 December 2013. The increase of the ratio was primarily due to cash inflows from operating activities which were partly offset by dividends declared and paid in 2013.

Our solvency margin ratio increased from approximately 209.6% as at 31 December 2013 to approximately 268.9% as at 30 June 2014. The increase of the ratio was primarily due to increase in cash inflows from operating activities without of any dividend payout.

SELECTED FINANCIAL RATIOS

The following table sets out certain financial ratios for each of the three years ended 31 December 2013 and the six months ended 30 June 2014:

	Year ended 31 December			Six months ended
	2011	2012	2013	30 June 2014
Retention ratio *(Note 1)*	85.7%	86.2%	86.3%	86.8%
Loss ratio *(Note 2)*	73.4%	76.0%	65.5%	57.1%
Expense ratio *(Note 3)*	16.5%	21.6%	21.8%	20.9%
Combined ratio *(Note 4)*	89.9%	97.6%	87.4%	78.0%
Investment yield *(Note 5)*	1.4%	2.2%	2.6%	1.2%

Notes:

1. Retention ratio is calculated by dividing net premium written by gross premium written for the respective year/period.

2. Loss ratio is calculated by dividing net insurance claims and loss adjustment expenses incurred by net insurance premium revenue for the respective year/period.

3. Expense ratio is calculated by dividing the sum of acquisition costs and other underwriting expenses, employee benefit expenses and other operating expenses incurred by net insurance premium revenue for the respective year/period.

4. Combined ratio is the sum of the loss ratio and the expense ratio.

5. Investment yield is calculated by dividing investment income for the year/period by the balance of the investment portfolio as at the respective year/period end date.

Retention ratio

Net premium written represented the gross premium written less reinsurance premium ceded. The reinsurance premium ceded was stated in the reinsurance contracts signed with reinsurers. With similar reinsurance limit and retention from 2011 to 2014, our retention ratio remained relatively stable at around 86.0% during the Track Record Period.

In addition, our retention ratio during the Track Record Period was higher than the industry retention ratio of approximately 81.1%, 81.2% and 80.1% for 2011, 2012 and 2013 respectively as set out in the section headed "Industry Overview" of this prospectus. Our Directors considered that our higher-than-industry retention ratio indicates our relatively lower-than-industry rate of premiums ceded to third party reinsurers resulting from our better-than-average claim history in our business segments with the reinsurers.

Loss ratio

Loss ratio is a measure of net claims and loss adjustment expenses out of the net insurance premium revenue for the respective year/period.

Our loss ratio increased from approximately 73.4% for the year ended 31 December 2011 to approximately 76.0% for the year ended 31 December 2012. The increase in loss ratio was primarily due to decrease in net insurance premium revenue for taxi and PLB outweighed the decrease in net claims and loss adjustment expenses incurred. Since 2013, we have streamlined our claims settlement process which include (i) encouraging the insured to report the accident promptly for early identification of potential claims, (ii) proactively offering settlement for pre-action claims in order to save legal costs, (iii) making payment into court in litigations sooner in order to encourage speedy settlement and (iv) proactively following up with third party claimants or their lawyers on the required documentations and acceptance of offers. These measures have resulted in the reduction of (a) the lead time between claims report and claims settlement in general and (b) the reserve that is required to provide for the outstanding claims. Attributed to our streamlined claims handling and settlement process since 2013, our loss ratio decreased continuously. Our loss ratio significantly decreased to approximately 65.5% for the year ended 31 December 2013. The significant decrease in loss ratio was primarily due to (i) the decrease in net claims and loss adjustment expenses incurred for taxi and PLB and (ii) the increase in net insurance premium revenue. With relatively stable net claims and loss adjustment expenses incurred,our loss ratio further decreased to approximately 57.1% for the six months ended 30 June 2014 as a result of the increase in net insurance premium revenue.

Our loss ratio during the Track Record Period was significantly higher than the industry loss ratio of approximately 58.5%, 55.8% and 54.7% for 2011, 2012 and 2013 respectively as set out in the section headed “Industry Overview” of this prospectus. Our Directors explained that it was mainly due to our business focus on taxi and PLB which the accident rates of which were the second and the third highest respectively among all motor vehicles types.

Expense ratio

Expense ratio is a measure of commission and management expense, which included acquisition costs and other underwriting expenses, employee benefit expenses and other operating expenses, out of the net insurance premium revenue for the respective year/period.

Our expense ratio increased from approximately 16.5% for the year ended 31 December 2011 to approximately 21.6% for the year ended 31 December 2012. The increase in commission and management expense incurred was primarily due to increase in number of insurance policies written for other motor vehicles which were granted a higher commission rate as compared with that of taxi and PLB. For the year ended 31 December 2013 and the six months ended 30 June 2014, with relatively stable amount of expenses incurred, our expense ratio was kept relatively stable at approximately 21.8% and 20.9% respectively.

Our expense ratio during the Track Record Period was significantly lower than the industry expense ratio of approximately 40.3%, 40.4% and 41.4% for the years 2011, 2012 and 2013 respectively as set out in the section headed “Industry Overview” of this prospectus. Our Directors believed that it was mainly due to our simple operational structure and the relatively lower commission rate for taxi and PLB segments as compared to that of the other motor vehicle segments.

Combined ratio

Combined ratio is a measure of profitability used by an insurance company to indicate how well it is performing in its daily operations. Our combined ratio maintained at the level below 100% during the Track Record Period, indicating that we made underwriting profit.

In addition, the industry combined ratio was approximately 98.8%, 96.2% and 96.1% for the years 2011, 2012 and 2013 respectively as set out in the section headed “Industry Overview” of this prospectus. Despite the fact that our business focuses on taxi and PLB causes our loss ratio higher than the industry average, our Directors believe that our effective cost management had enabled us to maintain our combined ratio to be in line with, or even better than, the industry combined ratio.

Investment yield

Our investment income primarily included interest income from bank deposits and available-for-sale financial assets, dividend income from available-for-sale financial assets, gain or loss on disposal of available-for-sale financial assets and net foreign exchange gains or losses.

Our investment yield increased from approximately 1.4% for the year ended 31 December 2011 to approximately 2.2% for the year ended 31 December 2012. With relatively stable amount of available-for-sale financial assets held, the increase in investment yield was primarily due to increase in interest income from bank deposits. Our investment yield increased from approximately 2.2% for the year ended 31 December 2012 to approximately 2.6% for the year ended 31 December 2013. The increase was primarily due to the purchase of government bonds in the aggregate principal amount of approximately HK$146 million in 2013 which resulted in increase in corresponding interest income. Our investment yield for the six months ended 30 June 2014 is not comparable to that for the year ended 31 December 2013 as only investment income for six months have been taken into calculation.

COMBINED STATEMENTS OF FINANCIAL POSITION

	As at 31 December			As at 30 June
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS				
Property, plant and equipment	2,361	2,269	1,569	1,241
Available-for-sale financial assets	85,496	86,912	273,029	284,616
Insurance and other receivables	62,975	62,499	67,133	66,785
Reinsurance assets	127,261	134,054	82,621	84,864
Deferred acquisition costs	14,668	17,413	17,132	16,621
Tax recoverable	3,342	910	–	–
Statutory deposit	100,000	100,000	100,000	100,000
Time deposits with original maturity over 3 months	31,034	31,514	–	57,503
Bank balances and cash	452,107	576,063	430,374	397,502
TOTAL ASSETS	879,244	1,011,634	971,858	1,009,132
LIABILITIES				
Insurance liabilities	713,600	808,886	752,289	747,308
Reinsurance premium payable	9,942	9,065	10,622	5,451
Insurance and other payables	7,959	8,042	7,730	7,445
Taxation	–	–	496	5,414
Bank overdrafts	–	–	5,036	15,090
TOTAL LIABILITIES	731,501	825,993	776,173	780,708
EQUITY				
Share capital	100,000	150,000	150,000	150,000
Other reserves	(12,858)	2,705	4,273	412
Retained earnings	60,601	32,936	41,412	78,012
TOTAL EQUITY	147,743	185,641	195,685	228,424
TOTAL LIABILITIES AND EQUITY	879,244	1,011,634	971,858	1,009,132

Assets

As at 31 December 2011, 2012 and 2013 and 30 June 2014, our total assets amounted to approximately HK$879.2 million, HK$1,011.6 million, HK$971.9 million and HK$1,009.1 million, respectively. Our significant assets included available-for-sale financial assets, insurance and other receivables, reinsurance assets, statutory deposit and bank balances and cash.

Available-for-sale financial assets

Available-for-sale financial assets comprised of equity securities and debt securities. Our available-for-sale financial assets increased by approximately HK$1.4 million or 1.7% from approximately HK$85.5 million as at 31 December 2011 to approximately HK$86.9 million as at 31 December 2012. Our available-for-sale financial assets further increased by approximately HK$186.1 million or 214.1% to approximately HK$273.0 million as at 31 December 2013 as compared to that of 31 December 2012. Our available-for-sale financial assets increased by approximately HK$11.6 million or 4.2% to approximately HK$284.6 million as at 30 June 2014 as compared to that of 31 December 2013. The increase in overall investment assets was primarily due to the acquisition of (i) unlisted debt securities; and (ii) government bonds in the aggregate principal amount of approximately HK$146 million and HK$5.6 million during the year ended 31 December 2013 and the six months ended 30 June 2014 respectively.

Insurance and other receivables

Insurance receivables represented premium receivables and claims recoverable from reinsurers and others. Other receivables mainly represented interest and dividend receivables. Our insurance and other receivables decreased by approximately HK$0.5 million or 0.8% from approximately HK$63.0 million as at 31 December 2011 to approximately HK$62.5 million as at 31 December 2012. Such decrease was primarily due to the decrease in claims recoverable from reinsurers and others which were partly offset by the increase in other receivables. Our insurance and other receivables increased by approximately HK$4.6 million or 7.4% to approximately HK$67.1 million as at 31 December 2013 as compared to that of 31 December 2012. Such increase was primarily due to the increase in premium receivables and claims recoverable which was partly offset by the decrease in other receivables. Our insurance and other receivables decreased by approximately HK$0.3 million or 0.5% to approximately HK$66.8 million as at 30 June 2014 as compared to that of 31 December 2013. Such decrease was primarily due to the decrease in other receivables.

Insurance receivables turnover days

Insurance receivables turnover days were calculated by average premium receivables divided by gross premium written and multiplied by 365 days. The insurance receivables turnover days were 51 days, 52 days, 53 days and 55 days for each of the three years ended 31 December 2013 and the six months ended 30 June 2014 respectively. The insurance receivables turnover days were relatively stable during the Track Record Period.

Reinsurance assets

Reinsurance assets represented balances due from reinsurers for ceded insurance liabilities to which our Group was entitled under the reinsurance contracts signed with reinsurers. Reinsurance assets included recoverable from reinsurers on claims reported and loss adjustment expenses and provision for IBNR claims recoveries.

Our reinsurance assets increased by approximately HK$6.8 million or 5.3% from approximately HK$127.3 million as at 31 December 2011 to approximately HK$134.1 million as at 31 December 2012. Such increase was primarily due to the increase in provision for IBNR recoveries. Our reinsurance assets decreased by approximately HK$51.5 million or 38.4% from approximately HK$134.1 million as at 31 December 2012 to approximately HK$82.6 million as at 31 December 2013. Such decrease was primarily due to the decrease in both recoverable from reinsurers on claims reported and loss adjustment expenses and provision for IBNR recoveries. Our reinsurance assets increased by approximately HK$2.3 million or 2.8% from approximately HK$82.6 million as at 31 December 2013 to approximately HK$84.9 million as at 30 June 2014. Such increase was primarily due to the increase in provision for IBNR recoveries which was partly offset by the decrease in claims reported and loss adjustment expenses recoverable from reinsurers.

Deferred acquisition costs

Deferred acquisition costs represented the portion of the commissions and other underwriting expenses applicable to the unexpired period of the policy term. The balance is amortised over the terms of the insurance policies as premium is earned.

Our deferred acquisition costs increased by approximately HK$2.7 million or 18.4% from approximately HK$14.7 million as at 31 December 2011 to approximately HK$17.4 million as at 31 December 2012. Such increase was primarily due to the acquisition costs incurred during the year increased. Our deferred acquisition costs decreased by approximately HK$0.3 million or 1.7% from approximately HK$17.4 million as at 31 December 2012 to approximately HK$17.1 million as at 31 December 2013. The decrease was in line with the decrease in acquisition costs incurred during the year. Our deferred acquisition costs was HK$16.6 million as at 30 June 2014.

Statutory deposit

We maintained a time deposit of HK$100 million throughout the Track Record Period as a statutory deposit. The time deposit can only be released with approval from the IA.

Time deposits with original maturity over 3 months

Our time deposits with original maturity over 3 months increased by approximately HK$0.5 million or 1.6% from approximately HK$31.0 million as at 31 December 2011 to approximately HK$31.5 million as at 31 December 2012. The time deposits with original maturity over 3 months was relatively stable during the period. Our time deposits with original maturity over 3 months decreased to nil as at 31 December 2013, primarily due to the relatively low interest rates for term deposits. To optimize the structure of fixed-income assets, we actively increased our purchase of both listed and unlisted debt securities in our total investment portfolio during the year ended 31 December 2013. As the interest rates for HK dollar and US dollar term deposits increased, we increased our time deposits with original maturity over 3 months to HK$57.5 million as at 30 June 2014.

Bank balances and cash

Bank balances and cash represented short-term time deposits with original maturity within 3 months and cash at banks and in hand.

Our bank balances and cash increased by approximately HK$124.0 million or 27.4% from approximately HK$452.1 million as at 31 December 2011 to approximately HK$576.1 million as at 31 December 2012. Such increase was primarily contributed by the net cash generated from operating activities during the year. Our bank balances and cash decreased by approximately HK$145.7 million or 25.3% from approximately HK$576.1 million as at 31 December 2012 to approximately HK$430.4 million as at 31 December 2013. Such decrease was primarily due to the purchase of available-for-sale financial assets and dividends paid. Our bank balances and cash decreased by approximately HK$32.9 million or 7.6% from approximately HK$430.4 million as at 31 December 2013 to approximately HK$397.5 million as at 30 June 2014. Such decrease was primarily due to cash outflows for placement of time deposits with original maturity over 3 months and purchase of available-for-sale financial assets.

Liabilities

As at 31 December 2011, 2012 and 2013 and 30 June 2014, our total liabilities amounted to approximately HK$731.5 million, HK$826.0 million, HK$776.2 million and HK$780.7 million, respectively. Our significant liabilities included insurance liabilities, reinsurance premium payable and insurance and other payables.

Insurance liabilities

Insurance liabilities represent outstanding claims liabilities and premium liabilities.

Outstanding claims liabilities

Outstanding claims liabilities represent the outstanding claims and the IBNR provision.

Outstanding claims

Outstanding claims, also known as case reserves, are the reserves assigned to known claims as at the year/period end date. Our Claims Department assesses the outstanding claims based on the available information and its professional judgment on a case-by-case basis.

IBNR provision

IBNR represents the liabilities provided for incurred but not reported claims the accident date of which fall on or before each year/period end date, but which were not reported to the Company and recorded in the accounting records until after the year/period end date, plus future development on known claims (i.e. the IBNER).

The IBNR provision is calculated by deducting the outstanding claims (i.e. case reserves) from the outstanding claims liabilities estimated in the actuarial review reports compiled by an actuarial consultant.

Based on the historical data and other quantitative and qualitative information supplied by the Company, and after considering various factors (including premiums in force, earned premium, written premium, incurred loss, paid loss, late reported incurred loss during a specified brief period after the year/period end date, number of claims reported, gross and net case reserve, number of open claims and risk margin), the actuarial consultant relies on the paid and incurred loss development methods, supplemented by the Bornhuetter-Ferguson method and expected loss ratio method to determine the outstanding claims liabilities. In applying these methodologies, the actuarial consultant also relies upon its knowledge of the motor insurance market in Hong Kong, including industry-wide trends in the claims costs, direct and reinsurance premium rates, and underwriting profitability for this line of insurance business. In actuary's reports, the actuarial consultant estimates the best estimate claims liabilities and adjusted claims risk margins (which are assessed by the actuarial consultant according to the relevant statutory requirements to reflect the inherent uncertainty on various factors in the estimation), the aggregate of which amounts to the outstanding claims liabilities.

Premiums liabilities

Premium liabilities comprise the provision for unearned premium and additional provision for unexpired risks (if any).Premiums liabilities represent the liabilities arising from an insurer's unexpired risk at the year/period end date. It includes the future claim costs, claims handling expenses, policy maintenance expense, future reinsurance costs and is net of future recoveries from reinsurers and/or third parties. In calculation, premiums liabilities are defined as the greater amount of (i) unexpired risk reserves ("**URR**") and (ii) the unearned premium reserves ("**UPR**") net of deferred acquisition costs (which represent the proportion of acquisition costs applicable to the unexpired period of the policy term).

Provision for unearned premium

Provision for unearned premium, also known as UPR, represents the proportion of gross premiums applicable to the unexpired period of the policy term. Unearned premium are calculated by 1/24 method on premium written without deducting the policy acquisition costs for the year/period.

The UPR as at the year end is calculated by assuming that the average policy for each month was written in the middle of the month, such that only 1/24th is still unearned for the January policies, 3/24th for the February policies, etc.

Additional provision for unexpired risks

Additional provision for unexpired risks is the amount set aside by an insurer at the year/period end, in addition to any UPR, which is considered necessary to meet the expected ultimate losses and expenses arising from the risks to be borne by the insurer after the year/period end under contracts of insurance entered into before the year/period end. If the amount of URR is greater than the UPR net of deferred acquisition costs, additional provision for unexpired risk is required and is calculated by deducting the UPR net of deferred acquisition costs from the URR; if the amount of URR is less than the UPR net of deferred acquisition costs, the premiums liabilities equals to the amount of UPR net of deferred acquisition costs and no additional provision for unexpired risks is required.

The URR consists of ultimate losses, expected excess-of-loss reinsurance cost for unexpired risks, management expenses expected to arise from the run-off of the UPR and the risk margin and are determined for each class of business in the actuarial review reports compiled by an actuarial consultant. In estimating the URR, the actuarial consultant makes reference to the projected ultimate loss ratios, actual excess-of-loss reinsurance premium rate and company management expenses incurred during the year/period to estimate the best estimate URR and the adjusted premium risk margins (which are assessed by the actuarial consultant according to the relevant statutory requirements to reflect the inherent uncertainty on various factors in the estimation), the aggregate of which amounts to the URR.

According to the actuarial reports as at 31 December 2011, 2012 and 2013 and 30 June 2014, the URR were less than the UPR net of deferred acquisition cost as at each of the valuation dates. Therefore, as at the end of each of the Track Record Period, the premiums liabilities were equal to UPR net of deferred acquisition cost at each of the evaluation dates and no additional provision for unexpired risks was required.

As required by the IA, our annual actuarial reports prepared by our actuarial consultant are peer-reviewed by another professional actuary who concurred with the view of our actuarial consultant on the assessment of premium liabilities and outstanding claim liabilities for each of the three years ended 31 December 2013.

The following table sets out the breakdown of gross insurance liabilities of our Group as at 31 December 2011, 2012, 2013 and 30 June 2014:

	As at 31 December			As at 30 June
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Gross				
Outstanding claims	433,123	517,624	455,217	447,288
Claims incurred but not reported ("**IBNR**")	127,689	133,630	135,299	138,566
Provision for unearned premium	152,788	157,632	161,773	161,454
Total gross insurance liabilities	713,600	808,886	752,289	747,308

Our gross insurance liabilities increased by approximately HK$95.3 million or 13.4% from approximately HK$713.6 million as at 31 December 2011 to approximately HK$808.9 million as at 31 December 2012. The increase was primarily due to the increase in gross outstanding claims incurred for prior years. Our gross insurance liabilities decreased by approximately HK$56.6 million or 7.0% from approximately HK$808.9 million as at 31 December 2012 to approximately HK$752.3 million as at 31 December 2013. The decrease was primarily due to our streamlined claims handling and settlement process since 2013 which increased the gross claims paid from approximately HK$139.2 million for the year ended 31 December 2012 to approximately HK$219.3 million for the year ended 31 December 2013 and the balance of gross outstanding claims decreased accordingly. Our gross insurance liabilities further decreased by approximately HK$5.0 million or 0.7% from approximately HK$752.3 million as at 31 December 2013 to approximately HK$747.3 million as at 30 June 2014. Such decrease was primarily due to continuous decrease in outstanding claims balance contributed by the streamlined claims settlement process as aforesaid.

Reinsurance premium payable

Our reinsurance premium payable decreased by approximately HK$0.8 million or 8.1% from approximately HK$9.9 million as at 31 December 2011 to approximately HK$9.1 million as at 31 December 2012. Our reinsurance premium payable increased by approximately HK$1.5 million or 16.5% from approximately HK$9.1 million as at 31 December 2012 to approximately HK$10.6 million as at 31 December 2013. Our reinsurance premium payable decreased by approximately HK$5.1 million or 48.1% from approximately HK$10.6 million as at 31 December 2013 to approximately HK$5.5 million as at 30 June 2014. The fluctuation in reinsurance premium payable was primarily in line with that of the gross premium written during the Track Record Period.

Reinsurance premium payable turnover days

Reinsurance premium payable turnover days were calculated by average reinsurance premium payable divided by reinsurance premium ceded and multiplied by 365 days. The reinsurance premium payable turnover days were 148 days, 82 days, 82 days and 68 days for each of the three years ended 31 December 2013 and the six months ended 30 June 2014 respectively. The decreasing trend of reinsurance premium payable turnover days was primarily due to the decrease in average reinsurance premium payable. Our reinsurance premium payable turnover days decreased significantly from 148 days for the year ended 31 December 2011 to 82 days for the year ended 31 December 2012. For the significant decrease in average reinsurance premium in 2012, it was resulted from the increased the Excluded Sum (which was determined after arm's length negotiation with reference to inter alia, reinsurance premium rates, estimation on gross premium written, our underwriting capacity and limits and inflation, etc.) starting from 2011. Our reinsurance premium payable turnover days was maintained at 82 days for the year ended 31 December 2013 to 68 days for the six months ended 30 June 2014, which settlement of final payment for 2013 in the interim period.

Insurance and other payables

Insurance payables mainly represented premium surcharge and other payables, which mainly represented accrual for staff costs, actuarial fee and audit fee. Our insurance and other payables remained almost the same at approximately HK$8.0 million as at 31 December 2011 and 2012. Our insurance and other payables decreased by approximately HK$0.3 million or 3.8% from approximately HK$8.0 million as at 31 December 2012 to approximately HK$7.7 million as at 31 December 2013. The decrease was primarily due to the decrease in other payables as a result of the settlement of accrued actuarial fee. Our insurance and other payables decreased by approximately HK$0.3 million or 3.9% from approximately HK$7.7 million as at 31 December 2013 to approximately HK$7.4 million as at 30 June 2014. Such decrease was primarily due to decrease in provision for audit fee, actuarial fee and staff cost.

Bank overdrafts

We had bank overdrafts of approximately HK$5.0 million as at 31 December 2013. Our bank overdrafts represented unpresented cheques for outstanding claims about to be settled. Following the streamlined claims handling and settlement process since 2013, we proactively made offers for reasonable claim settlement in advance with cheques of our proposed amounts. As the settlement amounts are yet to be agreed when issued, such cheques may or may not be presented, our unpresented cheques accumulated and our bank overdrafts increased to approximately HK$15.1 million as at 30 June 2014.

In substance, our Group has significant cash and bank balances in aggregate. However, in accordance with the relevant Hong Kong Accounting Standard, our bank overdraft cannot be offset against our bank balances and are required to be separately disclosed from the cash and cash equivalents in our financial statements. For working capital management purpose, our Group has maintained its excess cash in form of time deposits with different terms and maturity dates in order to earn a higher return. Meanwhile, our Accounts Department closely monitors the balance of cash at banks on a daily basis and ensures that there is sufficient fund to meet the needs for our obligations when the cheques become payable. Cash will be transferred to the bank account as necessary to match the estimated rate of claim cheque settlements. Recently, we have adopted a more prudent working capital management policy and maintained sufficient fund for all the unpresented cheques. Accordingly, we did not have bank overdrafts as at 31 October 2014 and up to the Latest Practicable Date.

Our Group has sufficient bank balance and short-term time deposits to settle its insurance and other liabilities which would be matured less than one year at the end of each Track Record Period. For those insurance and other liabilities with maturity date over one year, our Group also has sufficient working capital, including readily realisable available-for-sale financial assets, time deposits with original maturity over three months, and insurance and other receivables to finance its insurance liabilities and other liabilities when they fall due.

INDEBTEDNESS

During the Track Record Period, our indebtedness primarily consisted of a bank overdraft in the sum of approximately HK$5.0 million as at 31 December 2013 and approximately HK$15.1 million as at 30 June 2014 respectively.

As at 31 October 2014, we did not have any outstanding mortgages, charges, debentures or other loan capital (issued or agreed to be issued), loans, bank overdrafts, liabilities under acceptance or other similar indebtedness, hire purchase and finance lease commitments or any guarantees or other material contingent liabilities.

Our Directors have confirmed that there has not been any material change in our indebtedness or contingent liabilities since 31 October 2014.

CONTINGENT LIABILITIES

Other than those incurred in the normal course of the Group's insurance business, there was no outstanding litigation nor any other contingent liabilities as at 31 October 2014.

CAPITAL COMMITMENTS

We had no material capital commitments as at 31 December 2011, 2012 and 2013 and 30 June 2014 respectively.

Operating lease commitment

The following table sets out the aggregate future minimum lease payments under non-cancellable operating lease as at the dates indicated:

	As at 31 December			As at 30 June
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	2,091	1,219	3,818	3,818
In the second to fifth years inclusive	1,219	–	6,045	4,136
	3,310	1,219	9,863	7,954

Operating lease payments represent rentals payable by our Group for our office premises. Leases are negotiated for an average term of 3 years.

Off-balance sheet commitments and arrangement

As at the Latest Practicable Date, we do not have any off-balance sheet arrangements.

WORKING CAPITAL

Our Directors are of the opinion that after taking into account the cash flows generated from the operating activities, the existing financial resources available to our Group including internally generated funds and the estimated net proceeds from the Share Offer, we have sufficient working capital for our present requirements for at least the next 12 months from the date of this prospectus.

QUANTITATIVE AND QUALITATIVE RISKS

Insurance risk

Insurance risk is the risk of the underwriting results where actual claims and benefits payments exceed the carrying amount of the insurance liabilities if the frequency or severity of claims and benefits are greater than estimated.

We manage insurance risk through excess-of-loss reinsurance arrangements with predetermined retention limits and claims monitoring programs. Our reinsurance arrangements are implemented according to approval of the reinsurance committee.

The sensitivity analysis below reflects the impact on our net profit with 5% change in the loss ratio while all other variables are held constant.

	Impact on net outstanding claims			
	As at 31 December			As at 30 June
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Change in loss ratio				
5% increase	15,702	14,836	15,670	7,878
5% decrease	(15,657)	(14,491)	(15,547)	(7,841)

Market risks

Market risk is the risk of changes in fair value of financial instruments from fluctuations in equity securities prices, market interest rates and foreign exchange rates whether any such change in fair value is caused by factors specific to the individual instrument or its market.

Our investment portfolio and execution of investment decisions are implemented according to approval of the investment committee. Our investment portfolio comprises of diversified range of bonds and shares which helps to reduce the risk attributed to concentrated positions and enable steady investment return with calculated and acceptable risk level.

Market price risk

We are exposed to market price risk arising from our available-for-sale financial assets. Our Directors manage this exposure by maintaining a portfolio of investments with different risks and different return profiles. The sensitivity analysis below reflects the impact of a 5% change in the market value of our equity and debt securities while all other variables are held constant.

	Impact on available-for-sale financial assets reserve			
	As at 31 December			As at 30 June
	2011	2012	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Change in market price of equity and debt securities				
5% increase	4,275	4,346	13,651	14,231
5% decrease	(4,275)	(4,346)	(13,651)	(14,231)

Interest rate risk

We are exposed to interest rate risk arising from our time deposits with banks and debt securities. In view of the carrying amounts of our financial assets reported on the combined statements of financial position approximate their fair values, our Directors consider that the interest rate risk exposure to our financial assets is not significant. However, fluctuations in interest rates may affect the market value of debt securities held in our investment portfolio. Please refer to the sensitivity analysis above.

Foreign currency risk

We are exposed to foreign currency risk arising from financial assets and liabilities which are denominated in RMB and US dollar. As HK dollar are closely pegged with US dollar, the currency risk is primarily from exchange rate movement of RMB against HK dollar. The sensitivity analysis below reflects the impact on our net profit with 5% change in RMB against HK dollar while all other variables are held constant.

	Impact on net profit			
	Year ended 31 December			Six months ended
	2011	2012	2013	30 June 2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Change in RMB currency exchange rate against HK dollar				
5% increase	5,628	6,144	6,526	5,146
5% decrease	(5,628)	(6,144)	(6,526)	(5,146)

Limitation of sensitivity analysis

While we strive to achieve a valid estimation of the market risk exposure, we recognize that there are certain limitations in its use.

Changes of prices in a diversified portfolio have offsetting effects since different assets may revalue in different directions or in different magnitudes in response to marketplace changes. We have not taken this "diversification effect" into account in our risk estimates due to the generalized assumptions of a sensitivity analysis. The actual changes in the fair value of our investment assets may be different than those shown here.

Furthermore, our risk exposure analysis is based on a certain point of time. As bonds mature or are sold and purchased, or as other investment assets change, the composition of our investment portfolio and the actual risks and sensitivity of our portfolio may change dynamically. The estimate at any particular point of time may not reflect such dynamic changes.

Most of our assets are exposed to market risks resulting from unforeseeable and possibly sudden fluctuations in prices of equity securities, interest rates and foreign exchange rates. The quantitative risk measures provided by sensitivity analysis are at a certain moment. It describes the potential investment losses under a series of assumptions and parameters, which, though reasonably possible, may differ considerably from actual future losses.

CAPITAL EXPENDITURES

For each of the three years ended 31 December 2013 and the six months ended 30 June 2014, we incurred capital expenditures of approximately HK$0.7 million, HK$0.6 million, HK$0.03 million and HK$0.03 million, respectively. Our capital expenditures mainly relate to purchase of property, plant and equipment. The following table sets forth, for the periods indicated, our capital expenditures.

	Year ended 31 December			Six months ended
	2011	**2012**	**2013**	**30 June 2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Furniture and fixtures	399	573	34	34
Leasehold improvements	310	–	–	–
Total	709	573	34	34

In order to meet future business expansion needs, our office was relocated to Miramar Tower, Tsimshatsui, in late 2010. Thus, capital expenditures were incurred for furniture and fixtures and leasehold improvements of the new office in 2011 and 2012. No material capital expenditures were incurred since year 2013.

LISTING EXPENSES

The total estimated listing expenses in connection with the Share Offer was approximately HK$28.0 million. For the six months ended 30 June 2014, we did not incur any listing expenses. It is estimated that approximately HK$13.0 million and HK$3.7 million will be charged to the profit or loss of our Group for the year ending 31 December 2014 and 2015 respectively and approximately HK$11.3 million will be charged to equity of our Group for the year ending 31 December 2015. This calculation is based on an Offer Price of HK$1.50 per Share (being the mid-point of our indicative Offer Price range of HK$1.20 to HK$1.80 per Share) and the assumption that 125,000,000 Shares expected to be issued under Share Offer and 500,000,000 Shares are issued and outstanding immediately following the Share Offer (assuming the Over-allotment Option is not exercised) and is subject to reallocation based on the actual expenses incurred or to be incurred.

Our Group anticipates that the listing expenses in the sum of approximately HK$13.0 million will be charged to the profit or loss of our Group for the year ending 31 December 2014. The said amount represents approximately 23.1% of the net profit before tax of our Group for the year ended 31 December 2013. In light of the aforesaid, our results of operation for the year ending 31 December 2014 is expected to be, to certain extent, adversely affected by the non-recurring listing expenses.

DIVIDEND POLICY

Subject to the Hong Kong Company Law, our Articles of Association and the requirements under the ICO and imposed by IA, for the year ending 31 December 2015 and each year thereafter, we intend to distribute dividend to our Shareholders of not less than 30% of any net consolidated distributable profit derived. We will re-evaluate our dividend policy annually.

Target has dividend declared during the years ended 31 December 2011, 31 December 2013 and the year ending 31 December 2014 amounting to HK$35.0 million, HK$40.0 million and HK$78.0 million respectively. The dividends declared (including those declared during the year ending 31 December 2014) have been paid as at the Latest Practicable Date from our own internal resources. Our Directors confirm that such dividend payment will not affect our Company's ability to comply with the IA's requirements on the amount of fixed deposit and solvency margin. All dividends were paid out of the distributable reserves of Target. Nevertheless, the past dividend rates should not be used as a reference or basis to determine the amount of dividends in the future. In addition, we are required to notify the IA three months in advance regarding the declaration or payment of dividends and this may delay the distribution of dividends to our Shareholders.

DISTRIBUTABLE RESERVE

As at 30 June 2014, the aggregate amount of distributable reserves of Target was approximately HK$78.0 million.

LATEST DEVELOPMENT

Based on our unaudited combined financial information for the ten months ended 31 October 2014, we recorded gross premium written and net insurance premium revenue of approximately HK$285.9 million and HK$236.2 million respectively. The solvency margin ratio as at 31 October 2014 and the loss ratio for the ten months ended 31 October 2014 of Target were approximately 331.1% and 58.4% respectively.

Our solvency margin ratio improved from approximately 268.9% as at 30 June 2014 to approximately 331.1% as at 31 October 2014, mainly because of the net insurance premium revenue and the gain on disposal of available-for-sale financial assets during the four months ended 31 October 2014.

For the ten months ended 31 October 2014, we recorded net cash inflows of approximately HK$57.3 million. The net cash inflows was primarily due to net cash generated from investing activities of approximately HK$33.5 million which was mainly contributed by the proceeds from disposal of available-for-sale financial assets and the net cash inflow from operating activities of approximately HK$23.8 million, primarily attributable to increase in change in working capital.

Our loss ratio slightly increased from approximately 57.1% for the six months ended 30 June 2014 to approximately 58.4% for the ten months ended 31 October 2014, primarily due to the increase in net claims and loss adjustment expenses outweighed the growth on net insurance premium revenue during the four months ended 31 October 2014. As at 31 October 2014, there were approximately 6,700 outstanding claims, which amounted to approximately HK$407.0 million, to be settled by our Group. Our Directors confirmed that there has been no material claims since 30 June 2014 and up to the Latest Practicable Date.

The financial data as set out in this paragraph headed "Latest Development" has been reviewed by the Reporting Accountants in accordance with HKSRE 2410.

Recent demonstrations in Hong Kong cause uncertainties to the insurance industry and the overall business environment of Hong Kong. Such demonstrations may also have impact on the financial condition of our agents and/or customers which may in turn affect their payment of the premiums to our Group and/or delay their renewal of insurance policies with our Group (if applicable).

Since 30 June 2014 and up to the Latest Practicable Date, save as disclosed in the paragraph headed "Listing expenses" in this section, we did not have any significant non-recurrent items in combined statements of comprehensive income.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

For illustrative purpose only, the following statement of unaudited pro forma adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is set out herein to provide potential investors with further information to assess the effect of the Share Offer on the net tangible assets of our Group. Because of its nature, this pro forma financial information may not give a true picture of our financial position.

The following statement of unaudited pro forma adjusted net tangible assets of our Group which is based on the audited combined net tangible assets attributable to equity owners of the Company as at 30 June 2014, as shown in the Accountants' Report set out in Appendix I to this prospectus, adjusted as follows:

	Audited net tangible assets attributable to equity owners of the Company as at 30 June 2014	Estimated net proceeds from the Share Offer	Unaudited pro forma adjusted net tangible assets attributable to equity owners of the Company	Unaudited pro forma adjusted net tangible assets attributable to equity owners of the Company per Share
	(Note 1)	*(Note 2)*		*(Note 3)*
	HK$'000	*HK$'000*	*HK$'000*	*HK$*
Based on the Offer Price of HK$1.20 per Share	228,424	123,500	351,924	0.704
Based on the Offer Price of HK$1.80 per Share	228,424	195,500	423,924	0.848

Notes:

1. The audited net tangible assets attributable to equity owners of the Company as at 30 June 2014 is extracted from the Accountants' Report set out in Appendix I to this prospectus, which is based on the audited combined net tangible assets attributable to equity owners of the Company as at 30 June 2014 of approximately HK$228.4 million.

2. The estimated net proceeds from the Share Offer is based on the Offer Price of HK$1.20 and HK$1.80 per Share, after deduction of the underwriting fees and related expenses payable by the Company and taking no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme and any options which may be granted under the Share Option Scheme, which is set out in the paragraph headed "Share Option Scheme" and "Pre-IPO Share Option Scheme" in Appendix V to this prospectus.

3. The pro forma adjusted net tangible assets value per Share has been arrived at after making the adjustments referred to in this section and on the basis of a total of 500,000,000 Shares in issue immediately following completion of the Share Offer but takes no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme and any options which may be granted under the Share Option Scheme.

4. No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 30 June 2014. In particular, the unaudited pro forma adjusted net tangible assets have not been adjusted for the dividend of HK$78.0 million declared by Target subsequent to 30 June 2014, which has been paid as at the Latest Practicable Date. Had the dividend been taken into account, the unaudited pro forma adjusted net tangible asset per Share would have been reduced to HK$0.548 and HK$0.692 based on the Offer Price of HK$1.20 and HK$1.80 per Share respectively.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors have confirmed that they are not aware of any circumstances which would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

RELATED PARTY TRANSACTIONS

Our Group entered into the following transactions with our related parties for the periods indicated:

Commission paid to related parties

	Year ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
General Underwriters	3,607	–	–	–	–
The Oscar Motors Company Limited ("Oscar")	764	806	841	400	405
	4,371	806	841	400	405

General Underwriters ceased to be the related party of Target since 1 November 2011. Therefore, the transactions between our Group and General Underwriters will not be regarded as related party transactions after Listing. Oscar is owned as to 92% by Mr. Lai, an executive Director. Accordingly, Oscar is an associate of Mr. Lai, and a Connected Person of the Company. Our Directors were of the view that our related party transactions with Oscar will continue after Listing. For details of the above transactions, please refer to the section headed "Connected Transactions" in this prospectus.

Our Directors were of the view that the related party transactions described above were carried out in the normal course of business and on normal commercial terms between the relevant parties or terms not less favourable than terms available from Independent Third Parties, which are considered fair, reasonable and in the interest of our Shareholders as a whole.

NO BUSINESS INTERRUPTION

Our Directors confirm that there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed, after performing all due diligence work which our Directors consider appropriate, that, save and except the non-recurring listing expenses and the distribution of dividend for the year ending 31 December 2014 of HK$78.0 million, details of which are set out in the paragraphs headed "Listing Expenses" and "Dividend Policy" above respectively, there has been no material adverse change in our financial position or prospects since 30 June 2014 and up to the Latest Practicable Date.

FUTURE PLANS AND PROSPECTS

We intend to implement the following plans, each of which is discussed in detail in the paragraph headed “Our Business Strategies” under the section headed “Business” of this prospectus:

- increase our insurance business on other types of motor vehicles;
- explore business opportunities to diversify our insurance products;
- strengthen our existing relationships with our agents; and
- enhance our corporate image.

USE OF PROCEEDS

Assuming an Offer Price of HK$1.50 per Share (being the mid-point of the stated range of the Offer Price of between HK$1.20 per Share and HK$1.80 per Share) and prior to any exercise of the Over-allotment Option, the net proceeds from the Share Offer, after deducting the underwriting commissions and other estimated expenses in connection with the Share Offer, are estimated to be approximately HK$159.5 million. The Directors presently intend to apply the net proceeds from the Share Offer as follows:

- approximately HK$131.7 million (representing approximately 82.6% of the net proceeds) will be used for strengthening our share capital, enhancing our solvency position and meeting statutory requirements such that we can (i) diversify our motor insurance products to other types of vehicles and (ii) explore business opportunities of other general insurance;
- approximately HK$12.0 million (representing approximately 7.5% of the net proceeds) in marketing and promotion of our business to the general public; and
- the balance of approximately HK$15.8 million (representing approximately 9.9% of the net proceeds) will be used as general working capital of our Group.

In the event that the Offer Price is set at HK$1.80 per Offer Share, being the high-end of the proposed Offer Price range, our Company will receive additional net proceeds of the Share Offer of approximately HK$36.0 million. In the event that the Offer Price is set at HK$1.20 per Offer Share, being the low-end of the proposed Offer Price range, the net proceeds of the Share Offer will be decreased by approximately HK$36.0 million to approximately HK$123.5 million. In the event that the Over-allotment Option is exercised in full, and assuming an Offer Price of HK$1.20, HK$1.50 and HK$1.80 per Offer Share (being the low-end, mid-point and high-end of proposed Offer Price range respectively), our Group will receive additional net proceeds of approximately HK$21.6 million, HK$27.0 million and HK$32.4 million respectively. Under such circumstances, our Company intends to adjust our allocation of the net proceeds to strengthen our share capital.

To the extent that the net proceeds of the Share Offer and the issue of new Shares under the Over-allotment Option are not immediately applied for the above purposes, it is the present intention of the Directors that such net proceeds will be placed on short-term deposits with financial institutions.

Our Directors consider that the net proceeds from the Share Offer, together with internally generated funds and the banking facilities available to our Group, will be sufficient to finance the future business development of our Group as described in this prospectus.

PUBLIC OFFER UNDERWRITERS

Oriental Patron Securities Limited
CLC Securities Limited
SBI China Capital Financial Services Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company is offering the Public Offer Shares for subscription, subject to the terms and conditions of this prospectus and the Application Forms relating thereto, in each case, at the Offer Price.

Subject to, among other matters, the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein on or before Thursday, 15 January 2015 (or such later date as the Sole Bookrunner (for itself and on behalf of the Underwriters) may agree in writing with our Company) and the Offer Price having been determined by our Company and the Sole Bookrunner at or prior to 12:00 noon on Monday, 12 January 2015, the Public Offer Underwriters have agreed to subscribe for or procure subscribers to subscribe for, on the terms and conditions of this prospectus and the Application Forms relating thereto, the Public Offer Shares now being offered for subscription under the Public Offer and which are not taken up under the Public Offer.

Grounds for termination

If, at any time prior to 8:00 a.m. on the Listing Date:

(a) there has come to the notice of the Sole Bookrunner:-

(i) that any statement, reasonably considered by the Sole Bookrunner to be material, contained in any of this prospectus or the Application Form(s) and other documents regarding the Placing in relation to the Share Offer was when the same was issued, or has become, untrue, incorrect or misleading in any material respects; or

(ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission therefrom reasonably considered by the Sole Bookrunner to be material to the Share Offer; or

(iii) any material breach of any of the obligations imposed upon any party to the Public Offer Underwriting Agreement or the Placing Underwriting Agreement; or

(iv) any material adverse change in the conditions, business affairs, prospects or the financial or trading position of our Group as a whole;

(b) there shall develop, occur, exist or come into effect:

(i) any event, or series of events, beyond the control of the parties to the Public Offer Underwriting Agreement (including without limitation, any act of God, acts of government, acts of war, riot, public disorder, civil commotion, fire, flooding, explosion, terrorism, strikes, lockouts, outbreak of diseases or epidemics including Severe Acute Respiratory Syndrome, streptococcus infection (pig borne disease) and avian influenza and such related/mutated forms or interruption or delay in transportation), shall have occurred, happened or come into effect; or

(ii) any change in, or any event or series of events resulting or likely to result in any adverse change or development or local, national or international financial, political, industrial, economic, currency, military, conflict-related, legal, fiscal, exchange control, regulatory, equity or other financial market or other conditions, circumstances or matters (including without limitation any moratorium on, suspension or restriction of commercial banking activities or trading in securities on the Stock Exchange) shall have occurred, happened or come into effect; or

(iii) any new law or regulation or any change (whether or not forming part of a series of changes) in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority of Hong Kong, the BVI or any relevant jurisdiction shall have been introduced or effected; or

(iv) the imposition of economic or other sanctions, in whatever form, directly or indirectly, by the United States, the European Union (or any member thereof) or any other country or organisation on Hong Kong or any other jurisdiction relevant to any member of our Group; or

(v) any adverse change or prospective adverse change in the business or in the financial or trading position of any member of our Group or our Group taken as a whole; or

(vi) any material change or development involving a prospective change, or a materialization of, any of the risks set forth in the section headed "Risk factors" in this prospectus; or

(vii) any litigation or claim which has or could be expected to have an adverse effect on our Group taken as a whole being threatened or instigated against any member of our Group; or

(viii) a demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or

(ix) any material loss or damage sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or

(x) a petition is presented for the winding-up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or

(xi) any a general moratorium on commercial banking activities in Hong Kong; or

(xii) a change or development occurs involving a prospective change in taxation or exchange control (or in the implementation of any exchange control) in Hong Kong, the BVI or elsewhere; or

(xiii) any event, act or omission which gives rise or is likely to give rise to any liability of our Company pursuant to the indemnities contained in the Underwriting Agreements; or

(xiv) any material fluctuation in the exchange rate of the Hong Kong currency against foreign currency the currency of the United States; or

(xv) any change in the conditions or sentiments of the Hong Kong equity securities or other financial markets; or

(xvi) any imposition of any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange or trading settlement system or material interruption in securities settlement or clearance services or procedures in Hong Kong due to exceptional financial circumstances or otherwise,

which, in the sole and absolute opinion of the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters),

(1) is or will be, or is likely to be materially adverse to the general affairs, management, business, financial, trading or other condition or prospects of our Group taken as a whole; or

(2) has or will have, or is likely to have, a material adverse impact on the success of the Public Offer, the Placing or the level of the Offer Shares being applied for or accepted or purchased or the distribution of the Offer Shares or dealings in the Shares in the secondary market; or

(3) makes it impracticable, inadvisable or inexpedient to proceed with the Share Offer,

then the Sole Bookrunner may (for itself and on behalf of the Public Offer Underwriters) give written notice to our Company (with a copy of such notice to each of the Public Offer Underwriters) to terminate the Public Offer Underwriting Agreement with immediate effect.

UNDERTAKINGS TO THE STOCK EXCHANGE PURSUANT TO THE LISTING RULES

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except in certain circumstances as prescribed under Rule 10.08 of the Listing Rules.

In accordance with Rule 10.07(1)(a) of the Listing Rules, each of our Controlling Shareholders, namely Independent Assets and Dr. Cheung, has undertaken to the Stock Exchange and our Company that except pursuant to the Share Offer and the Stock Borrowing Agreement:

(i) he/it will not, at any time commencing on the date by reference to which disclosure of the shareholding of our Controlling Shareholders is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interest or encumbrances in respect of, any of our Shares in respect of which he/it is shown by this prospectus to be the beneficial owner; and

(ii) he/it will not, at any time during the period of six months from the date on which the period referred to in paragraph (i) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares referred to in paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company.

Note (2) of Rule 10.07 of the Listing Rules provides that Rule 10.07 does not prevent a controlling shareholder from using the Shares owned by him as security (including a charge or a pledge) in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan.

Each of our Controlling Shareholders has further undertaken to the Stock Exchange, our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) that he/it will, within the period commencing on the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date:

(i) when he/it pledges or charges any Shares or other securities or interests in any securities of our Company beneficially owned by him/it in favour of any authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan, immediately inform us of such pledge or charge together with the number of such Shares or securities of our Company so pledged or charged; and

(ii) when he/it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or securities or interests in any securities of our Company will be disposed of, immediately inform us of such indications.

Our Company agrees and undertakes to the Stock Exchange, the Sponsor and the Joint Lead Managers (for themselves and on behalf of the Underwriters) that upon receiving such information in writing from any of our Controlling Shareholders, we shall, as soon as practicable, notify the Stock Exchange, the Sponsor and the Joint Lead Managers (for themselves and on behalf of the Underwriters) and make appropriate disclosures in relation to such information by way of an announcement.

UNDERTAKINGS PURSUANT TO THE PUBLIC OFFER UNDERWRITING AGREEMENT

Each of our Controlling Shareholders has jointly and severally undertaken to and covenanted with our Company, the Sponsor and the Joint Lead Managers (for themselves and on behalf of the Underwriters) that:

(i) he/it will not, and will procure that none of his/its associates (as defined in the Listing Rules) or companies controlled by him/her/it will, during the period commencing from the date of this prospectus and ending on the date falling the expiry of the six-month period from the Listing Date, dispose of, or enter into any agreement to dispose of (including without limitation by the creation of any option, charge or other encumbrance or rights over or in respect of but save pursuant to a pledge or charge as security for a bona fide commercial loan) any of the Shares or any interests therein owned by him/her/it or in which he/it is, directly or indirectly, interested immediately after the completion of the Share Offer (or any other shares or securities of or interest in our Company arising or deriving therefrom) or dispose of, or enter into any agreement to dispose of (including without limitation by the creation of any option, charge or other encumbrance or rights over or in respect of but save pursuant to a pledge or charge as security for a bona fide commercial loan) any shares in any company controlled by him/it which is the beneficial owner of any of such Shares provided that the foregoing restriction shall not apply to any Shares which he/it or any of his/its associates (as defined in the Listing Rules) may acquire following the Listing Date;

(ii) within a further six months commencing on the date of expiry of the six-month period referred to in paragraph (i) above, he/it will not, and will procure that none of his/its associates (as defined in the Listing Rules) or the companies controlled by him/it will, dispose of, or enter into any agreement to dispose of (including without limitation by the creation of any option, charge or other encumbrance or rights over or in respect of but save pursuant to a pledge or charge as security for a bona fide commercial loan) any Shares or any interests therein referred to in paragraph (i) above or dispose of, or enter into any agreement to dispose of (including without limitation by the creation of any option, charge or other encumbrance or rights over or in respect of but save pursuant to a pledge or charge as security for a bona fide commercial loan) any shares in any company controlled by him/it which is the beneficial owner of such Shares if, immediately following such disposal, any of them, either individually or taken together with the others, would cease to be a controlling shareholder (within the meaning of the Listing Rules) of our Company or cease to hold a controlling interest (that is to say, an interest of at least 30% or such lower percentage as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) in any of the companies controlled by him/it which owns any such Shares;

(iii) in the event of any disposal of Shares or any such interests referred to in paragraph (ii) above after expiry of the six-month period referred to in paragraph (i) above, all reasonable steps will be taken to ensure that such disposal will not create a false or disorderly market in the Shares; and

(iv) he/it will, and will procure that his/its associates (as defined in the Listing Rules) or companies controlled by him/it will, comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by him/it or by the registered holder controlled by him/it of any Shares.

Our Company has undertaken to and covenanted with the Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Underwriters that, and each of our executive Directors undertakes and covenants with the Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Underwriters to procure that, without the prior written consent the Joint Lead Managers (for themselves and on behalf of the Underwriters) (such consent not to be unreasonably withheld or delayed), our Company will not, save pursuant to the Share Offer, the Over-allotment Option and the exercise of any option granted under the Pre-IPO Share Option Scheme and any option which may be granted under the Share Option Scheme or any scrip dividend schemes or similar schemes under which profits are capitalized and providing for the allotment and issue of Shares in lieu of the whole or part of a dividend in accordance with the Articles of our Company and unless in compliance with the requirements of the Listing Rules, (a) at any time after the Latest Practicable Date up to and including the date falling six months after the Listing Date, issue or agree to issue any shares or securities in our Company or any of its major subsidiaries (as defined in Rule 13.25(2) of the Listing Rules) if such shares or securities of such major subsidiary are not issued to other member of our Group or grant or agree to grant any options, warrants or other rights carrying the rights to subscribe for, or otherwise convert into, or exchange for, any securities of our Company or any of its major subsidiaries (as defined aforesaid) if such options, warrants or rights are not granted by such major subsidiary to other member of our Group; and (b) within a further six months following the six-month period referred to in (a) above, issue or agree to issue any shares or securities in our Company or grant or agree to grant any options, warrants or other rights carrying the rights to subscribe for, or otherwise convert into or exchange for, any shares or securities in our Company so as to result in Independent Assets and Dr. Cheung, either taken individually or taken together, would cease to be a controlling shareholder (within the meaning of the Listing Rules) of our Company or cease to hold a controlling interest (that is to say, an interest of at least 30% or such lower percentage as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) in any of the companies controlled by him or her or it which owns any Shares.

Each of our Company and our executive Directors has undertaken to and covenanted with the Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Underwriters that save with prior written consent of the Joint Lead Managers (for themselves and on behalf of the Underwriters) (such consent not to be unreasonably withheld or delayed), no company in our Group will within the period of six months from the Listing Date purchase any securities of our Company.

Placing Underwriting Agreement

In connection with the Placing, it is expected that our Company and Independent Assets will, on or about Wednesday, 7 January 2015, enter into the Placing Underwriting Agreement with, among other parties, the Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Placing Underwriters. Under the Placing Underwriting Agreement, it is expected that the Placing Underwriters would, subject to certain conditions set out therein, agree to subscribe for or procure subscribers to subscribe for the Placing Shares.

Under the Placing Underwriting Agreement, our Company intends to grant to the Placing Underwriters, the Over-allotment Option, which is exercisable by the Sole Bookrunner for up to 30 days from the last day for the lodging of applications under the Public Offer, to require our Company to issue up to an aggregate of 18,750,000 additional Shares, representing 15% of the number of Offer Shares initially available under the Share Offer, at the Offer Price to cover over-allocations in the Placing, if any.

It is expected that our Company and the Controlling Shareholders will give undertakings in the Placing Underwriting Agreement similar to those given pursuant to the Public Offer Underwriting Agreement.

Commission

The Public Offer Underwriters will receive a commission of 4.0% of the aggregate Offer Price of all the Public Offer Shares and the Placing Underwriters will receive an underwriting commission of 4.0% of the aggregate of the Offer Price of all the Placing Shares, out of which they will pay any sub-underwriting commissions. The Sponsor will receive financial advisory and documentation fees. The underwriting commission, financial advisory and documentation fee, Stock Exchange listing fees and trading fee, SFC transaction levy, legal and other professional fees together with applicable printing and other expenses relating to the Share Offer are estimated to amount to approximately HK$28.0 million in total (based on an Offer Price of HK$1.50 per Share, being the mid-point of the indicative Offer Price range of between HK$1.20 and HK$1.80 per Share), and will be payable by our Company.

Underwriters' interests in our Company

Save as disclosed under the paragraph headed "Sponsor's interests in the Company" below and as contemplated under the Underwriting Agreements, as at the Latest Practicable Date, none of the Underwriters was interested, directly or indirectly, in any shares or securities in any member of our Group or had any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any shares or securities in any member of our Group.

Sponsor's interests in our Company

Save as pursuant to the Underwriting Agreements, the Compliance Advisor Agreement and as disclosed herein, neither the Sponsor nor any of its associates is interested, directly or indirectly, in any shares or securities in any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any shares or securities in any member of our Group. No director or employee of any of the Sponsor who is involved in providing advice to our Company has or may, as a result of the Share Offer, have any interest in any class of securities of our Company or any other member of our Group (including options or rights to subscribe for such securities but, for the avoidance of doubt, excluding interests in securities that may be subscribed for by any such director or employee of the Sponsor pursuant to the Public Offer).

None of the Sponsor or any of its associates has accrued any material benefit as a result of the successful outcome of the Share Offer, including by way of example, the repayment of material outstanding indebtedness or success fees, other than the following:

(i) by way of underwriting commission to be paid to the Sole Bookrunner for acting as one of the Public Offer Underwriters and one of the Placing Underwriters pursuant to the Underwriting Agreements;

(ii) the financial advisory and documentation fees to be paid to the Sponsor; and

(iii) certain associates of the Sponsor, whose ordinary business involves the trading of and dealing in securities, may be involved in the trading of and dealing in the securities in our Company. No director or employee of the Sponsor has a directorship in our Company or any other member of our Group.

PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK$1.80 and is expected to be not less than HK$1.20 per Offer Share. Based on the maximum Offer Price of HK$1.80 per Offer Share, plus 1% brokerage fee, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee, the total cost payable for one board lot of 2,000 Offer Shares will amount to a total of HK$3,636.28. The Application Forms have tables showing the exact amount payable for multiples of the Offer Shares.

The Offer Price is expected to be fixed by an agreement between our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters) on or before Wednesday, 7 January 2015 and in any event no later than 12:00 noon on Monday, 12 January 2015.

If, based on the level of interests expressed by prospective professional, institutional and/or other investors during the book-building process, the Sole Bookrunner (for itself and on behalf of the Underwriters, and with the consent of our Company) thinks it appropriate (for instance, if the level of interests is below the indicative Offer Price range), the indicative Offer Price range may be reduced below that as stated in this prospectus at any time prior to the morning of the last day for lodging applications. In such case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Public Offer, cause notice of the reduction of the indicative Offer Price range to be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and to be posted on our Company's website at **www.targetins.com.hk** and the Stock Exchange's website at **www.hkexnews.hk**. Such notice will also include any financial information which may change as a result of any such reduction. If applications for the Public Offer Shares have been submitted prior to the morning of the last day for lodging applications under the Public Offer, then even if the indicative Offer Price range is so reduced, such applications cannot be subsequently withdrawn.

If, for whatsoever reason, the Offer Price is not agreed between our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters) at or prior to 12:00 noon on Monday, 12 January 2015, the Share Offer will not become unconditional and will lapse immediately. In such event, our Company will issue an announcement to be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese).

CONDITIONS OF THE SHARE OFFER

Acceptance of your application for the Offer Shares is conditional upon:

1. Listing

the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and any Shares which may be issued pursuant to the exercise of the Over-allotment option and the options granted under the Pre-IPO Share Option Scheme and the options which may be granted under the Share Option Scheme;

2. Underwriting Agreements

our Company, the Sponsor, the Sole Bookrunner, the Joint Lead Managers and other underwriter(s) to the Share Offer (if any) entering into the Underwriting Agreements whereby the latter will underwrite the Offer Shares at the Offer Price;

the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated before 8:00 a.m. on the Listing Date. Details of the Underwriting Agreements and their conditions and grounds for termination are set out in the section headed "Underwriting" of this prospectus. If any of these conditions is not fulfilled at or before 8:00 a.m. on the Listing Date (or such later date as the Sole Bookrunner may agree in writing for itself and on behalf of the Underwriters with our Company), your application money will be returned to you, without interest. The terms on which your money will be returned to you are set out in the paragraph headed "Refund of your application money" on the Application Forms. In the meantime, your money will be held in one or more separate bank accounts with the receiving banker or other licensed bank or banks in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

OFFER MECHANISM

This prospectus is published in connection with the Share Offer, which comprises the Placing and the Public Offer. Initially, 112,500,000 Shares (subject to reallocation and the Over-allotment Option) are to be offered pursuant to the Placing to professional, institutional and private investors and 12,500,000 Shares (subject to reallocation) are to be offered to the public in Hong Kong under the Public Offer. References herein to applications, Application Forms, application monies or to the procedure for application relate solely to the Public Offer. The Offer Shares will represent 25% of our Company's enlarged issued share capital immediately after completion of the Share Offer.

The Placing is fully underwritten by the Placing Underwriters on a several basis and the Public Offer is fully underwritten by the Public Offer Underwriters. Information relating to the underwriting arrangements in respect of the Share Offer is set out in the paragraph headed "Underwriting Arrangements and Expenses" in the section headed "Underwriting" of this prospectus. The Share Offer is sponsored by the Sponsor and managed by the Joint Lead Managers.

Investors may apply for Public Offer Shares under the Public Offer or indicate an interest for Placing Shares under the Placing, but may not do both.

PLACING

Our Company is initially offering, subject to the Over-allotment Option and possible reallocation on the basis discussed below, 112,500,000 Shares, representing 90% of the total number of Shares being offered under the Share Offer, for subscription by way of the Placing. Under the Placing, the Placing Underwriters, on behalf of our Company, will conditionally place the Placing Shares with professional, institutional and private investors. Professional and institutional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of the Placing Shares pursuant to the Placing is based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to buy further Shares and/or hold or sell its Shares after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Placing Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and its shareholders as a whole. Investors allocated with the Placing Shares cannot apply for the Public Offer Shares under the Public Offer. The Placing is conditional on the fulfillment of all the conditions stated in the paragraph headed "Conditions of the Share Offer" above.

PUBLIC OFFER

Our Company is initially offering 12,500,000 Shares at the Offer Price under the Public Offer, representing 10% of the total number of Shares being offered under the Share Offer for subscription in Hong Kong, subject to reallocation as mentioned in this section. The Public Offer is managed by the Joint Lead Managers and is fully underwritten by the Public Offer Underwriters.

The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. Applicants for the Public Offer Shares under the Public Offer may not apply for Placing Shares under the Placing. Allocation of Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The Public Offer will be subject to the conditions stated in the paragraph headed "Conditions of the Share Offer" above.

For allocation purposes only, the number of the Public Offer Shares will be divided equally into two pools: pool A and pool B. The Public Offer Shares in pool A will consist of 6,250,000 Shares and will be allocated on an equitable basis to applicants who have applied for the Public Offer Shares in the value of HK$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy) or less. The Public Offer Shares available in pool B will consist of 6,250,000 Shares and will be allocated on an equitable basis to applicants who have applied for Public Offer Shares in the value of more than HK$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy) and up to the total initial value of pool B.

Investors should be aware that the allocation ratios for applications in the two pools, as well as the allocation ratios for applications in the same pool, are likely to be different. Where one of the pools is undersubscribed, the surplus Public Offer Shares will be transferred to satisfy demand in the other pool and be allocated accordingly. Applicants can only receive an allocation of Public Offer Shares from any one pool but not from both pools and can only make applications to either pool A or pool B. Any application made for more than 100 per cent. of the Public Offer Shares initially available under pool A or pool B will be rejected. Multiple applications or suspected multiple applications within either pool and between pools will also be rejected.

BASIS OF ALLOCATION OF THE OFFER SHARES

The allocation of Shares between the Public Offer and the Placing is subject to the reallocation adjustment which in turn depends on the level of subscription of the Public Offer. The reallocation will be made on the following basis:

(i) if the number of Public Offer Shares validly applied for under the Public Offer equals or exceeds 187,500,000 Shares (being 15 times of the number of Public Offer Shares initially available for public subscription under the Public Offer) but is less than 625,000,000 Shares (being 50 times of the number of Public Offer Shares initially available for public subscription under the Public Offer), then the number of Shares available for public subscription under the Public Offer will be increased to 37,500,000 Shares, representing 30% of the 125,000,000 Shares available under the Share Offer (assuming the Over-allotment Option will not be exercised);

(ii) if the number of Public Offer Shares validly applied for under the Public Offer equals or exceeds 625,000,000 Shares (being 50 times of the number of Public Offer Shares initially available for public subscription under the Public Offer) but is less than 1,250,000,000 Shares (being 100 times of the number of Public Offer Shares initially available for public subscription under the Public Offer), then the number of Public Offer Shares available for public subscription under the Public Offer will be increased to 50,000,000 Shares, representing 40% of the 125,000,000 Shares available under the Share Offer (assuming the Over-allotment Option will not be exercised); and

(iii) if the number of Public Offer Shares validly applied for under the Public Offer equals or exceeds 1,250,000,000 Shares (being 100 times of the number of Public Offer Shares initially available for public subscription under the Public Offer), then the number of Public Offer Shares available for public subscription under the Public Offer will be increased to 62,500,000 Shares, representing 50% of the 125,000,000 Shares available under the Share Offer (assuming the Over-allotment Option will not be exercised). In all cases, the additional Shares reallocated to the Public Offer will be allocated equally between pool A and pool B and the number of Offer Shares allocated to the Placing will be correspondingly reduced.

If either the Public Offer or the Placing is not fully subscribed, the Sole Bookrunner will have the discretion to reallocate all or any unsubscribed Shares originally included in the Public Offer to the Placing (or vice versa, as appropriate) in such proportion and manner as it considers appropriate.

OVER-SUBSCRIPTION

Allocation of Public Offer Shares to applicants under the Public Offer will be based solely on the level of valid applications received. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by each applicant. However, this may involve balloting, which would mean that some applicants may be allotted more Shares than others who have applied for the same number of Public Offer Shares and that applicants who are not successful in the ballot may not receive any Public Offer Shares.

OVER-ALLOTMENT OPTION

In connection with the Share Offer, it is expected that we will grant an Over-allotment Option to the Placing Underwriters exercisable by the Sole Bookrunner. Pursuant to the Over-allotment Option, the Sole Bookrunner (on behalf of the Placing Underwriters) has the right, exercisable at any time from the Listing Date until the date falling 30th days after the last day for the lodging of applications under the Public Offer, to require our Company to issue the Over-allotment Shares at the Offer Price, representing 15% of the initial Offer Shares to, among other things, cover over-allocations in the Placing and/or the obligations of the Sole Bookrunner to return securities borrowed under the Stock Borrowing Agreement. If the Over-allotment Option is exercised in full, the additional Shares will represent approximately 3.6% of the enlarged issued share capital of our Company immediately following the completion of the Share Offer and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, a press announcement will be made.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to minimise and, if possible, prevent a decline in the market price of the securities below the initial offering price. In Hong Kong, the price at which stabilisation is effected is not permitted to exceed the initial offering price.

In connection with the Share Offer, the Sole Bookrunner ("Stabilising Manager"), may over-allocate or effect transactions with a view to stabilising or maintaining the market price of the Shares at a level higher than that which might otherwise prevail for a limited period commencing from the Listing Date.

Such stabilisation, if commenced, will be conducted at the absolute discretion of the Stabilising Manager, may be discontinued at any time, and must be brought to an end after a limited period. The number of Shares that may be over-allocated will not be greater than the number of Shares which may be allotted and issued upon exercise of the Over-allotment Option, being 18,750,000 Shares, which is 15% of the Shares initially available under the Share Offer.

The Stabilising Manager, may take all or any of the following stabilising actions in Hong Kong during the stabilisation period:

(i) purchase, or agree to purchase, any of the Shares or offer or attempt to do so for the sole purpose of preventing or minimising any reduction in the market price of the Shares; and/or

(ii) in connection with any action described in paragraph (i) above:

(A) (1) over-allocate the Shares; or

(2) sell or agree to sell the Shares so as to establish a short position in them, for the sole purpose of preventing or minimising any reduction in the market price of the Shares;

(B) exercise the Over-allotment Option and purchase or subscribe for or agree to purchase or subscribe for the Shares in order to close out any position established under paragraph (ii)(A) above;

(C) sell or agree to sell any of the Shares acquired by it in the course of the stabilising action referred to in paragraph (i) above in order to liquidate any position that has been established by such action; and/or

(D) offer or attempt to do anything as described in paragraph (ii)(A)(2), (ii)(B) or (ii)(C) above.

Stabilisation cannot be used to support the price of the Shares for longer than the stabilisation period, which begins on the day on which dealings in the Shares commence on the Stock Exchange and ends on the 30th day after the last day for the lodging of applications under the Public Offer. The stabilisation period is expected to expire on Thursday, 5 February 2015. After this date, when no further stabilising action may be taken, demand for the Shares, and therefore their market price, could fall.

Any stabilising action taken by the Stabilising Manager, may not necessarily result in the market price of the Shares staying at or above the Offer Price either during or after the stabilisation period. Stabilisation bids or market purchases effected in the course of the stabilisation action may be made at any price at or below the Offer Price and can therefore be done at a price below the price investors have paid in acquiring the Shares.

All stabilising actions will be taken in accordance with the laws, rules and regulations in place in Hong Kong on stabilisation.

STOCK BORROWING ARRANGEMENT

In connection with the Share Offer, the Sole Bookrunner (for itself and on behalf of the Underwriters) may over-allocate up to but not more than 18,750,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means. In particular, for the purpose of covering such over-allocations, the Sole Bookrunner may borrow up to 18,750,000 Shares from Independent Assets, equivalent to the maximum number of Shares to be issued on a full exercise of the Over-allotment Option, under the Stock Borrowing Agreement.

A summary of the stock borrowing arrangement is set out as follows:

- the Stock Borrowing Agreement will only be effected by the Sole Bookrunner for settlement of over-allocation in connection with the Placing;
- the maximum number of Shares to be borrowed from Independent Assets by the Sole Bookrunner will be limited to the maximum number of Shares which may be issued upon full exercise of the Over-allotment Option which is 18,750,000 Shares;
- the same number of Shares so borrowed must be returned to Independent Assets or its nominee(s), as the case may be, on or before the fifth business day following the earlier of (i) the last day on which the Shares may be issued by our Company pursuant to the Over-allotment Option or (ii) the day on which the Over-allotment Option is exercised in full;
- the Stock Borrowing Agreement will be effected in compliance with all applicable laws, rules and regulatory requirements; and
- no payment or other benefit will be made to Independent Assets by the Sole Bookrunner under the stock borrowing arrangement.

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at **www.hkeipo.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Bookrunner, the Joint Lead Managers, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Bookrunner and the Joint Lead Managers may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Public Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Public Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any of its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Share Offer; and
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

3. APPLYING FOR PUBLIC OFFER SHARES

Which Application Channel to Use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.hkeipo.hk**.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, 31 December 2014 until 12:00 noon on Tuesday, 6 January 2015 from:

(i) any of the following offices of the Joint Lead Managers:

Oriental Patron Securities Limited
Suites 2701-3, 2705-8
27/F Two Exchange Square
8 Connaught Place, Central
Hong Kong

CLC Securities Limited
Suite 4703, Two Exchange Square
8 Connaught Place
Hong Kong

(ii) the following office of the other Public Offer Underwriter:

SBI China Capital Financial Service Limited
Unit A2, 32/F
United Centre
95 Queensway, Admiralty
Hong Kong

(iii) any of the branches of the following receiving banks:

(a) Bank of Communications Co., Ltd. Hong Kong Branch

DISTRICT	BRANCH NAME	ADDRESS
Hong Kong Island	Hong Kong Branch	20 Pedder Street, Central
	King's Road Sub-Branch	67-71 King's Road
Kowloon	Kwun Tong Sub-Branch	Shop A, G/F., Hong Ning Court, 55 Hong Ning Road, Kwun Tong
	Wong Tai Sin Sub-Branch	Shop N118, 1/F., Lung Cheung Plaza, 136 Lung Cheung Road, Wong Tai Sin
New Territories	Fanling Sub-Branch	Shop No. 84A-84B, G/F., Flora Plaza, Fanling
	Ma On Shan Sub-Branch	Shop No. 3062, Level 3, Sunshine City Plaza, Ma On Shan

(b) DBS Bank (Hong Kong) Limited

DISTRICT	BRANCH NAME	ADDRESS
Hong Kong Island	Head Office	G/F, The Center, 99 Queen's Road Central
	United Centre Branch	Shops 1015-1018, 1/F & Shops 2032-2034, 2/F, United Centre, 95 Queensway, Admiralty
	North Point Branch	G/F, 391 King's Road, North Point
	Hennessy Road Branch	G/F,427-429 Hennessy Road, Causeway Bay
Kowloon	Nathan Road Branch	G/F, Wofoo Commercial Building, 574-576 Nathan Road, Mongkok
	Tsimshatsui Branch	G/F, 22-24 Cameron Road, Tsim Sha Tsui
	Yaumatei Branch	G/F & 1/F, 131-137 Woo Sung Street, Yau Ma Tei
New Territories	Yuen Long Branch	G/F, 1-5 Tai Tong Road, Yuen Long
	Shatin Plaza Branch	Shop 47 & 48, Level 1, Shatin Plaza, No. 21-27 Sha Tin Centre Street, Shatin
	Tsuen Wan Branch	G/F, 23 Chung On Street, Tsuen Wan

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, 31 December 2014 until 12:00 noon on Tuesday, 6 January 2015 from the **Depository Counter of HKSCC** at 1/F One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Bank of Communications (Nominee) Co. Ltd. – Target Insurance Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

- Wednesday, 31 December 2014 – 9:00 a.m. to 5:00 p.m.
- Friday, 2 January 2015 – 9:00 a.m. to 5:00 p.m.
- Saturday, 3 January 2015 – 9:00 a.m. to 1:00 p.m.
- Monday, 5 January 2015 – 9:00 a.m. to 5:00 p.m.
- Tuesday, 6 January 2015 – 9:00 a.m. to 12:00 noon.

The application lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, 6 January 2015, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Application Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you:

(i) **undertake** to execute all relevant documents and instruct and authorise our Company, the Sole Bookrunner and/or the Joint Lead Managers (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) **agree** to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;

(iii) **confirm** that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) **confirm** that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) **confirm** that you are aware of the restrictions on the Share Offer in this prospectus;

(vi) **agree** that none of our Company, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) **undertake** and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing;

(viii) **agree** to disclose to our Company, our Hong Kong Share Registrar, receiving banks, the Sole Bookrunner, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Bookrunner, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) **agree** that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) **agree** that your application will be governed by the laws of Hong Kong;

(xii) **represent**, **warrant** and **undertake** that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) **warrant** that the information you have provided is true and accurate;

(xiv) **agree** to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) **authorise** our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the firstnamed applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;

(xvi) **declare** and **represent** that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) **understand** that our Company, the Sole Bookrunner and the Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC; and (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the Yellow Application Form for details.

5. APPLYING THROUGH HK EIPO WHITE FORM SERVICE

General

Individuals who meet the criteria under the paragraph headed "Who can apply", may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications under the HK eIPO White Form

You may submit your application to the **HK eIPO White Form** Service Provider at **www.hkeipo.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Wednesday, 31 December 2014 until 11:30 a.m. on Tuesday, 6 January 2015 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, 6 January 2015 or such later time under the "Effects of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **HK eIPO White Form** service to make an application for Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **HK eIPO White Form** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give electronic application instructions to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (https://ip.ccass.com) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F One & Two Exchange Square
8 Connaught Place
Central Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Bookrunner, the Joint Lead Managers and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given electronic application instructions to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf

- **agree** that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- **agree** to accept the Public Offer Shares applied for or any lesser number allocated;

- **undertake** and **confirm** that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;

- (if the electronic application instructions are given for your benefit) **declare** that only one set of electronic application instructions has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorised to give those instructions as their agent;
- **confirm** that you understand that our Company, our Directors, the Sole Bookrunner and the Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
- **authorise** our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- **confirm** that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- **confirm** that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- **agree** that none of our Company, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- **agree** to disclose your personal data to our Company, our Hong Kong Share Registrar, receiving banks, the Sole Bookrunner, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents;
- **agree** (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- **agree** that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- **agree** that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;

- **agree** to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for Public Offer Shares;

- **agree** with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and

- **agree** that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- **instructed** and **authorised** HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;

- **instructed** and **authorised** HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies(including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- **instructed** and **authorised** HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum of 2,000 Public Offer Shares. Instructions for more than 2,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

- Wednesday, 31 December 2014 – 9:00 a.m. to 8:30 p.m. [1]
- Friday, 2 January 2015 – 8:00 a.m. to 8:30 p.m. [1]
- Saturday, 3 January 2015 – 8:00 a.m. to 1:00 p.m. [1]
- Monday, 5 January 2015 – 8:00 a.m. to 8:30 p.m. [1]
- Tuesday, 6 January 2015 – 8:00 a.m. [1] to 12:00 noon.

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Wednesday, 31 December 2014 until 12:00 noon on Tuesday, 6 January 2015 (24 hours daily, except on the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Tuesday, 6 January 2015, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving bankers, the Sole Bookrunner, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Public Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon, on Tuesday, 6 January 2015.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or through **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of our Company;
- control more than half of the voting power of our Company; or
- hold more than half of the issued share capital of our Company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 2,000 Public Offer Shares. Each application or electronic application instruction in respect of more than 2,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.hkeipo.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed "Structure of the Share Offer".

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 6 January 2015. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Tuesday, 6 January 2015 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable", an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Wednesday, 14 January 2015 in South China Morning Post (in English) and Hong Kong Economics Times (in Chinese) on our Company's website at **www.targetins.com.hk** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at **www.targetins.com.hk** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Wednesday, 14 January 2015;
- from the designated results of allocations website at **www.tricor.com.hk/ipo/result** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Wednesday, 14 January 2015 to 12:00 midnight on Tuesday, 20 January 2015;
- by telephone enquiry line by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Wednesday, 14 January 2015 to Monday, 19 January 2015 on a business day;
- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, 14 January 2015 to Friday, 16 January 2015 at all the designated receiving bank branches and sub-branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed "Structure of the Share Offer".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving electronic application instructions to HKSCC or to **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Sole Bookrunner, the Joint Lead Managers, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your electronic application instructions through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company, the Sole Bookrunner or the Joint Lead Managers believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Public Offer Shares initially offered under the Public Offer.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK$1.80 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with "Structure of the Share Offer - Conditions of the Share Offer" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Wednesday, 14 January 2015.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by electronic application instructions to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on Wednesday, 14 January 2015. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Thursday, 15 January 2015 provided that the Share Offer has become unconditional and the right of termination described in the "Underwriting" section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a* WHITE *Application Form

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 14 January 2015 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Wednesday, 14 January 2015, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Wednesday, 14 January 2015, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Wednesday, 14 January 2015, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- **If you apply through a designated CCASS participant (other than a CCASS investor participant)**

  For Public Offer shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

- **If you are applying as a CCASS investor participant**

  Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 14 January 2015 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the* HK eIPO White Form *service

If you apply for 1,000,000 Public Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 14 January 2015, or such other date as notified by our Company in the newspapers as the date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Wednesday, 14 January 2015 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-auto refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, 14 January 2015, or, on any other date determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in "Publication of Results" above on Wednesday, 14 January 2015. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 14 January 2015 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, 14 January 2015. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, 14 January 2015.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

MAZARS CPA LIMITED
瑪澤會計師事務所有限公司
42nd Floor, Central Plaza
18 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道18號中環廣場42樓

31 December 2014

The Directors
Target Insurance (Holdings) Limited
CLC International Limited

Dear Sirs,

We set out below our report on the financial information of Target Insurance (Holdings) Limited (the "Company") and its subsidiary (hereinafter collectively referred to as the "Group"), which comprises the combined statements of financial position of the Group as at 31 December 2011, 2012 and 2013, and 30 June 2014, and the combined income statements, the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for each of the years ended 31 December 2011, 2012 and 2013, and the six months ended 30 June 2014 (the "Track Record Period"), and a summary of significant accounting policies and other explanatory information thereto (the "Financial Information"), prepared on the basis of preparation set out in Note 2 of Section II below, for inclusion in the prospectus of the Company dated 31 December 2014 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated in Hong Kong with limited liability on 28 August 2014 under the Hong Kong Companies Ordinance (Cap. 622). Pursuant to a group reorganisation as detailed in the paragraph headed "Corporate Reorganisation" in Appendix V to the Prospectus (the "Reorganisation"), which was completed on 1 December 2014, the Company became the holding company of the subsidiary now comprising the Group. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, no audited financial statements have been prepared for the Company as it has not been involved in any significant business transactions since its incorporation other than the Reorganisation.

As at the end of each of the Track Record Period, the Company has direct interest in its subsidiary, Target Insurance Company, Limited ("Target"). All companies comprising the Group have adopted 31 December as their financial year end date. The statutory financial statements of Target were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). We have acted as the auditor of Target throughout the Track Record Period.

For the purpose of this report, the directors of the Company have prepared the combined financial statements of the Group (the "Underlying Financial Statements") in accordance with HKFRSs issued by the HKICPA. The Underlying Financial Statements for the Track Record Period were audited by us in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. The Financial Information set out in this report has been prepared based on the Underlying Financial Statements after making such adjustments as we consider appropriate for the purpose of preparing our report for inclusion in the Prospectus and in accordance with Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), which requires compliance with the predecessor Hong Kong Companies Ordinance (Cap. 32) and applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with HKFRSs issued by the HKICPA, Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), which requires compliance with the predecessor Hong Kong Companies Ordinance (Cap. 32) and applicable disclosure provisions of the Listing Rules, and for such internal control as the directors determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to form an opinion on the Financial Information and to report our opinion to you. We have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA. We have not audited any financial statements of the Company, its subsidiary or the Group in accordance with HKFRSs and the Hong Kong Companies Ordinance (Cap. 622) in respect of any period subsequent to 30 June 2014.

OPINION

In our opinion, the Financial Information gives, for the purpose of this report and on the basis of presentation set out in Note 2 of Section II below, a true and fair view of the state of affairs of the Group as at 31 December 2011, 2012 and 2013, and 30 June 2014 and of the Group's combined results and cash flows for each of the Track Record Period.

REVIEW OF INTERIM COMPARATIVE FINANCIAL INFORMATION

For the purpose of this report, we have also reviewed the unaudited financial information of the Group comprising the combined income statement, the combined statement of comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the six months ended 30 June 2013 together with the notes thereto (the "Interim Comparative Financial Information") in accordance with Hong Kong Standard on Review Engagements 2410 "Review on Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

The directors of the Company are responsible for the preparation of the Interim Comparative Financial Information in accordance with the same basis adopted in respect of the Financial Information as set out in Note 2 of Section II below. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with HKSAs and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Interim Comparative Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information is not prepared, in all material aspects, in accordance with the same basis adopted in respect of the Financial Information with the accounting policies set out in Note 2 of Section II below.

I. FINANCIAL INFORMATION

Combined income statements

		Year ended 31 December			Six months ended 30 June	
		2011	2012	2013	2013	2014
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Unaudited)	
Net insurance premium revenue	*4*	285,273	260,411	271,715	135,895	141,473
Investment income	*5*	15,227	17,550	21,061	8,672	9,948
Other income	*6*	1,148	958	863	421	468
Net income		301,648	278,919	293,639	144,988	151,889
Net insurance claims and loss adjustment expenses	*7*	(209,249)	(198,030)	(178,021)	(78,468)	(80,798)
Acquisition costs and other underwriting expenses, net	*8*	(27,139)	(29,616)	(32,817)	(16,466)	(16,424)
Employee benefit expenses	*9*	(12,563)	(14,562)	(15,248)	(8,181)	(8,568)
Other operating expenses		(7,497)	(11,944)	(11,259)	(6,208)	(4,582)
Expenses		(256,448)	(254,152)	(237,345)	(109,323)	(110,372)
Profit before tax	*9*	45,200	24,767	56,294	35,665	41,517
Income tax expense	*12*	(3,080)	(2,432)	(7,817)	(4,927)	(4,918)
Profit for the year/period		42,120	22,335	48,477	30,738	36,599
Earnings per share						
Basic and diluted	*14*	8.42 cents	4.47 cents	9.70 cents	6.15 cents	7.32 cents

Combined statements of comprehensive income

	Year ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Profit for the year/period	42,120	22,335	48,477	30,738	36,599
Other comprehensive (loss) income					
Item that was or may be reclassified subsequently to profit or loss:					
Available-for-sale financial assets					
(Losses) Gains arising during the year/period	(19,395)	15,457	1,908	(4,116)	(2,859)
Add: Reclassification of net changes in fair value to profit or loss	4,668	106	(341)	(38)	(1,001)
Net movement in fair value reserve of available-for-sale financial assets	(14,727)	15,563	1,567	(4,154)	(3,860)
Total comprehensive income for the year/period	27,393	37,898	50,044	26,584	32,739

Combined statements of financial position

	Note	As at 31 December 2011 HK$'000	As at 31 December 2012 HK$'000	As at 31 December 2013 HK$'000	As at 30 June 2014 HK$'000
ASSETS					
Property, plant and equipment	16	2,361	2,269	1,569	1,241
Available-for-sale financial assets	17	85,496	86,912	273,029	284,616
Insurance and other receivables	18	62,975	62,499	67,133	66,785
Reinsurance assets	19	127,261	134,054	82,621	84,864
Deferred acquisition costs	20	14,668	17,413	17,132	16,621
Tax recoverable		3,342	910	–	–
Statutory deposit	21	100,000	100,000	100,000	100,000
Time deposits with original maturity over 3 months	21	31,034	31,514	–	57,503
Bank balances and cash	21	452,107	576,063	430,374	397,502
TOTAL ASSETS		879,244	1,011,634	971,858	1,009,132
LIABILITIES					
Insurance liabilities	19	713,600	808,886	752,289	747,308
Reinsurance premium payable		9,942	9,065	10,622	5,451
Insurance and other payables	22	7,959	8,042	7,730	7,445
Taxation		–	–	496	5,414
Bank overdrafts		–	–	5,036	15,090
TOTAL LIABILITIES		731,501	825,993	776,173	780,708
EQUITY					
Share capital	23	100,000	150,000	150,000	150,000
Other reserves	24	(12,858)	2,705	4,272	412
Retained earnings		60,601	32,936	41,413	78,012
TOTAL EQUITY		147,743	185,641	195,685	228,424
TOTAL LIABILITIES AND EQUITY		879,244	1,011,634	971,858	1,009,132

Combined statements of changes in equity

		Other reserves			
	Share capital HK$'000 Note 23	Property revaluation reserve HK$'000	Available-for-sale investment reserve HK$'000 Note 24	Retained earnings HK$'000	Total HK$'000
At 1 January 2011	100,000	7,827	1,869	45,654	155,350
Profit for the year	–	–	–	42,120	42,120
Other comprehensive loss Net movement in fair value reserve of available-for-sale financial assets	–	–	(14,727)	–	(14,727)
Total comprehensive income for the year	–	–	(14,727)	42,120	27,393
Transfer between reserves: Transfer of realised gain upon disposal of investment property	–	(7,827)	–	7,827	–
Transactions with equity owners: Dividends *(Note 13)*	–	–	–	(35,000)	(35,000)
At 31 December 2011	**100,000**	**–**	**(12,858)**	**60,601**	**147,743**
At 1 January 2012	100,000	–	(12,858)	60,601	147,743
Profit for the year	–	–	–	22,335	22,335
Other comprehensive income Net movement in fair value reserve of available-for-sale financial assets	–	–	15,563	–	15,563
Total comprehensive income for the year	–	–	15,563	22,335	37,898
Transactions between reserves: Capitalization issue	50,000	–	–	(50,000)	–
At 31 December 2012	**150,000**	**–**	**2,705**	**32,936**	**185,641**
At 1 January 2013	150,000	–	2,705	32,936	185,641
Profit for the year	–	–	–	48,477	48,477
Other comprehensive income Net movement in fair value reserve of available-for-sale financial assets	–	–	1,567	–	1,567
Total comprehensive income for the year	–	–	1,567	48,477	50,044
Transactions with equity owners: Dividends *(Note 13)*	–	–	–	(40,000)	(40,000)
At 31 December 2013	**150,000**	**–**	**4,272**	**41,413**	**195,685**

Combined statements of changes in equity *(Continued)*

		Other reserves			
	Share capital *HK$'000* *Note 23*	**Property revaluation reserve** *HK$'000*	**Available-for-sale investment reserve** *HK$'000* *Note 24*	**Retained earnings** *HK$'000*	**Total** *HK$'000*
Six months ended 30 June 2013 (Unaudited)					
At 1 January 2013	150,000	–	2,705	32,936	185,641
Profit for the period	–	–	–	30,738	30,738
Other comprehensive loss					
Net movement in fair value reserve of available-for-sale financial assets	–	–	(4,154)	–	(4,154)
Total comprehensive income for the period	–	–	(4,154)	30,738	26,584
Transactions with equity owners:					
Dividends *(Note 13)*	–	–	–	(25,000)	(25,000)
At 30 June 2013	**150,000**	**–**	**(1,449)**	**38,674**	**187,225**
Six months ended 30 June 2014					
At 1 January 2014	150,000	–	4,272	41,413	195,685
Profit for the period	–	–	–	36,599	36,599
Other comprehensive loss					
Net movement in fair value reserve of available-for-sale financial assets	–	–	(3,860)	–	(3,860)
Total comprehensive income for the period	–	–	(3,860)	36,599	32,739
At 30 June 2014	**150,000**	**–**	**412**	**78,012**	**228,424**

Combined statements of cash flows

		Year ended 31 December			Six months ended 30 June	
		2011	2012	2013	2013	2014
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
OPERATING ACTIVITIES						
Cash generated from operations	25	101,236	95,359	29,787	9,086	17,512
Income tax paid		(7,359)	–	(6,411)	(2,267)	–
Net cash from operating activities		93,877	95,359	23,376	6,819	17,512
INVESTING ACTIVITIES						
Interest received		10,263	14,468	17,475	7,094	10,320
Dividend received from available-for sale financial assets		1,734	1,141	1,153	796	1,225
Proceeds from disposal of available-for-sale financial assets		72,928	21,009	17,963	4,569	46,294
Purchase of available-for-sale financial assets		(117,204)	(6,968)	(202,172)	(84,427)	(60,740)
Proceeds from disposal of investment properties		16,859	–	–	–	–
Purchase of property, plant and equipment		(709)	(573)	(34)	(13)	(34)
Withdrawal of pledged time deposits		24,500	–	–	–	–
Withdrawal of time deposits with original maturity over 3 months		313,277	131,034	131,514	131,514	100,000
Placement of time deposits with original maturity over 3 months		(161,034)	(131,514)	(100,000)	(141,538)	(157,503)
Net cash from (used in) investing activities		160,614	28,597	(134,101)	(82,005)	(60,438)
FINANCING ACTIVITIES						
Dividends paid		(35,000)	–	(40,000)	–	–
Net cash used in financing activities		(35,000)	–	(40,000)	–	–
Net increase (decrease) in cash and cash equivalents		219,491	123,956	(150,725)	(75,186)	(42,926)
Cash and cash equivalents at beginning of year/period		232,616	452,107	576,063	576,063	425,338
Cash and cash equivalents at end of year/period		452,107	576,063	425,338	500,877	382,412
Analysis of balances of cash and cash equivalents						
Bank balances and cash	21	452,107	576,063	430,374	500,877	397,502
Bank overdrafts		–	–	(5,036)	–	(15,090)
		452,107	576,063	425,338	500,877	382,412

II. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION AND REORGANISATION

Target Insurance (Holdings) Limited (the "Company") was incorporated in Hong Kong with limited liability on 28 August 2014 under the Hong Kong Companies Ordinance (Cap. 622). The registered office of the Company is situated at Units 1708-1710, 17/F, Miramar Tower, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong. The principal activity of the Company is investment holding. During the Track Record Period, the Company and its subsidiary now comprising the Group is principally engaged in writing of motor insurance business in Hong Kong.

Pursuant to a group reorganisation (the "Reorganisation") as detailed in the paragraph headed "Corporate Reorganisation" in Appendix V to the Prospectus, which was completed on 1 December 2014, the Company has carried out transactions in preparation for the listing of the Company's Share on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Upon completion of the Reorganisation, the Company became the holding company of Target Insurance Company, Limited ("Target") (referred to collectively with the Company as the "Group").

As at the date of this report, the Company has direct interest in 100% of the issued ordinary share capital of Target, a company engaged in writing of motor insurance business which was incorporated in Hong Kong on 19 August 1977.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

For the purpose of this report, the Financial Information has been prepared using the principles of merger accounting under the Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as if the Reorganisation has been completed at the beginning of the Track Record Period.

The combined income statements, the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for the Track Record Period include the results of operations of the companies comprising the Group for each of the Track Record Period. The combined statements of financial position of the Group as at 31 December 2011, 2012 and 2013, and 30 June 2014 have been prepared to present the state of affairs of the companies comprising the Group at the respective dates as if the Reorganisation was completed at the beginning of the Track Record Period.

The net assets of the companies comprising the Group are combined using the existing book values from the controlling parties' perspective. No adjustments are made to reflect fair values, or recognize any new assets or liabilities as a result of the Reorganisation.

Intra-group balances and transactions have been eliminated in full in preparing the Financial Information.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

Basis of preparation

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the provisions of the Hong Kong Companies Ordinance applicable to insurance companies. In addition, the Financial Information comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

For the purpose of preparing this Financial Information, the Group has adopted throughout the Track Record Period all the new and revised HKFRSs that became effective during the Track Record Period.

The Financial Information is presented in thousands of Hong Kong Dollars ("HK$'000"), which is the functional and reporting currency of the Group and its subsidiary.

A summary of the principal accounting policies adopted by the Group is set out below.

Basis of measurement

The measurement basis used in the preparation of the Financial Information is historical cost, except for available-for-sale financial assets which are measured at fair value as explained in the principal accounting policies set out below.

Subsidiaries

A subsidiary is an entity that is controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to the profit or loss during the year/period in which they are incurred.

Depreciation is provided to write off the cost or valuation less accumulated impairment losses of property, plant and equipment over their estimated useful lives from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method, at the following rates. Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis and depreciated separately.

Furniture and fixtures	15% per annum
Leasehold improvements	20% per annum
Motor vehicle	20% per annum

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year/period in which the item is derecognized.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

Investment properties

Investment properties are land and building that are held by owner or lessee under finance lease, to earn rental income and/or for capital appreciation. These include properties held for a currently undetermined future use and properties that are held under operating lease, which satisfy the definition of investment property and carry at fair value.

Investment properties are stated at fair value at the end of the reporting period. Any gain or loss arising from a change in fair value is recognized in profit or loss. The fair value of investment property is based on a valuation by an independent valuer who holds a recognized professional qualification and has recent experience in the location and category of property being valued. The fair value is based on market value, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties have each acted knowledgeably, prudently and without compulsion.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year/period in which the item is derecognized.

Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognized when and only when (i) the Group's contractual rights to future cash flows from the financial asset expire or (ii) the Group transfers the financial asset and either (a) the Group transfers substantially all the risks and rewards of ownership of the financial asset, or (b) the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset. A financial liability is derecognized only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

Classification and measurement

Financial assets and financial liabilities are initially recognized at their fair value plus, in the case of financial assets or financial liabilities not carried at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities.

1) Loans and receivables

Loans and receivables including insurance and other receivables, statutory deposit, time deposits and bank balances and cash are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. They are measured at amortised cost using the effective interest method, except where receivables are interest-free loans and without any fixed repayment term or the effect of discounting would be insignificant. In such case, the receivables are stated at cost less impairment loss. Amortised cost is calculated by taking into account any discount or premium on acquisition over the period to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognized in profit or loss.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

Financial instruments *(Continued)*

2) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated at this category or not classified in any of the other categories of financial assets. They are measured at fair value with changes in value recognized as a separate component of equity until the assets are sold, collected or otherwise disposed of, or until the assets are determined to be impaired, at which time the cumulative gain or loss previously reported in other comprehensive income shall be reclassified to profit or loss as a reclassification adjustment.

3) Financial liabilities

The Group's financial liabilities include insurance and other payables and bank overdrafts. All financial liabilities except for derivatives are recognized initially at their fair value and subsequently measured at amortised cost, using effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Impairment of financial assets

At the end of each of the Track Record Period, the Group assesses whether there is objective evidence that financial assets are impaired. The impairment loss of financial assets carried at amortised cost is measured as the difference between the assets' carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate. Such impairment loss is reversed in subsequent periods through profit or loss when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognized, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognized.

When an available-for-sale financial asset is impaired, a cumulative loss comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and current fair value, less any previously recognized impairment loss in profit or loss, is reclassified from equity to profit or loss as a reclassification adjustment. Impairment losses recognized in profit or loss in respect of available-for-sale equity instrument are not reversed through profit or loss. Any subsequent increase in fair value of available-for-sale equity instrument after recognition of impairment loss is recognized in equity. Reversal of impairment loss of available-for-sale debt instruments are reversed through profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

Impairment of non-financial assets

At the end of each of the Track Record Period, the Group reviews internal and external sources of information to determine whether its property, plant and equipment and other assets have suffered an impairment loss, or whether an impairment loss previously recognized no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its net realisable value and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

Impairment of non-financial assets *(Continued)*

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognized in prior years. Reversal of impairment loss is recognized as income immediately.

Cash equivalents

For the purpose of the combined statements of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts.

Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably and on the following basis:

Premiums on insurance policies are recognized as revenue on the basis set out below in Insurance contracts section.

Interest income from financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income from investments is recognized when the Group's rights to receive payment have been established.

Underwriting results

The underwriting results are recognized on an annual accounting basis.

Insurance contracts

Insurance contracts are defined as those contracts that transfer significant insurance risk at the inception of the contracts, or those where at the inception of the contract there is a scenario with commercial substance where the level of insurance risk may be significant. The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect.

(a) Recognition and measurement

Gross premiums written are recognized when insurance contracts are written. Premiums are recognized as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the end of the reporting period is reported as the unearned premium liability. Premiums are shown before deduction of commission and other underwriting expenses and are gross of any taxes or duties levied on premiums.

Claims and loss adjustment expenses are charged to profit or loss as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the end of the reporting period even if they have not yet been reported to the Group. The Group does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Group and statistical analyses for the claims incurred but not reported, and the estimated expected ultimate cost of more complex claims.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

Insurance contracts *(Continued)*

(b) Deferred acquisition costs ("DAC")

Commissions and other underwriting expenses that vary with and are related to securing new insurance contracts and renewing existing insurance contracts are capitalized as DAC. All other costs are recognized as expenses when incurred. The DAC is amortised over the terms of the policies as premium is earned.

(c) Reinsurance contracts held

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets.

The benefits to which the Group is entitled under its reinsurance contracts held are recognized as reinsurance assets. These assets consist of short-term and long-term receivables that are dependent on the expected claims and reinsurance recoveries arising under the insurance contracts and the related reinsurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract.

The Group assesses its reinsurance assets for impairment on an annual basis or when indication of impairment arises. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes that impairment loss in the profit or loss. The Group gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is also calculated following the same method used for these financial assets.

(d) Provision for unexpired risk

At the end of each of the Track Record Period, liability adequacy tests are performed to ensure the adequacy of the unexpired insurance contract liabilities net of related DAC assets. In performing these tests, current best estimates of future contractual cash flow and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to profit or loss by establishing a provision for losses arising from the unexpired risk.

(e) Unearned premiums

Unearned premiums represent the proportion of gross premiums applicable to the unexpired period of the policy term. Unearned premiums are calculated by bi-monthly pro rata method on premiums written without deducting the policy acquisition costs for the year/period.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

Insurance contracts *(Continued)*

(f) Outstanding claims

Full provision is made for the estimated gross cost of claims notified but not settled on a case-by-case basis including those incurred but not reported at the end of each of the Track Record Period using the best information available at that time, including inflation where necessary.

Cost of claims includes claims handling expenses and reinsurance recoveries which would take a long time to finalise. Reinsurance recovery on reported outstanding claims is also calculated on a case-by-case basis. Any differences between the original claim provisions and subsequent settlements are included in the profit or loss.

Provision is also made for any potential claims incurred but not reported at the end of each of the Track Record Period in accordance with management experience of claim development history, including an estimate of reinsurance recoveries due. Provision would be adjusted, if necessary, after considering independent actuarial review of motor insurance liabilities as at the end of each of the Track Record Period. Claims are not discounted.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of obligation can be made. Expenditures for which a provision has been recognized are charged against the related provision in the year/period in which the expenditures are incurred. Provisions are reviewed at the end of each of the Track Record Period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditures expected to be required to settle the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

Foreign currency translation

Items included in the Financial Information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year/period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss. Foreign exchange gains and losses resulting from the retranslation of non-monetary items carried at fair value are recognized in profit or loss except for those arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in equity, in which cases, the gains or losses are also recognized directly in equity.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

Lease incentives are recognized in profit or loss as an integral part of the net consideration agreed for the use of the leased asset. Contingent rentals are recognized as expenses in the accounting period in which they are incurred.

Dividend distribution

Dividend distribution to the then equity owners of the companies comprising the Group is recognized as a liability in the Group's Financial Information in the period in which the dividends are approved by the then equity owners.

Employee benefits

Short term employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year/period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Defined contribution plans

The obligations for contributions to defined contribution retirement scheme which are made based on a percentage of the employees' basic salaries are recognized as an expense in the combined income statements as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The assets of the scheme are held separately from those of the Group in an independently administered fund.

Taxation

The charge for current income tax is based on the results for the year/period as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the end of each of the Track Record Period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Track Record Period between the tax bases of assets and liabilities and their carrying amounts in the Financial Information.

The deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of each of the Track Record Period. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

Related parties

A related party is a person or entity that is related to the Group.

(a) A person or a close member of that person's family is related to a the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group.

(b) A entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependants of that person or that person's spouse or domestic partner.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Company's executive directors, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the chief operating decision-makers that make strategic decisions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Critical accounting estimates and judgments

Estimates and assumptions concerning the future and judgments are made by the management in the preparation of the Financial Information. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognized in the period of revision and future periods, in case the revision also affects future periods.

(a) The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the Group's most critical accounting estimate. There are sources of uncertainty that need to be considered in the estimate of the liability that the Group will ultimately pay for such claims. Estimation of the ultimate cost of certain liability claims can be a complex process. Significant factors affecting the trends that influence the liability estimation process are the inconsistent court resolutions and jurisprudence. These factors have broadened the intent and scope coverage of the protections offered in the insurance contracts issued by the Group. Sources of uncertainty in the estimation of future claim payments are further explained in note 28(ii) under section "Insurance Risk" to the Financial Information. The Group believes that the liability for liability claims carried at the end of each of the Track Record Period is adequate.

(b) Impairment of reinsurance assets

The Group performs an impairment review on its reinsurance assets when an indication of impairment occurs. In considering whether a reinsurance asset is impaired, the Group considers whether (i) there is objective evidence, as a result of an event that occurred after initial recognition of the reinsurance asset, that the Group may not be able to receive all amounts due under the terms of the contract; and (ii) the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer.

(c) Allowance for bad and doubtful debts

The provisioning policy for bad and doubtful debts of the Group is based on the evaluation by management of the collectability of the insurance receivables. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including assessing the current creditworthiness and the past collection history of each intermediary. If the financial conditions of these intermediaries were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance will be required. At 31 December 2011, 2012 and 2013, and 30 June 2014, the carrying amounts of insurance receivables after provision for impairment amounted to HK$44,118,000, HK$43,993,000, HK$48,349,000 and HK$49,810,000 respectively.

(d) Impairment of available-for-sale financial assets

The Group determines that available-for-sale financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Group evaluates among other factors, the duration and extent to which the fair value of an investment is less than its cost, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flow. Impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and financing and operational cash flows.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

Future changes in HKFRSs

The following are standards and amendments to existing standards that have been published and are relevant and mandatory for the Group's accounting periods beginning on or after 1 July 2014 or later periods, but have not been early adopted by the Group.

		Effective for annual periods beginning on or after
Annual Improvements 2010-2012 Cycle	Several HKFRS standards	1 July 2014
Annual improvements 2011-2013 Cycle	Several HKFRS standards	1 July 2014
HKAS 19 (Amendment)	Defined Benefit Plans: Employee Contributions	1 July 2014
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
HKFRS 15	Revenue from Contracts with Customers	1 January 2017
HKFRS 9	Financial Instruments	1 January 2018

The directors are in the process of assessing the possible impact on the future adoption of these new/revised HKFRSs, but not yet in a position to reasonably estimate their impact on the Group's results and financial position.

3. SEGMENT INFORMATION

The Group is principally engaged in the writing of motor insurance business. Segment information has been identified on the basis of internal management reports which are prepared in accordance with the accounting policies that conform with HKFRSs, that are regularly reviewed by the chief operating decision-maker in order to allocate resources to the reportable segments and to assess their performance.

Reportable segments

For the purpose of resources allocation and performance assessment, the chief operating decision-maker reviews operating results by types of motor vehicles as follows.

- Taxi
- Public Light Bus ("PLB")
- Other motor vehicles

Segment assets include insurance receivables, reinsurance assets and deferred acquisition costs. Segment liabilities include insurance payables, insurance liabilities and reinsurance premium payables. Those assets and liabilities not allocated to reportable segments are grouped in unallocated assets and unallocated liabilities respectively.

Revenue and expenses allocated to the reportable segments include premium revenue and claims recovery generated by the segment and claims related expenses and commission expenses incurred by the segment respectively.

Geographical information

Geographical information is not presented as all of the Group's customers, operations and assets and liabilities are located in Hong Kong.

Information about major customers

During the Track Record Period, no direct written premium from transactions with a single external customer amounted to 10% or more of the Group's total direct written premium.

3. **SEGMENT INFORMATION** *(Continued)*

For the year ended 31 December 2011

	Taxi *HK$'000*	**PLB** *HK$'000*	**Other motor vehicles** *HK$'000*	**Combined** *HK$'000*
Net insurance premium revenue	176,346	93,429	15,498	285,273
Net insurance claims and loss adjustment expenses	(127,152)	(68,044)	(14,053)	(209,249)
Acquisition costs and other underwriting expenses, net	(14,753)	(7,425)	(4,961)	(27,139)
Segment results	34,441	17,960	(3,516)	48,885
Unallocated investment income and other income				16,375
Unallocated corporate expenses				(20,060)
Profit before tax				45,200
Income tax expense				(3,080)
Profit for the year				42,120
Assets				
Segment assets	77,636	99,061	19,576	196,273
Unallocated assets				682,971
Total assets				879,244
Liabilities				
Segment liabilities	402,849	273,666	51,079	727,594
Unallocated liabilities				3,907
Total liabilities				731,501
Other information				
Interest income from bank deposits				6,838
Interest income from available-for-sale financial assets				3,425
Dividend income from available-for-sale financial assets				1,734
Gain on disposal of investment properties				4,859
Loss on disposal of available-for-sale financial assets				4,668
Depreciation				618

3. **SEGMENT INFORMATION** *(Continued)*

For the year ended 31 December 2012

	Taxi	**PLB**	**Other motor vehicles**	**Combined**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Net insurance premium revenue	143,453	80,374	36,584	260,411
Net insurance claims and loss adjustment expenses	(135,036)	(37,388)	(25,606)	(198,030)
Acquisition costs and other underwriting expenses, net	(12,148)	(6,412)	(11,056)	(29,616)
Segment results	(3,731)	36,574	(78)	32,765
Unallocated investment income and other income				18,508
Unallocated corporate expenses				(26,506)
Profit before tax				24,767
Income tax expense				(2,432)
Profit for the year				22,335
Assets				
Segment assets	108,023	69,026	25,977	203,026
Unallocated assets				808,608
Total assets				1,011,634
Liabilities				
Segment liabilities	489,847	248,280	83,910	822,037
Unallocated liabilities				3,956
Total liabilities				825,993
Other information				
Interest income from bank deposits				10,582
Interest income from available-for-sale financial assets				3,886
Dividend income from available-for-sale financial assets				1,141
Loss on disposal of available-for-sale financial assets				106
Write-off of capitalized expenses				2,203
Depreciation				663

3. **SEGMENT INFORMATION** *(Continued)*

For the year ended 31 December 2013

	Taxi *HK$'000*	**PLB** *HK$'000*	**Other motor vehicles** *HK$'000*	**Combined** *HK$'000*
Net insurance premium revenue	140,939	80,722	50,054	271,715
Net insurance claims and loss adjustment expenses	(109,050)	(28,729)	(40,242)	(178,021)
Acquisition costs and other underwriting expenses, net	(12,049)	(6,432)	(14,336)	(32,817)
Segment results	19,840	45,561	(4,524)	60,877
Unallocated investment income and other income				21,924
Unallocated corporate expenses				(26,507)
Profit before tax				56,294
Income tax expense				(7,817)
Profit for the year				48,477
Assets				
Segment assets	82,448	52,233	26,735	161,416
Unallocated assets				810,442
Total assets				971,858
Liabilities				
Segment liabilities	443,721	218,271	105,193	767,185
Unallocated liabilities				8,988
Total liabilities				776,173
Other information				
Interest income from bank deposits				9,890
Interest income from available-for-sale financial assets				7,585
Dividend income from available-for-sale financial assets				1,153
Gain on disposal of available-for-sale financial assets				341
Write-off of capitalized expenses				1,509
Depreciation				720

3. **SEGMENT INFORMATION** *(Continued)*

For the six months ended 30 June 2013 (Unaudited)

	Taxi	PLB	Other motor vehicles	Combined
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Net insurance premium revenue	69,929	40,168	25,798	135,895
Net insurance claims and loss adjustment expenses	(51,794)	(9,596)	(17,078)	(78,468)
Acquisition costs and other underwriting expenses, net	(5,930)	(3,209)	(7,327)	(16,466)
Segment results	12,205	27,363	1,393	40,961
Unallocated investment income and other income				9,093
Unallocated corporate expenses				(14,389)
Profit before tax				35,665
Income tax expense				(4,927)
Profit for the period				30,738
Assets				
Segment assets	92,397	63,725	25,921	182,043
Unallocated assets				812,638
Total assets				994,681
Liabilities				
Segment liabilities	448,325	224,803	88,796	761,924
Unallocated liabilities				20,532
Total liabilities				782,456
Other information				
Interest income from bank deposits				5,005
Interest income from available-for-sale financial assets				2,089
Dividend income from available-for-sale financial assets				796
Gain on disposal of available-for-sale financial assets				38
Write-off of capitalized expenses				1,509
Depreciation				360

3. **SEGMENT INFORMATION** *(Continued)*

For the six months ended 30 June 2014

	Taxi	**PLB**	**Other motor vehicles**	**Combined**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Net insurance premium revenue	77,627	40,409	23,437	141,473
Net insurance claims and loss adjustment expenses	(51,994)	(14,409)	(14,395)	(80,798)
Acquisition costs and other underwriting expenses, net	(6,599)	(3,206)	(6,619)	(16,424)
Segment results	19,034	22,794	2,423	44,251
Unallocated investment income and other income				10,416
Unallocated corporate expenses				(13,150)
Profit before tax				41,517
Income tax expense				(4,918)
Profit for the period				36,599
Assets				
Segment assets	79,277	60,072	24,654	164,003
Unallocated assets				845,129
Total assets				1,009,132
Liabilities				
Segment liabilities	437,885	214,955	104,107	756,947
Unallocated liabilities				23,761
Total liabilities				780,708
Other information				
Interest income from bank deposits				4,764
Interest income from available-for-sale financial assets				5,556
Dividend income from available-for-sale financial assets				1,225
Gain on disposal of available-for-sale financial assets				1,001
Depreciation				361

4. NET INSURANCE PREMIUM REVENUE

	Year ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Gross premium written	311,675	307,720	319,759	151,703	162,601
Reinsurance premium ceded	(44,570)	(42,465)	(43,903)	(20,829)	(21,447)
Net premium written	267,105	265,255	275,856	130,874	141,154
Change in provision for unearned premium	18,168	(4,844)	(4,141)	5,021	319
Net insurance premium revenue	285,273	260,411	271,715	135,895	141,473

5. INVESTMENT INCOME

	Year ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Interest income from bank deposits	6,838	10,582	9,890	5,005	4,764
Interest income from available-for-sale financial assets	3,425	3,886	7,585	2,089	5,556
Dividend income from available-for-sale financial assets	1,734	1,141	1,153	796	1,225
(Loss) Gain on disposal of available-for-sale financial assets	(4,668)	(106)	341	38	1,001
Net foreign exchange gains (losses)	2,185	2,047	2,092	744	(2,598)
Rental income from investment properties	854	–	–	–	–
Gain on disposal of investment properties	4,859	–	–	–	–
Net investment income	15,227	17,550	21,061	8,672	9,948

6. OTHER INCOME

	Year ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Handling fee income	1,146	948	820	421	454
Others	2	10	43	–	14
	1,148	958	863	421	468

7. NET INSURANCE CLAIMS AND LOSS ADJUSTMENT EXPENSES

	Year ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Gross claims paid	117,270	139,154	219,267	117,644	96,229
Claims recovered	(21,469)	(24,773)	(31,941)	(14,657)	(8,526)
Net claims paid	95,801	114,381	187,326	102,987	87,703
Change in provision for gross outstanding claims and incurred but not reported claims ("IBNR")	150,552	90,442	(60,738)	(50,068)	(4,662)
Change in claims recoverable (including IBNR recoveries)	(37,104)	(6,793)	51,433	25,549	(2,243)
Change in net outstanding claims	113,448	83,649	(9,305)	(24,519)	(6,905)
Net insurance claims	209,249	198,030	178,021	78,468	80,798

8. ACQUISITION COSTS AND OTHER UNDERWRITING EXPENSES, NET

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Acquisition costs and other underwriting expenses					
Insurance commission	21,310	26,738	26,512	12,660	12,688
Other underwriting expenses	7,717	6,897	7,341	3,487	3,869
Change in deferred acquisition costs	(551)	(2,745)	281	944	511
Acquisition costs and other underwriting expenses, gross	28,476	30,890	34,134	17,091	17,068
Commission income					
Insurance commission from reinsurers	(1,337)	(1,274)	(1,317)	(625)	(644)
Acquisition costs and other underwriting expenses, net	27,139	29,616	32,817	16,466	16,424

9. PROFIT BEFORE TAX

This is stated after charging:

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Other items					
Employee benefit expenses					
Salaries, bonus and allowances	12,298	14,184	14,869	7,982	8,377
Contributions to defined contribution plan	265	378	379	199	191
	12,563	14,562	15,248	8,181	8,568
Auditor's remuneration	350	325	330	175	178
Depreciation	618	663	720	360	361
Loss on disposal of property, plant and equipment	–	2	14	4	1
Operating lease payments for premises	2,109	2,091	2,810	1,045	1,909
Write-off of capitalized expenses	–	2,203	1,509	1,509	–

10. DIRECTORS' EMOLUMENTS

Directors' remuneration for the Track Record Period, disclosed pursuant to the Listing Rules and Section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), which requires compliance with Section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	Year ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Directors' fees	400	440	480	240	240
Salaries and allowances	4,403	4,864	4,823	2,397	2,489
Discretionary bonus	329	371	371	371	652
Contributions to defined contribution plan	35	42	45	24	24
	5,167	5,717	5,719	3,032	3,405

The aggregate amounts of remuneration received and receivable from the Group by the directors of the Company during the Track Record Period are as follows:

Year ended 31 December 2011

	Directors' fees	**Salaries and allowances**	**Discretionary bonus**	**Contributions to defined contribution plan**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors					
Cheung Haywood	80	360	–	4	444
Choi Chiu Fai, Stanley	80	–	–	–	80
Chan Hok Ching	–	1,209	–	12	1,221
Chiu Sun Ting	80	780	120	–	980
Lai Bing Leung	80	780	120	7	987
Muk Wang Lit Jimmy	80	1,274	89	12	1,455
	400	4,403	329	35	5,167

10. DIRECTORS' EMOLUMENTS *(Continued)*

Year ended 31 December 2012

	Directors' fees	Salaries and allowances	Discretionary bonus	Contributions to defined contribution plan	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors					
Cheung Haywood	80	780	60	14	934
Choi Chiu Fai, Stanley	80	–	–	–	80
Chan Hok Ching	40	1,209	93	14	1,356
Chiu Sun Ting	80	780	60	–	920
Lai Bing Leung	80	780	60	–	920
Muk Wang Lit Jimmy	80	1,315	98	14	1,507
	440	4,864	371	42	5,717

Year ended 31 December 2013

	Directors' fees	Salaries and allowances	Discretionary bonus	Contributions to defined contribution plan	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors					
Cheung Haywood	80	780	60	15	935
Choi Chiu Fai, Stanley	80	–	–	–	80
Chan Hok Ching	80	1,209	93	15	1,397
Chiu Sun Ting	80	780	60	–	920
Lai Bing Leung	80	780	60	–	920
Muk Wang Lit Jimmy	80	1,274	98	15	1,467
	480	4,823	371	45	5,719

10. DIRECTORS' EMOLUMENTS *(Continued)*

Six months ended 30 June 2013 (Unaudited)

	Directors' fees	Salaries and allowances	Discretionary bonus	Contributions to defined contribution plan	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors					
Cheung Haywood	40	390	60	8	498
Choi Chiu Fai, Stanley	40	–	–	–	40
Chan Hok Ching	40	590	93	8	731
Chiu Sun Ting	40	390	60	–	490
Lai Bing Leung	40	390	60	–	490
Muk Wang Lit Jimmy	40	637	98	8	783
	240	2,397	371	24	3,032

Six months ended 30 June 2014

	Directors' fees	Salaries and allowances	Discretionary bonus	Contributions to defined contribution plan	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors					
Cheung Haywood	40	390	90	8	528
Choi Chiu Fai, Stanley	40	–	–	–	40
Chan Hok Ching	40	636	186	8	870
Chiu Sun Ting	40	390	90	–	520
Lai Bing Leung	40	390	90	–	520
Muk Wang Lit Jimmy	40	683	196	8	927
	240	2,489	652	24	3,405

During the Track Record Period, no emoluments were paid by the Group to any of these directors as an inducement to join or upon joining the Group or compensation for loss of office and, no director waived or has agreed to waive any emoluments.

11. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals included 4, 4, 4, 4 and 5 directors for the years ended 31 December 2011, 2012 and 2013 and for the six months ended 30 June 2013 and 2014 respectively, details of whose emoluments are included in the amounts disclosed in Note 10. The aggregate amounts of the emoluments of the remaining highest paid individuals for the years ended 31 December 2011, 2012 and 2013 and for the six months ended 30 June 2013 and 2014 respectively, are as follows:

	Year ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Salaries and allowances	1,131	1,131	1,131	565	–
Discretionary bonus	80	87	87	87	–
Contributions to defined contribution plan	12	14	15	8	–
	1,223	1,232	1,233	660	–

The number of these non-director individuals whose emoluments fell within the following emoluments band is as follows:

	Year ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013** (Unaudited)	**2014**
Nil to HK$1,000,000	–	–	–	–	–
HK$1,000,001-HK$1,500,000	1	1	1	1	–
	1	1	1	1	–

During the Track Record Period, no emoluments were paid by the Group to any of these non-director individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

12. INCOME TAX EXPENSE

The Company and its subsidiary, Target, are domiciled or operate in Hong Kong.

The Company and Target were subject to Hong Kong Profits Tax at a rate of 16.5% on the estimated assessable profits arising in Hong Kong during the Track Record Period.

12. **INCOME TAX EXPENSE** *(Continued)*

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Current tax					
Hong Kong Profits Tax					
Current year/period	3,080	2,432	7,817	4,927	5,359
Overprovision in prior year/period	–	–	–	–	(441)
	3,080	2,432	7,817	4,927	4,918

Reconciliation of tax expense

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Profit before tax	45,200	24,767	56,294	35,665	41,517
Income tax at applicable tax rates	7,458	4,087	9,288	5,884	6,850
Non-deductible expenses	7	371	260	254	–
Tax exempt revenue	(2,175)	(1,983)	(1,822)	(957)	(1,491)
Utilisation of previously unrecognized tax losses	(2,255)	–	–	–	–
Unrecognized temporary differences	41	(32)	96	48	41
Overprovision in prior year/period	–	–	–	–	(441)
Others	4	(11)	(5)	(302)	(41)
Tax expense for the year/period	3,080	2,432	7,817	4,927	4,918

13. DIVIDENDS

No dividend has been paid or declared by the Company since its date of incorporation.

Prior to the Reorganisation, Target declared dividends in aggregate amounts of HK$35,000,000, HK$40,000,000 and HK$25,000,000 to then equity owners for the years ended 31 December 2011 and 2013 and for the six months ended 30 June 2013 respectively.

The rates of dividends and the number of shares ranking for dividends are not presented as such information is not meaningful for the purpose of this report.

14. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share for each of the Track Record Period are based on the profit attributable to equity owners of the Company for each of the Track Record Period and on the assumption that 500,000,000 ordinary shares, comprising 375,000,000 ordinary shares issued as a result of the Reorganisation and 125,000,000 ordinary shares issued pursuant to the Share Offer, had been in issue and outstanding throughout the entire Track Record Period.

As there were no dilutive potential ordinary shares during the Track Record Period, diluted earnings per share was the same as basic earnings per share.

15. INVESTMENT PROPERTY

	As at 31 December			As at 30 June
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At fair value				
At beginning of the year/period	12,000	–	–	–
Disposal	(12,000)	–	–	–
At the end of the year/period	–	–	–	–

16. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures *HK$000*	Leasehold improvements *HK$'000*	Motor vehicle *HK$'000*	Total *HK$'000*
Reconciliation of carrying amount – year ended 31 December 2011				
At beginning of year	607	1,363	300	2,270
Additions	399	310	–	709
Depreciation	(169)	(374)	(75)	(618)
As at 31 December 2011	837	1,299	225	2,361
Reconciliation of carrying amount – year ended 31 December 2012				
At beginning of year	837	1,299	225	2,361
Additions	573	–	–	573
Disposal	(2)	–	–	(2)
Depreciation	(157)	(431)	(75)	(663)
As at 31 December 2012	1,251	868	150	2,269
Reconciliation of carrying amount – year ended 31 December 2013				
At beginning of year	1,251	868	150	2,269
Additions	34	–	–	34
Disposal	(14)	–	–	(14)
Depreciation	(242)	(403)	(75)	(720)
As at 31 December 2013	1,029	465	75	1,569
At 31 December 2011				
Cost	4,802	2,014	300	7,116
Accumulated depreciation	(3,965)	(715)	(75)	(4,755)
	837	1,299	225	2,361
At 31 December 2012				
Cost	5,369	2,014	300	7,683
Accumulated depreciation	(4,118)	(1,146)	(150)	(5,414)
	1,251	868	150	2,269
At 31 December 2013				
Cost	5,389	2,014	300	7,703
Accumulated depreciation	(4,360)	(1,549)	(225)	(6,134)
	1,029	465	75	1,569

16. **PROPERTY, PLANT AND EQUIPMENT** *(Continued)*

	Furniture and fixtures	Leasehold improvements	Motor vehicle	Total
	HK$000	*HK$'000*	*HK$'000*	*HK$'000*
Reconciliation of carrying amount – six months ended 30 June 2014				
At beginning of period	1,029	465	75	1,569
Additions	34	–	–	34
Disposal	(1)	–	–	(1)
Depreciation	(122)	(202)	(37)	(361)
As at 30 June 2014	940	263	38	1,241
At 30 June 2014				
Cost	5,422	2,014	300	7,736
Accumulated depreciation	(4,482)	(1,751)	(262)	(6,495)
	940	263	38	1,241

17. **AVAILABLE-FOR-SALE FINANCIAL ASSETS**

	As at 31 December			As at 30 June
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At fair value				
Equity securities				
Ordinary shares – listed in Hong Kong	31,562	32,846	47,649	69,307
Ordinary shares – listed outside Hong Kong	–	–	614	704
Preference shares – unlisted	6,439	–	–	–
Listed debt securities				
Bonds listed in Hong Kong	–	–	145,962	150,876
Unlisted debt securities				
Bonds and certificate of deposit with fixed maturity date	38,243	41,829	60,817	56,578
Bonds without fixed maturity date	9,252	12,237	17,987	7,151
	85,496	86,912	273,029	284,616

The fair values of the listed equity and debt securities are determined based on the quoted market bid price available on the Stock Exchange or relevant stock exchanges. The fair values of the unlisted equity securities and debt securities are determined with reference to over-the-counter quotations from brokers, bid prices from the Central Moneymarkets Unit ("CMU") of the Hong Kong Monetary Authority or Depository Trust Company.

18. INSURANCE AND OTHER RECEIVABLES

		As at 31 December			As at 30 June
		2011	2012	2013	2014
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Insurance receivables					
Premium receivables					
From third parties		39,963	43,386	47,689	49,169
From related parties		4,155	607	660	641
	18(a)	44,118	43,993	48,349	49,810
Claims recoverable from reinsurers and others	*18(b)*	10,226	7,566	13,314	12,708
		54,344	51,559	61,663	62,518
Other receivables					
Deposits, prepayments and other receivables		8,631	10,940	5,470	4,267
		62,975	62,499	67,133	66,785

18(a) Premium receivables

No credit term is given to direct policyholders. The credit periods granted to intermediaries range from 10 days to 90 days from the month end date of issuance of invoices. At the end of each of the Track Record Period, premium receivables from intermediaries were aged as follows:

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 30 days	20,258	19,127	21,041	23,115
31-60 days	17,783	17,945	18,693	17,643
61-90 days	6,077	6,904	8,615	9,052
Over 90 days	–	17	–	–
	44,118	43,993	48,349	49,810

The premium receivables from related parties are unsecured, interest-free and with credit periods of 10 days to 90 days. At the end of each of the Track Record Period, there was no provision made for non-repayment.

18. INSURANCE AND OTHER RECEIVABLES *(Continued)*

18(a) Premium receivables *(Continued)*

The aging of premium receivables which are past due but not impaired are as follows:

	As at 31 December			As at 30 June
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Balances exceed normal credit period				
Within 30 days	15,544	13,937	15,715	14,655
31-60 days	3,429	3,073	4,898	6,165
61-90 days	–	17	–	–
	18,973	17,027	20,613	20,820

The Group has established credit policies to manage the credit risk in respect of its premium receivables of each intermediary. The management has not fixed any criterion as to the credit periods granted to the intermediaries. Instead, the directors exercise their judgment on those factors such as business relationship, intermediaries' integrity, past records of default, industry and economic environment, etc to determine the amount of impairment losses.

Receivables that were neither past due nor impaired relate to a wide range of intermediaries for whom there was no recent history of default.

Included in the Group's receivables are receivables from intermediaries that were past due at the end of each of the Track Record Period but which the Group has not impaired as there has not been any significant changes in credit quality of these intermediaries and the directors believe that the amounts are fully recoverable. The Group does not hold any collateral over these balances.

18(b) Claims recoverable from reinsurers and others

Claims recoverable from reinsurers and others represent amounts due from reinsurers and third parties in respect of reinsurer's share of claims already paid by the Group, for whom there was no history of default. None of the claims recoverable are past due or impaired.

19. INSURANCE LIABILITIES AND REINSURANCE ASSETS

		As at 31 December			As at 30 June
		2011	**2012**	**2013**	**2014**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Gross					
Outstanding claims	*19(i)*	433,123	517,624	455,217	447,288
Claims incurred but not reported ("IBNR")	*19(i)*	127,689	133,630	135,299	138,566
Provision for unearned premium	*19(ii)*	152,788	157,632	161,773	161,454
Total gross insurance liabilities		713,600	808,886	752,289	747,308
Recoverable from reinsurers					
Claims reported and loss adjustment expenses	*19(i)*	73,007	72,357	42,377	41,239
Provision for IBNR recoveries	*19(i)*	54,254	61,697	40,244	43,625
Total insurance liabilities recoverable		127,261	134,054	82,621	84,864
Net					
Outstanding claims	*19(i)*	360,116	445,267	412,840	406,049
IBNR	*19(i)*	73,435	71,933	95,055	94,941
Provision for unearned premium	*19(ii)*	152,788	157,632	161,773	161,454
Total net insurance liabilities		586,339	674,832	669,668	662,444

None of the reinsurance assets are past due or impaired. The financial assets included in the reinsurance assets relate to receivables for which there was no recent history of default.

19. INSURANCE LIABILITIES AND REINSURANCE ASSETS *(Continued)*

(i) Analysis of movements in outstanding claims and IBNR is as follows:

	Insurance contract liabilities *HK$'000*	Reinsurers' share *HK$'000*	Net *HK$'000*
At 1 January 2011	410,260	(90,157)	320,103
Claims incurred	267,822	(58,573)	209,249
Claims paid	(117,270)	21,469	(95,801)
At 31 December 2011	560,812	(127,261)	433,551
Claims incurred	229,596	(31,566)	198,030
Claims paid	(139,154)	24,773	(114,381)
At 31 December 2012	651,254	(134,054)	517,200
Claims incurred	158,529	19,492	178,021
Claims paid	(219,267)	31,941	(187,326)
At 31 December 2013	590,516	(82,621)	507,895
Claims incurred	91,567	(10,769)	80,798
Claims paid	(96,229)	8,526	(87,703)
At 30 June 2014	585,854	(84,864)	500,990

(ii) Analysis of movements in provision for unearned premium is as follows:

	Insurance contract liabilities *HK$'000*	Reinsurers' share *HK$'000*	Net *HK$'000*
At 1 January 2011	170,956	–	170,956
Premium written	311,675	(44,570)	267,105
Premium earned	(329,843)	44,570	(285,273)
At 31 December 2011	152,788	–	152,788
Premium written	307,720	(42,465)	265,255
Premium earned	(302,876)	42,465	(260,411)
At 31 December 2012	157,632	–	157,632
Premium written	319,759	(43,903)	275,856
Premium earned	(315,618)	43,903	(271,715)
At 31 December 2013	161,773	–	161,773
Premium written	162,601	(21,447)	141,154
Premium earned	(162,920)	21,447	(141,473)
At 30 June 2014	161,454	–	161,454

20. DEFERRED ACQUISITION COSTS

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At beginning of the year/period	14,117	14,668	17,413	17,132
Acquisition costs and other underwriting expenses incurred during the year/period	27,690	32,361	32,536	15,913
Charged to income statement	(27,139)	(29,616)	(32,817)	(16,424)
At the end of the year/period	14,668	17,413	17,132	16,621

21. BANK BALANCES AND CASH AND BANK DEPOSITS

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank balances and cash				
Short-term time deposits (original maturity within 3 months)	421,179	557,099	429,747	396,936
Cash at banks and in hand	30,928	18,964	627	566
	452,107	576,063	430,374	397,502
Statutory deposit	100,000	100,000	100,000	100,000
Time deposits with original maturity over 3 months	31,034	31,514	–	57,503
	583,141	707,577	530,374	555,005

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods between 7 days to 6 months depending on the immediate cash requirement of the Group, and earn interest at the prevailing short-term deposit rates.

The Group had a time deposit of HK$100,000,000 throughout the Track Record Period with a licensed bank in Hong Kong held in the name of "Insurance Authority account Target Insurance Company, Limited" as a statutory deposit pursuant to the instruction given by the Insurance Authority under sections 35(1) and 35A of the Hong Kong Insurance Companies Ordinance. The time deposit can only be released with approval from the Insurance Authority.

Target has undertaken to maintain fixed deposits of not less than HK$330,000,000 with the banks in Hong Kong pursuant to the instruction given by the Insurance Authority throughout the Track Record Period.

22. INSURANCE AND OTHER PAYABLES

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Insurance payables				
Premium surcharge and other payables	4,052	4,086	4,274	4,188
Other payables				
Accruals and other payables	3,907	3,956	3,456	3,257
	7,959	8,042	7,730	7,445

23. SHARE CAPITAL

The Company was incorporated in Hong Kong with limited liability on 28 August 2014. Upon its incorporation, 1 ordinary share was issued and fully paid.

On 21 November 2012, retained earnings of Target of HK$50,000,000 were applied in paying up 500,000 ordinary shares of Target of HK$100 each which were allotted and distributed as fully paid to then equity owners in the proportion of one for every two ordinary shares of HK$100 then held.

For the purpose of the preparation of the Financial Information, the share capital disclosed above represents the issued share capital of the Company assuming that it has been incorporated throughout the Track Record Period.

Pursuant to the Reorganisation completed on 1 December 2014, the Company become the holding company comprising the Group. Further details of the changes in issued share capital of the Company since its incorporation are set out in the paragraph headed "Changes in the share capital of our Company" in the section headed "Further information about our Company" in Appendix V to this prospectus.

24. RESERVES

Available-for-sale investment reserve

Available-for-sale investment reserve has been set up and is dealt with in accordance with the accounting policies adopted for revaluation of available-for-sale financial assets, net of deferred tax if applicable.

Distributable reserves

At the end of each of the Track Record Period, Target's distributable reserves, including retained earnings in accordance with Part 6 of the Hong Kong Companies Ordinance (Cap. 622) amounted to HK$60,601,000, HK$32,936,000, HK$41,413,000 and HK$78,012,000 respectively.

25. CASH GENERATED FROM OPERATIONS

	Year ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Profit before tax	45,200	24,767	56,294	35,665	41,517
Depreciation	618	663	720	360	361
Loss on disposal of property, plant and equipment	–	2	14	4	1
Gain on disposal of investment properties	(4,859)	–	–	–	–
Loss (Gain) on disposal of available-for-sale financial assets	4,668	106	(341)	(38)	(1,001)
Dividend income from available-for-sale financial assets	(1,734)	(1,141)	(1,153)	(796)	(1,225)
Interest income from available-for-sale financial assets	(3,425)	(3,886)	(7,585)	(2,089)	(5,556)
Interest income from bank deposits	(6,838)	(10,582)	(9,890)	(5,005)	(4,764)
Write-off of capitalized expenses	–	2,203	1,509	1,509	–
Changes in working capital:					
Insurance and other receivables	(11,367)	(1,727)	(6,143)	(1,729)	348
Reinsurance assets	(37,104)	(6,793)	51,433	25,549	(2,243)
Deferred acquisition costs	(551)	(2,745)	281	944	511
Insurance liabilities	132,385	95,286	(56,597)	(55,089)	(4,981)
Reinsurance premium payables	(16,163)	(877)	1,557	(4,843)	(5,171)
Insurance and other payables	406	83	(312)	14,644	(285)
Cash generated from operations	101,236	95,359	29,787	9,086	17,512

26. OPERATING LEASE COMMITMENTS

The Group as the lessee

The Group leases its office premises under operating lease arrangements. Leases are negotiated for an average term of 3 years. The aggregate future minimum lease payments under non-cancellable operating leases which are payable as follows:

	As at 31 December			As at 30 June
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	2,091	1,219	3,818	3,818
In the second to fifth years inclusive	1,219	–	6,045	4,136
	3,310	1,219	9,863	7,954

27. RELATED PARTY TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in the Financial Information, during the Track Record Period, the Group had the following significant transactions with related parties:

		Year ended 31 December			Six months ended 30 June	
		2011	**2012**	**2013**	**2013**	**2014**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Unaudited)	
Related party relationship	**Nature of transaction**					
Key management personnel, excluding directors	Short-term employee benefits	1,378	1,743	1,866	995	1,189
	Post-employment benefits	44	55	60	30	31
		1,422	1,798	1,926	1,025	1,220
General Underwriters, a business of which Chiu Sun Ting, a director of the Company is a partner *(Note)*	Commission paid	3,607	–	–	–	–
The Oscar Motors Company Limited, a company controlled by Lai Bing Leung, a director of the Company	Commission paid	764	806	841	400	405

Note: Mr. Chiu ceased to be a partner of General Underwriters with effect from 1 November 2011.

Further details of directors' emoluments are included in note 10 to the Financial Information.

28. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES

Insurance risk

The Group, through a principal subsidiary, issues contracts that transfer insurance risk for motor business. The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefits payments exceed the carrying amount of the insurance liabilities. This could occur if the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk and type of industry covered.

(i) Frequency and severity of claims

The frequency and severity of claims can be affected by several factors, such as:

- Occurrence risk – the possibility that the number of insured events will differ from those expected.
- Severity risk – the possibility that the cost of the events will differ from those expected.
- Development risk – the possibility that changes may occur in the amount of an insurer's obligation at the end of the contract period.

The Group manages these risks through adequate reinsurance arrangements and claims monitoring programmes. The Group also enforces a policy of actively managing and promptly pursuing of claims, in order to reduce its exposure to unpredictable future developments that can adversely impact the Group. The Group's insurance contracts are protected by excess-of-loss reinsurance arrangements with pre-determined retention limits. The reinsurance arrangements spread insured risk to a certain extent and reduce the effect of potential losses to the Group. However, the Group's direct insurance liabilities to the policyholders are not eliminated because of credit risk associated with the failure of reinsurance companies to fulfil their responsibilities.

The Group solely offered insurance contracts to the Hong Kong market and all insurance risk with reference to the carrying amount of the insurance liabilities arising from insurance contracts is in Hong Kong.

28. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Insurance risk *(Continued)*

(i) Frequency and severity of claims *(Continued)*

The concentration of insurance risk before and after reinsurance in relation to the type of motor insurance risk accepted is summarised below, with reference to the carrying amount of the insurance claims liabilities (gross and net of reinsurance) arising from motor insurance contracts:

As at 31 December		**Type of risk**			
		Taxi	**PLB**	**Other motor vehicles**	**Combined**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2011	Gross	305,477	222,826	32,509	560,812
	Net	264,450	143,806	25,295	433,551
2012	Gross	401,336	198,962	50,956	651,254
	Net	323,143	149,862	44,195	517,200
2013	Gross	346,182	168,808	75,526	590,516
	Net	304,726	136,674	66,495	507,895
As at 30 June					
2014	Gross	340,786	166,727	78,341	585,854
	Net	301,587	129,558	69,845	500,990

(ii) Sources of uncertainty in the estimation of future claim payments

Claims on motor insurance contracts are payable on a claims-occurrence basis. The Group is liable for all insured events that occurred during the term of the contract, even if the loss is reported after the end of the contract period. As a result, liability claims are settled over a long period of time and a larger element of the claims provision relates to incurred but not reported claims ("IBNR"). There are several variables that affect the amount and timing of cash flows from these contracts. These mainly relate to the inherent risks of the business activities carried out by individual contract holders and the risk management procedures they adopted. The compensation paid on these contracts is the monetary awards granted for the insured, the opponents and bodily injury suffered by members of the public.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the other recoveries. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The liability for these contracts comprise a provision for IBNR, a provision for reported claims not yet paid and a provision for unexpired risks at the end of each of the Track Record Period. The amount of claims is particularly sensitive to the level of court awards and to the development of legal precedent on matters of contract and tort.

28. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Insurance risk *(Continued)*

(ii) Sources of uncertainty in the estimation of future claim payments *(Continued)*

In calculating the estimated cost of unpaid claims (both reported and not), the Group's estimation techniques are a combination of loss-ratio-based estimates (where the loss ratio is defined as the ratio between the ultimate cost of insurance claims and insurance premiums earned in a particular financial year/period in relation to such claims) and an estimate based upon actual claims experience using predetermined formulae where greater weight is given to actual claims experience as time passes.

The initial loss-ratio estimate is an important assumption in the estimation technique and is based on previous years' experience, adjusted for factors such as premium rate changes, anticipated market experience and historical claims inflation.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Group, where information about the claim event is available. IBNR claims may not be apparent to the insured until many years after the event that gave rise to the claims has happened.

(iii) Sensitivity analysis

The purpose of the sensitivity analysis is to assess the relative importance of key factors used in the net of reinsurance actuarial valuation of outstanding claims of the Group as at the end of each Track Record Period. In this context, the outstanding claim liabilities include a risk margin.

The key factors considered in the sensitivity analysis of the net claim liabilities include:

- a 5 percentage point increase or decrease in the assumed ultimate loss ratio for each line of business in the accident years 2011, 2012, 2013 and 2014; and

- a 5 percentage point increase or decrease in the risk margin.

The sensitivity values shown for each factor are independent of changes to other factors. In practice, a combination of adverse and favourable changes could occur.

The sensitivity results are not intended to capture all possible outcomes. Significantly more adverse or favourable results are possible.

28. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Insurance risk *(Continued)*

(iii) Sensitivity analysis *(Continued)*

The sensitivity of net claims liability to changes in the following factors is:

	As at 31 December			As at 30 June
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Increase (decrease) in net outstanding claims				
– as a result of 5% increase in ultimate loss ratio	15,702	14,836	15,670	7,878
– as a result of 5% decrease in ultimate loss ratio	(15,657)	(14,491)	(15,547)	(7,841)
Increase (decrease) in net outstanding claims				
– as a result of 5% increase in risk margin	15,466	18,220	18,543	17,924
– as a result of 5% decrease in risk margin	(15,429)	(18,183)	(18,543)	(17,879)

(iv) Loss development triangle

The development of claims over a period of time on a gross and net basis is shown below in form of tables. The tables show the cumulative incurred claims, including both notified and IBNR claims, for each successive underwriting year at the end of each of the Track Record Period, together with cumulative claim payments as at the end of each of the Track Record Period.

28. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Insurance risk *(Continued)*

(iv) Loss development triangle *(Continued)*

Gross insurance claims – 2011

	2007	2008	2009	2010	2011	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Underwriting Year	134,787	78,764	114,074	185,776	229,003	
One year later	139,176	109,878	120,855	216,408		
Two years later	186,546	110,825	124,999			
Three years later	130,440	99,831				
Four years later	125,984					
Current estimate of cumulative gross claims	125,984	99,831	124,999	216,408	229,003	796,225
Cumulative gross payments to date	(116,968)	(77,535)	(57,115)	(43,680)	(5,883)	(301,181)
Sub-total	9,016	22,296	67,884	172,728	223,120	495,044
Gross insurance claims in respect of years prior to 2007						2,561
Unallocated loss adjustment expenses and risk margin						63,207
Total gross general insurance claims liability						560,812

Net insurance claims – 2011

	2007	2008	2009	2010	2011	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Underwriting Year	95,550	71,996	85,946	152,527	188,807	
One year later	95,372	88,444	93,547	163,023		
Two years later	100,881	92,089	99,117			
Three years later	83,439	82,249				
Four years later	83,040					
Current estimate of cumulative net claims	83,040	82,249	99,117	163,023	188,807	616,236
Cumulative net payments to date	(76,671)	(69,048)	(51,039)	(34,556)	(3,671)	(234,985)
Sub-total	6,369	13,201	48,078	128,467	185,136	381,251
Net insurance claims in respect of years prior to 2007						2,505
Unallocated loss adjustment expenses and risk margin						49,795
Total net general insurance claims liability						433,551

28. **FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES** *(Continued)*

Insurance risk *(Continued)*

(iv) Loss development triangle *(Continued)*

Gross insurance claims – 2012

	2008	2009	2010	2011	2012	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Underwriting Year	78,764	114,074	185,776	229,003	229,810	
One year later	109,878	120,855	216,408	262,675		
Two years later	110,825	124,999	195,404			
Three years later	99,831	104,001				
Four years later	95,203					
Current estimate of cumulative gross claims	95,203	104,001	195,404	262,675	229,810	887,093
Cumulative gross payments to date	(86,553)	(75,867)	(89,434)	(55,000)	(8,697)	(315,551)
Sub-total	8,650	28,134	105,970	207,675	221,113	571,542
Gross insurance claims in respect of years prior to 2008						3,500
Unallocated loss adjustment expenses and risk margin						76,212
Total gross general insurance claims liability						651,254

Net insurance claims – 2012

	2008	2009	2010	2011	2012	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Underwriting Year	71,996	85,946	152,527	188,807	193,324	
One year later	88,444	93,547	163,023	209,578		
Two years later	92,090	99,117	154,951			
Three years later	82,249	85,728				
Four years later	78,431					
Current estimate of cumulative net claims	78,431	85,728	154,951	209,578	193,324	722,012
Cumulative net payments to date	(73,756)	(67,907)	(75,520)	(44,801)	(5,439)	(267,423)
Sub-total	4,675	17,821	79,431	164,777	187,885	454,589
Net insurance claims in respect of years prior to 2008						2,075
Unallocated loss adjustment expenses and risk margin						60,536
Total net general insurance claims liability						517,200

28. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Insurance risk *(Continued)*

(iv) Loss development triangle *(Continued)*

Gross insurance claims – 2013

	2009	2010	2011	2012	2013	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Underwriting Year	114,074	185,776	229,003	229,810	210,080	
One year later	120,855	216,408	262,675	229,172		
Two years later	124,999	195,404	245,714			
Three years later	104,001	171,817				
Four years later	98,319					
Current estimate of cumulative gross claims	98,319	171,817	245,714	229,172	210,080	955,102
Cumulative gross payments to date	(89,152)	(136,166)	(137,153)	(64,450)	(10,654)	(437,575)
Sub-total	9,167	35,651	108,561	164,722	199,426	517,527
Gross insurance claims in respect of years prior to 2009						2,842
Unallocated loss adjustment expenses and risk margin						70,147
Total gross general insurance claims liability						590,516

Net insurance claims – 2013

	2009	2010	2011	2012	2013	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Underwriting Year	85,946	152,527	188,807	193,324	192,238	
One year later	93,547	163,023	209,578	195,443		
Two years later	99,117	154,951	209,934			
Three years later	85,728	140,048				
Four years later	82,024					
Current estimate of cumulative net claims	82,024	140,048	209,934	195,443	192,238	819,687
Cumulative net payments to date	(77,772)	(116,208)	(119,170)	(53,638)	(7,695)	(374,483)
Sub-total	4,252	23,840	90,764	141,805	184,543	445,204
Net insurance claims in respect of years prior to 2009						2,440
Unallocated loss adjustment expenses and risk margin						60,251
Total net general insurance claims liability						507,895

28. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Insurance risk *(Continued)*

(iv) Loss development triangle *(Continued)*

Gross insurance claims – six months ended 30 June 2014

	2010	2011	2012	2013	30 June 2014	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Underwriting Year	185,776	229,003	229,810	210,080	105,049	
One year later	216,408	262,675	229,172	205,818		
Two years later	195,404	245,714	226,872			
Three years later	171,817	248,226				
Four years later	165,741					
Current estimate of cumulative gross claims	165,741	248,226	226,872	205,818	105,049	951,706
Cumulative gross payments to date	(145,994)	(163,626)	(98,262)	(32,122)	(1,931)	(441,935)
Sub-total	19,747	84,600	128,610	173,696	103,118	509,771
Gross insurance claims in respect of years prior to 2010						9,190
Unallocated loss adjustment expenses and risk margin						66,893
Total gross general insurance claims liability						585,854

Net insurance claims – six months ended 30 June 2014

	2010	2011	2012	2013	30 June 2014	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Underwriting Year	152,527	188,807	193,324	192,238	97,162	
One year later	163,023	209,578	195,443	189,108		
Two years later	154,951	209,934	191,419			
Three years later	140,048	206,229				
Four years later	136,225					
Current estimate of cumulative net claims	136,225	206,229	191,419	189,108	97,162	820,143
Cumulative net payments to date	(125,101)	(144,431)	(86,161)	(24,954)	(1,317)	(381,964)
Sub-total	11,124	61,798	105,258	164,154	95,845	438,179
Net insurance claims in respect of years prior to 2010						5,386
Unallocated loss adjustment expenses and risk margin						57,425
Total net general insurance claims liability						500,990

28. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Insurance risk *(Continued)*

(iv) Loss development triangle *(Continued)*

The prior year net reserve estimates increased by HK$5,827,000, decreased by HK$4,508,000, decreased by HK$16,132,000 and decreased by HK$14,682,000 for the years ended 31 December 2011, 2012 and 2013, and the six months ended 30 June 2014 respectively. This is primarily attributable to additional notifications on certain insurance contracts in previous underwriting years with exposure to latent claims or write-back of previous estimates no longer required on settlements or clarification of loss position on certain insurance contracts written in previous underwriting years.

Financial risk

The Group is exposed to financial risk through its available-for-sale financial assets, insurance receivables, reinsurance assets and insurance payables. In particular the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are market risk (including market price risk, interest rate risk and foreign currency risk), credit risk and liquidity risk.

The objective of financial risk management is to ensure that the Group's overall financial risk is at an acceptable level and that appropriate returns are earned for the level of risk assumed. The board of directors generally adopts conservative strategies on its risk management and limits the Group's exposure to these risks to a minimum. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

(i) Market price risk

The Group is exposed to market price risks arising from its available-for-sale financial assets. The directors manage this exposure by maintaining a portfolio of investments with different risks and different return profiles.

The sensitivity analysis has been determined based on the exposure to market price risk. As at 31 December 2011, 2012 and 2013, and 30 June 2014, if there had been a 5% increase/decrease in market value of the equity and debt securities while all other variables were held constant, the available-for-sale financial assets reserve would be increased/decreased by HK$4,275,000, HK$4,346,000, HK$13,651,000 and HK$14,231,000 respectively as a result of changes in fair value of available-for-sale financial assets.

The sensitivity analysis has been determined assuming that the reasonably possible changes in the stock market index or other relevant risk variables had occurred at the end of each of the Track Record Period and had been applied to the exposure to market price risk in existence at that date. It is also assumed that the fair values of the Group's investments would change in accordance with the historical correlation with the relevant stock market index or the relevant risk variables. The stated changes represent directors' assessment of reasonably possible changes in the relevant stock market index or the relevant risk variables over the period until the end of next annual reporting period.

(ii) Interest rate risk

Interest rate risk is the risk that the Group's position may be adversely affected by a change of market interest rates. It arises from time deposits with banks and financial institutions and available-for-sale financial assets. Carrying amounts of financial instruments reported on the combined statements of financial position approximate their fair values, and there is no significant interest rate risk exposure in relation to these instruments.

28. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Financial risk *(Continued)*

(iii) Foreign currency risk

The Group's foreign currency exposures arise mainly from the exchange rate movements of United States Dollar ("USD") and Renminbi ("RMB") against Hong Kong Dollar ("HKD"). The Group is exposed to risks arising from the exchange rate movements of foreign currencies.

As HKD are closely pegged with USD, the currency risk in this respect is considered not significant.

The carrying amounts of the Group's financial assets and financial liabilities denominated in RMB are as follows.

	As at 31 December			As at 30 June
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank balances and cash	90,279	95,066	100,200	61,420
Available-for-sale financial assets	22,279	27,807	30,317	41,502
Overall net exposure	112,558	122,873	130,517	102,922

The following information indicates the approximate change in the Group's net profit in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of the each of the Track Record Period.

If RMB had weakened/strengthened by 5% against HKD, the Group's net profit for each of the Track Record Period would have been HK$5,628,000, HK$6,144,000, HK$6,526,000 and HK$5,146,000 lower/higher respectively.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of each of the Track Record Period and had been applied to Group's exposure to currency risk for all financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. The stated changes in foreign currency represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the end of the next annual reporting period.

(iv) Credit risk

Credit risk is the risk that a customer or counterparty in a transaction may default. It arises from the credit terms extend to intermediaries, reinsurers and other activities undertaken by the Group. To manage credit risk, the Group has considered the long business relationship with the counterparty. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The Group's exposure to credit risk is influenced by the individual characteristics of each intermediary and reinsurer. Reinsurance of the Group is placed with reinsurers with Standard & Poor's security ratings of A- or above. As a result, the management considers that the Group's exposure to credit risk associated with the reinsurance assets is not significant. The Group had a concentration of credit risk as 47%, 48%, 50% and 48% of the insurance receivables were due from the Group's five largest intermediaries at 31 December 2011, 2012 and 2013, and 30 June 2014 respectively.

28. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Financial risk *(Continued)*

(iv) Credit risk *(Continued)*

To reduce the credit risk associated with the investment in debt securities, the Group should diversify the risk by investing in debt securities with international credit ratings not lower than B1 (Moody's), B+ (Standard & Poor's) or BBB- (Fitch). For unrated debt securities, its issuer or guarantor should be a listed company and is a constituent share in respect of major international index as well as the market capital is no less than HK$2 billion. In addition, unrated debt securities are reviewed and monitored by the management on an ongoing basis to minimise the default risk of the counterparty.

The carrying amount of financial assets recorded in the Financial Information, which is net of impairment losses, represents the Group's maximum exposure to credit risk without taking into account the value of any collateral obtained.

(v) Liquidity risk

Liquidity risk is the risk that the Group cannot meet its current obligations as they fall due. To manage liquidity risk, the Group has established liquidity management policies that are pertinent to the operations of claims handling.

It is unusual for an enterprise primarily transacting insurance business to predict the requirements of funding with absolute certainty, as the theory of probability is applied on insurance contracts to ascertain the likely provision and the period when such liabilities will require settlement. The amounts and maturity periods of these insurance liabilities are thus based on management's best estimate based on statistical techniques and past experience.

28. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Financial risk *(Continued)*

(v) Liquidity risk *(Continued)*

The maturity profile of the Group's financial liabilities at the end of each of the Track Record Period based on contractual undiscounted payments are summarised below:

	Less than 1 year or on demand	1-5 years	Over 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2011				
Outstanding claims and IBNR	170,334	382,129	8,349	560,812
Reinsurance premium payables	9,942	–	–	9,942
Insurance and other payables	7,959	–	–	7,959
	188,235	382,129	8,349	578,713
Year ended 31 December 2012				
Outstanding claims and IBNR	225,354	414,580	11,320	651,254
Reinsurance premium payables	9,065	–	–	9,065
Insurance and other payables	8,042	–	–	8,042
	242,461	414,580	11,320	668,361
Year ended 31 December 2013				
Outstanding claims and IBNR	206,704	374,236	9,576	590,516
Reinsurance premium payables	10,622	–	–	10,622
Insurance and other payables	7,730	–	–	7,730
	225,056	374,236	9,576	608,868
Six months ended 30 June 2014				
Outstanding claims and IBNR	246,798	173,635	165,421	585,854
Reinsurance premium payables	5,451	–	–	5,451
Insurance and other payables	7,445	–	–	7,445
	259,694	173,635	165,421	598,750

29. CAPITAL MANAGEMENT

The objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to provide returns for equity owners. The Group manages its capital structure, which comprises all equity components of the Group, and makes adjustments, including payment of dividend to equity owners, issue of new shares or sale of assets to reduce debts. The Group is not subject to any externally imposed capital requirements except for a subsidiary which is subject to the relevant minimum capital requirement. No changes were made in the objectives, policies or processes during the Track Record Period.

29. CAPITAL MANAGEMENT *(Continued)*

A subsidiary of the Group is required by the Hong Kong Insurance Companies Ordinance ("**ICO**") to have a minimum paid-up capital of HK$20 million and to maintain a surplus of assets over its liabilities of an amount not less than a specified minimum solvency margin as determined in accordance the ICO (the "**Minimum Solvency Margin**"). The Insurance Authority (the "**IA**") has also required that subsidiary to maintain such a surplus of an amount not less than 200% of the Minimum Solvency Margin. The subsidiary is also required under section 25A of the ICO to maintain assets in Hong Kong of an amount which is not less than the aggregate of 80% of its liabilities as determined under the ICO and the relevant amount applicable to its Hong Kong insurance business. The subsidiary fully complied with the external imposed capital and solvency margin requirements during the Track Record Period except for the fact that the solvency margin of that subsidiary as at 31 December 2011, as re-calculated after a prior year adjustment made in 2013, was below 200% of the Minimum Solvency Margin required by the IA. This constituted a technical breach which was only temporary. In addition, the shareholders of the subsidiary have undertaken to upkeep and maintain the capital of the subsidiary and to provide adequate financial resources so as to enable the subsidiary to comply all solvency margin requirements during the Track Record Period. The directors believe such a technical breach will not have significant impacts on the financial and operations of the insurance business of the subsidiary.

30. FAIR VALUE MEASUREMENT

The following presents the assets and liabilities measured at fair value or required to disclose their fair value in the Financial Information on a recurring basis at the end of each of the Track Record Period across the three levels of the fair value hierarchy defined in HKFRS 13, Fair Value Measurement, with the fair value measurement categorised in its entirety based on the lowest level input that is significant to the entire measurement. The levels of inputs are defined as follows:

- Level 1 (highest level): quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly or indirectly;
- Level 3 (lowest level): unobservable inputs for the asset or liability.

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of each of the Track Record Period. The quoted market prices used for financial assets held by the Group are the current bid prices.

	As at 31 December			**As at 30 June**
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Level 1				
Available-for-sale financial assets				
Listed equity securities	31,562	32,846	48,263	70,011
Listed debt securities	–	–	145,962	150,876
	31,562	32,846	194,225	220,887

30. FAIR VALUE MEASUREMENT *(Continued)*

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Level 2				
Available-for-sale financial assets				
Unlisted equity securities	6,439	–	–	–
Unlisted debt securities	47,495	54,066	78,804	63,729
	53,934	54,066	78,804	63,729

During the Track Record Period, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

31. EVENTS AFTER THE REPORTING PERIOD

(a) Pre-IPO Share Option Scheme

Pursuant to the written resolutions of the equity owners of the Company passed on 30 September 2014, the Pre-IPO Share Option Scheme was approved and adopted. As at the date of this report, options to subscribe for an aggregate of 13,390,000 ordinary shares have been conditionally granted by the Company to the eligible participants of the scheme. Details of the share option scheme are set out in section headed "Pre-IPO Share Option Scheme" in Appendix V to the Prospectus. The directors are in the progress of assessing the financial impact of the share options granted under this pre-IPO share option scheme.

(b) Declaration of 2014 interim dividend of Target

The directors of Target declared an interim dividend in respect of 2014 of HK$52 per share amounting to HK$78,000,000 on 12 September 2014 and to be accounted for as an appropriation of retained earnings in the year ending 31 December 2014.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared in accordance with HKFRSs and the Hong Kong Companies Ordinance (Cap. 622) for the Company or any of its subsidiary in respect of any period subsequent to 30 June 2014.

Yours faithfully,

Mazars CPA Limited
Certified Public Accountants
Hong Kong

Or Ming Chiu
Practising Certificate Number: P04786

A. PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following pro forma adjusted net tangible assets of the Group is prepared in accordance with Rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for illustrative purposes only, and is set out below to illustrate the effect of the Share Offer on the net tangible assets of the Group attributable to equity owners of the Company as at 30 June 2014 as if the Share Offer had taken place on that date.

The pro forma adjusted net tangible assets of the Group has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the net tangible assets of the Group attributable to equity owners of the Company as at 30 June 2014 or at any future dates following the Share Offer. It is prepared based on the audited net tangible assets of the Group attributable to equity owners of the Company as at 30 June 2014 as set out in the Accountants' Report in Appendix I to this prospectus, and adjusted as described below. The pro forma adjusted net tangible assets does not form part of the Accountants' Report as set out in Appendix I to this prospectus.

	Audited net tangible assets attributable to equity owners of the Company as at 30 June 2014 (Note 1)	Estimated net proceeds from the Share Offer (Note 2)	Pro forma adjusted net tangible assets attributable to equity owners of the Company	Pro forma adjusted net tangible assets attributable to equity owners of the Company per Share (Note 3)
	HK$'000	*HK$'000*	*HK$'000*	*HK$*
Based on the Offer Price of HK$1.20 per Share	228,424	123,500	351,924	0.704
Based on the Offer Price of HK$1.80 per Share	228,424	195,500	423,924	0.848

NOTES TO THE PRO FORMA ADJUSTED NET TANGIBLE ASSETS

1. The audited net tangible assets attributable to equity owners of the Company as at 30 June 2014 is extracted from the Accountants' Report set out in Appendix I to this prospectus, which is based on the audited combined net tangible assets attributable to equity owners of the Company as at 30 June 2014 of approximately HK$228.4 million.

2. The estimated net proceeds from the Share Offer is based on the Offer Price of HK$1.20 and HK$1.80 per Share, after deduction of the underwriting fees and related expenses payable by the Company and taking no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme and any options which may be granted under the Share Option Scheme, which is set out in the paragraphs headed "Share Option Scheme" and "Pre-IPO Share Option Scheme" in Appendix V to this prospectus.

3. The pro forma adjusted net tangible assets value per Share has been arrived at after making the adjustments referred to in this section and on the basis of a total of 500,000,000 Shares in issue immediately following completion of the Share Offer but takes no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme and any options which may be granted under the Share Option Scheme.

4. No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 30 June 2014. In particular, the unaudited pro forma adjusted net tangible assets have not been adjusted for the dividend of HK$78.0 million declared by Target subsequent to 30 June 2014, which has been paid as at the Latest Practicable Date. Had the dividend been taken into account, the unaudited pro forma adjusted net tangible asset per Share would have been reduced to HK$0.548 and HK$0.692 based on the Offer Price of HK$1.20 and HK$1.80 per Share respectively.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

MAZARS

MAZARS CPA LIMITED
瑪澤會計師事務所有限公司
42nd Floor, Central Plaza
18 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道18號中環廣場42樓

31 December 2014

The Directors
Target Insurance (Holdings) Limited
Units 1708-1710, 17/F
Miramar Tower
No. 132 Nathan Road
Tsimshatsui
Kowloon

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of Target Insurance (Holdings) Limited (the "Company") and its subsidiary (collectively referred to as the "Group") prepared by the directors of the Company (the "Directors"). The pro forma financial information consists of the pro forma statement of adjusted net tangible assets attributable to the equity owners of the Company at 30 June 2014 and related notes as set out on pages II-1 and II-2 of the prospectus in connection with the initial public offering of the Company's shares in the Main Board of The Hong Kong Stock Exchange Limited (the "Share Offer") dated 31 December 2014 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described on pages II-1 and II-2 of the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the Share Offer (as defined in the Prospectus) on the Group's financial position at 30 June 2014 as if the Share Offer had taken place on 30 June 2014. As part of this process, information about the Group's financial position, at 30 June 2014 has been extracted by the Directors from the Group's financial information for the three years ended 31 December 2013 and six months ended 30 June 2014.

Directors' responsibility for the pro forma financial information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29 (7) of the Listing Rules, about whether the pro forma financial information has been complied, in all material aspects by the Directors in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in the Prospectus is solely to illustrate the impact of a significant event or transaction on the unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions at 30 June 2014 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Mazars CPA Limited
Certified Public Accountants
Hong Kong

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S. Yu & Partners
Actuaries & Consultants

31 December 2014

The Directors
Target Insurance (Holdings) Limited
Unit 1708-1710
Miramar Tower
132 Nathan Road
Tsim Sha Tsui
Kowloon, Hong Kong

Dear Sirs,

Re: EXTRACT OF ACTUARIAL CONSULTANT'S REPORT ON INSURANCE LIABILITIES AS AT 30 JUNE 2014

1 BACKGROUND AND SCOPE

S. Yu & Partners Limited ("SYu&Partners" or "We") has been retained by Target Insurance Company Limited ("Target"), which is a subsidiary of Target Insurance (Holdings) Limited (the "Company"), to perform an independent assessment of claims and premiums liabilities of Target as at 30 June 2014. We understand our independent assessment of insurance liabilities will be used in the planned listing of the Company on the Hong Kong Stock Exchange to perform an independent assessment of claims and premiums liabilities of Target as at 30 June 2014. The details of the review are set out in our report "Actuarial Review of Motor Insurance Portfolio as at 30 June 2014" dated 21 August 2014 ("full actuarial report" or "full report").

The full actuarial report, including all appendices showing detailed technical workings underlying our analysis, would be too voluminous to be included in the prospectus. Therefore we have prepared the following extract summarizing our estimation of the Target's claims and premiums liabilities. Our full report is available for inspection at the office of Sit, Fung, Kwong & Shum at 9th Floor, York House, The Landmark, 15 Queen's Road Central, Central, Hong Kong, during normal business hours up to and including the date, which is 14 days from the date of the prospectus.

Our review of claims liabilities, premiums liabilities and risk margins were performed according to the statutory requirements set out in the "Guidance Note on Actuarial Review of Insurance Liabilities in respect of Employees' Compensation and motor Insurance Businesses" ("GN9"), last revised by the IA in September 2005.

According to the GN9, the valuation of premiums and outstanding claims liabilities must comprise of the best estimate and the risk margin, where definitions are as follows:

"Premiums liabilities"	refers to unearned premiums and additional amount for unexpired risks, and includes liabilities for all benefits, claims and expenses, acquisition costs, and maintenance costs to be incurred after the valuation date.

"Outstanding claims liabilities"	refers to the obligation whether contractual or otherwise, to make future payments in relation to all claims that have been incurred as at the valuation date, and includes reserves for claims reported, incurred but not reported (IBNR) and incurred but not enough reported (IBNER), as well as direct and indirect claims expenses.
"Best estimate"	refers to the mean value in the range of possible values for the future outcome. It is made with assumptions regarding the future experience, and is made using judgment and experience, and is neither deliberately overstated nor understated.
"Risk margins"	refers to the additional provisions, considered appropriate by the actuary, to reflect the inherent uncertainty of best estimate values.

2 DISTRIBUTION AND USE

This document is an extract of the full actuarial report, with purpose of presenting the findings of our review. It is prepared to be included in the prospectus of the Company and to present the findings related to the Target. The full report contains all technical working papers, which is too voluminous to be included in the prospectus. Please note that this extract does not contain detailed technical working papers in the appendices of the full report supporting our analysis and findings. Reference should be made to the full actuarial report, including accompanying appendices for additional information.

We have given consent to the inclusion of this extract and our name within the prospectus in form and context in which they are included. However, we do not authorize or cause the issue of this prospectus and will not take any responsibility for contents of the prospectus other than this extract.

Third parties (including the external auditors, independent advisers, investors and IA) should recognize that this extract and full report are complicated and technical work products. They should retain their own actuary or qualified professionals to review our work products. Judgments about the findings drawn in this extract or the full report should be made only after considering the extract and the full report in their entirety, including all technical working papers contained in the full report.

Third parties should understand that their reliance on this extract and the full report is at their own risk. Therefore, the furnishing of this extract or the full report is not a substitute for their own due diligence and should place no reliance on this extract or the full report, or the data contained herein that would result in the creation of any duty or liability (including without limitation, those arising from negligence or otherwise) on SYu&Partners to the third parties, even if we consent to the release of our work products to such third parties. The entire extract or full report must be distributed, including this disclaimer, if circulated.

Finally, we remain available to answer any questions that may arise regarding this extract or the full report. We assume that users will seek more explanation and amplification if any portion of this extract or the full report is not clear. Queries should be directed to one of the following:

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3 RELIANCES AND LIMITATIONS

This extract and the full report are provided to Target solely for its internal use in relation to our findings and its understanding of the areas of actuarial review described in the previous section "Background and Scope". It is not intended or necessarily suitable for any other purpose.

In developing this report, SYu&Partners has relied on historical data, and other quantitative and qualitative information supplied by Target without audit or independent verification. We did, however, review the supplied information for reasonableness and internal consistency. We performed due diligence on the data supplied to us with the physical premium and claims records, as well as with the relevant information recorded in the Target's computer system of select number of policies and claims on both the gross and net bases. Our due diligence did not discover any material discrepancy that would affect the results contained in this report. The accuracy of our results is dependent upon the accuracy and completeness of this underlying data; therefore, any material discrepancies (exclusive of subsequent claims adjustments made during the normal course of business) discovered in this data by Target should be reported to us and this report amended accordingly, if warranted.

There is also a limitation upon the accuracy of the estimates in this report in that there is an inherent uncertainty in any estimate of claims liabilities, premiums liabilities and risk margins. This is due to the fact that claims and premiums liabilities are subject to the outcome of events yet to occur, e.g., the likelihood of claimants bringing lawsuits, the size of damage awards, changes in the standards of liability and the attitudes of claimants towards settlement of their claims. Premium liabilities are also subject to changes in the reinsurance market and to events, which have not yet occurred. Finally, in our estimation of risk margins, we have relied upon models, which simulate the outcomes of claims liabilities. It should be recognized that these models are simplified representations of many legal, social and economic forces, which in combination affect the final outcome of claims liabilities. They may not be entirely appropriate for the types of insurance business being analysed.

We have not made any special assumptions about the level of future claim inflation. Inflation was implicitly accounted for to the extent that it exists in the historical claim experience. The projected claims cost represents our best estimate of the ultimate value of claims on an undiscounted (full ultimate value) basis.

We have not anticipated any extraordinary changes in the legal, social or economic environment that might affect the cost, frequency or future reporting of claims. In addition, our estimation make no provision for potential future claims arising from loss causes not represented in the historical data (e.g. pollution, asbestos, latent injuries, terrorist acts, atypical pneumonia/severe acute respiratory syndrome ("SARS"), Asian Tsunami Disaster, adjudication of multipliers for personal injury cases, etc.) except in so far as claims of these types are included in the reported claims and are hence implicitly included in the analyses.

There are additional uncertainties associated with our estimates of the claims and premiums liabilities of Taxi and PLB, which are more risky than other types of vehicles. In our experience, Taxi and PLB claims tend to be more severe and to require longer settlement period. In projecting ultimate losses for the two classes of vehicles, we have supplemented their historical experiences with our internal benchmarks, including loss development factors, expected burning cost, and IBNR factors (e.g. ratio of IBNR reserves divided by outstanding case reserves). It should be noted that our internal benchmarks may not be entirely appropriate for these two categories of vehicles.

In our judgment, we have employed techniques and assumptions that are appropriate, and the conclusions presented herein are reasonable. However, it should be recognized that future loss emergence will likely deviate from our estimates.

In calculating our net estimates, we have relied primarily on figures net of reinsurance recoveries, assuming that all reinsurance recoveries can be made in full, without detailed investigation. Any reinsurance not recoverable would cause losses in addition to our estimates.

It should be noted that the underlying figures in the various exhibits are calculated to several decimal places, and therefore totals and summaries are subject to rounding differences.

This extract are also subject to additional terms in the "Reliance and Limitations" section of the full report.

4 EXECUTIVE SUMMARY

The main results of our review are outlined below.

4.1 Summary of Results

Our estimated claims and premiums liabilities as at 30 June 2014 are summarised in Table 4.1.

TABLE 4.1

Summary of claims and premiums liabilities as at 30 June 2014 (HK$)

Description	**Estimated liabilities**
Gross outstanding claims liabilities as at 30 June 2014	
Motor	585,854,000
TOTAL GROSS OUTSTANDING CLAIMS	585,854,000
Net outstanding claims liabilities as at 30 June 2014	
Motor	500,990,000
TOTAL NET OUTSTANDING CLAIMS	500,990,000
Net premiums liabilities as at 30 June 2014	
Motor	144,833,000
TOTAL NET PREMIUMS LIABILITIES	144,833,000

Note: (1) Target's provision for premium liabilities is exclusive of HK$16,621,000 of commission expenses. (2) Figures may not be additive due to rounding.

In our opinion:

- The records which Target has maintained are adequate for the purpose of supporting an actuarial analysis of claims liabilities, premium liabilities and risk margin.
- The actuarial review and report complies with the requirement as set out in GN9.
- Target's best estimate net premiums liabilities plus risk margins as at 30 June 2014 is HK$144,833,000.
- Target's best estimate net outstanding claims liabilities plus risk margins as at 30 June 2014 is HK$500,990,000.

4.2 Written Premiums, Retention Ratio and Growth Rate

The written premiums, net premium retention ratio, and growth rate of Target's motor insurance business are summarised in Table 4.2. The net retention ratio is defined as the ratio of the net written premiums divided by the gross written premiums.

TABLE 4.2

Summary of Written Premiums, Net Retention Ratio and Growth Rate as at 30 June 2014 (HK$ Million)

Calendar Year	Gross Business			Net Business			Net Retention Ratio		
	Trad.	Taxi	PLB	Trad.	Taxi	PLB	Trad.	Taxi	PLB
Written Premiums and Retention Ratios									
2010	13.1	207.4	109.1	10.8	171.3	90.1	83%	83%	83%
2011	30.4	180.9	100.4	26.2	155.8	86.4	86%	86%	86%
2012	58.1	157.6	92.0	50.3	136.5	79.7	87%	87%	87%
2013	54.2	172.2	93.4	46.7	148.6	80.5	86%	86%	86%
2014/06	23.7	92.3	46.6	20.6	80.1	40.5	87%	87%	87%

Calendar Year	Gross Business			Net Business			Net Retention Ratio		
	Trad.	Taxi	PLB	Trad.	Taxi	PLB	Trad.	Taxi	PLB
Written Premium Annual Growth Rates									
2011	131%	(13%)	(8%)	141%	(9%)	(4%)	N/A	N/A	N/A
2012	91%	(13%)	(8%)	92%	(12%)	(8%)	N/A	N/A	N/A
2013	(7%)	9%	1%	(7%)	9%	1%	N/A	N/A	N/A
2014/06	(13%)	7%	(0%)	(12%)	8%	1%	N/A	N/A	N/A

Note: (1) "Trad."= Traditional. (2) "Net Retention Ratio" = net written premiums/gross written premiums. (3) Growth rates for calendar year 2014/06 are annualized. (4) Figures may not be additive due to rounding.

On an annualized basis, Target's gross and net premiums for the motor business in 2014/06 were on a similar level with that in 2013. Target's net premium retention ratio was 87% in 2014/06, which is slightly higher than 86% in 2013.

4.3 Claims Liabilities

As at 30 June 2014, our best estimate IBNR and indirect claims expenses ("ICE") reserves were HK$82.5 million and HK$48.3 million, respectively, for the gross and net accounts. We summarize the outstanding case reserves, IBNR and ICE reserves and IBNR ratios in Table 4.3. The IBNR ratio is defined as the best estimate IBNR and ICE reserves divided by outstanding case reserves.

TABLE 4.3

Summary of Best Estimate IBNR and ICE Reserves (HK$ Millions)

Class of Vehicle	Gross Business			Net Business		
	Case Reserves	Best Est. IBNR + ICE	IBNR Ratio	Case Reserves	Best Est. IBNR + ICE	IBNR Ratio
Traditional	45.9	17.4	38%	44.7	15.9	36%
Taxi	250.3	46.1	18%	241.2	28.2	12%
PLB	110.4	12.6	11%	106.7	3.9	4%
Twelve Large Claims	40.7	6.4	16%	13.4	0.3	2%
Total	447.3	82.5	18%	406.0	48.3	12%

Note: (1) "ICE" = Reserves for indirect claims expenses. (2) "IBNR Ratio" = (Best Estimate IBNR + ICE)/ Case Reserves. (3) Figures may not be additive due to rounding.

Please note that we have excluded twelve severe bodily injury claims from the projection, as they would distort the loss development patterns. Of the twelve claims excluded, four occurred in 2007, two occurred in 2010, three occurred in 2011 and three occurred in 2012. Their total gross reported incurred losses were HK$105.5 million and net losses were HK$35.4 million. As at 30 June 2014, four claims in 2007 and one in 2010 have been closed while the others were outstanding. In estimating the IBNR, we judgmentally assumed an IBNR ratio of 15% for the gross account. The net IBNR for the twelve large cases were zero because their gross reported losses have already exceeded the deductible limit.

The gross adjusted claims risk margins ("ACRM") were estimated to be HK$56.1 million and net ACRM estimated to be HK$46.6 million as at 30 June 2014. Both the gross and net ACRM were estimated at the 75% confidence level.

The sum of the best estimate claims liabilities and ACRM was therefore HK$585.9 million and HK$501.0 million, respectively, for the gross and net accounts. The claims liabilities are defined as the sum of case, IBNR and ICE reserves. We summarize the results in Table 4.4.

TABLE 4.4

Summary of Best Estimate Claims Liabilities and ACRM (HK$ Millions)

Class of Vehicle	Gross Business			Net Business		
	BE Claims Liabilities	ACRM	BE CL + ACRM	BE Claims Liabilities	ACRM	BE CL + ACRM
Traditional	63.3	6.6	69.8	60.6	6.3	66.9
Taxi	296.4	31.6	328.0	269.5	28.7	298.2
PLB	123.0	12.9	135.9	110.6	11.6	122.2
Twelve Large Claims	47.1	5.0	52.1	13.7	0.0	13.7
Total	529.8	56.1	585.9	454.4	46.6	501.0

Note: (1) "BE" = best estimate, ""BE Claims Liabilities" or "BE CL" = case reserves + best estimate IBNR reserves + ICE reserves. (2) Figures may not be additive due to rounding.

Please note that the best estimate claims liabilities are stated on an undiscounted basis, while the ACRM contain both the effect of discounting of claims liabilities and an allowance for risk diversification.

In estimating the risk margins, we applied a risk margin factor of 16% to all vehicle segments. Utilizing the assumed future investment yield of 2.0% p.a., we derived discount factors of 96% for Traditional, and 97% for Taxi and PLB segments. The investment yield was selected based on Target's actual investment results during the past three calendar years (2.2% in 2012, 2.5% in 2013 and 1.6% in 2014/06).

4.4 Premiums Liabilities

Our best estimate net unexpired risk reserves ("URR"), on an undiscounted basis, were HK$124.3 million as at 30 June 2014. The best estimate URR include expected ultimate losses, maintenance expenses and XOL cost. We summarize the calculation of the net URR in Table 4.5.

TABLE 4.5

Calculation of Net Unexpired Risk Reserve as at 30 June 2014

Description	Average BE Ultimate Ratio	Amount (HK$ Millions)
Actual UPR including DAC & XOL		161.5
Expected XOL cost	13%	21.3
Actual UPR including DAC after XOL		140.2
Expected ultimate losses	69%	96.5
Expected maintenance expenses	5%	6.5
Estimated URR including XOL		124.3

Note: (1) Figures may not be additive due to rounding.

The ultimate loss ratio of 69% as at 30 June 2014 was the average of the ultimate loss ratios of Traditional, Taxi and PLB portfolios for accident year 2014/06, adjusted (where necessary) for the difference in average premium rates between accident year 2014/06 and unexpired risks. In applying these ratios, we have assumed that the quality of risks underlying the UPR remains basically unchanged from that in 2014/06. The maintenance expense ratio was assumed to be 50% of Target's actual expense ratio for this business in 2014/06. The discount factor is intended to remove operational expenses, which are not needed to manage the run-off of the premiums liabilities. The expected XOL cost was estimated based on actual XOL reinsurance rate in 2014.

We have estimated the adjusted premium risk margins ("APRM") of HK$7.7 million as at 30 June 2014, at the 75% confidence level. The sum of the URR discussed above and the APRM is HK$132.0 million. Taking the higher of the best estimate URR plus APRM and UPR after deferring acquisition cost ("DAC") for the motor business, we derived total premiums liabilities of HK$144.8 million as at 30 June 2014.

TABLE 4.6

Summary of Net Premiums Liabilities as at 30 June 2014 (HK$ Millions)

Class of Vehicle	BE URR	APRM	BE URR + APRM	UPR net of DAC	Premiums Liabilities
Traditional	19.2	1.2	20.4		
Taxi	75.7	4.8	80.5		
PLB	29.4	1.7	31.1		
Total	124.3	7.7	132.0	144.8	144.8

Note: (1) "BE" = best estimate. (2) Figures may not be additive due to rounding.

The best estimate URR were stated on an undiscounted basis, while the APRM contain the effects of discounting and an allowance for risk diversification.

In estimating the APRM, we have applied the same risk margin factors of 16% for the Traditional, Taxi and PLB. We estimated a discount factor of 94%, which is lower than that for the claims liabilities, for the three segments. This is due to the fact that the projected ultimate losses contained in the UPR are less mature than the claims liabilities. The same investment return assumption of 2.0% p.a. was utilized in the estimation of the discount factors.

5 DATA AND METHODOLOGY

5.1 Data

We were provided with the following information in connection with Target's motor insurance business as at 30 June 2014.

- Historical outstanding and paid losses development statistics on both the gross and net bases. We understand that the outstanding losses provided by Target include only the case reserves, but not the IBNR reserves.

- Historical premiums and exposures for both the gross and net accounts.

- The monthly written premiums data for the latest twelve months of the motor insurance business for the gross and net bases.

- Management account figures on paid loss, outstanding losses and written premiums for the motor businesses for the fiscal year 2014/06.

- Copy of the management account for the fiscal year 2014/06.

Please note that we collected data for the first six months of 2014 because the statistics for accident years 2013 or prior has been collected as at 31 December.

5.2 Methodology — Claims Liabilities

Our approach to the estimation of the claims liabilities was based largely on our understanding of the scope of this project and accuracy of the data available. We relied on the paid and incurred loss development methods, supplemented by the Bornhuetter-Ferguson ("BF") method and expected loss ratio method.

The incurred and paid loss development methods are methods that use historical patterns of claim emergence to project future emergence of losses.

The BF 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 expected loss ratios were selected based on the projected ultimate loss ratios for all historical years for which the premium information is available.

The ultimate loss of expected loss ratio method is estimated by multiplying earned premium with the expected loss ratio.

In applying these methodologies, we have also relied upon our knowledge of the motor insurance market in Hong Kong. The knowledge includes industry-wide trends in the claims costs, direct and reinsurance premium rates, and underwriting profitability for the motor insurance business.

We also computed the ultimate loss ratios (the estimated undiscounted ultimate losses divided by the earned premium), and reviewed these ratios for reasonableness based on our knowledge of the Target's motor insurance portfolio and the trends in this portfolio in Hong Kong.

A detailed description of each of the methods used in this analysis can be found in Section 6, Methodology for Estimation of Ultimate Loss.

5.3 Methodology – Net Premiums Liabilities

The premiums liabilities represent the maximum of URR and the UPR itself. The URR consist of ultimate losses, expected XOL cost for unexpired risks, management expenses expected to arise from the UPR and the risk margins. In our estimation of the URR, we made reference to the projected ultimate loss ratios mentioned above, actual XOL reinsurance premium rate and actual company management expenses incurred during the year. We generally do not include the commission expenses in the premiums liabilities since they are already deducted in Target's Profit and Loss account. The management expenses are estimated by applying a discount factor to the company management expenses, to eliminate the part of the management expenses not required for the handling of claims.

The URR are compared with the actual UPR provided by Target on the evaluation date. If the UPR are greater than the URR, the premiums liabilities are the same as the UPR. Otherwise, the UPR are deficient and an additional amount for unexpired risks is required. The premiums liabilities become the sum of the UPR and the additional amount for unexpired risks. The premiums liabilities are estimated for each class of business.

5.4 Methodology – Risk Margins

According to the requirements set out in the GN9, we estimated risk margins for the motor insurance portfolio by applying two bootstrapping techniques to Target's historical loss development statistics. The bootstrapping techniques simulate the outstanding claims liabilities. The input to the simulation model was the net paid and incurred loss development triangles. The output consisted of 1000 simulated estimates of outstanding claims liabilities. Having ranked the 1000 simulated outcomes from the lowest (1) to the highest (1000), we selected the outstanding claims liability amount of the 750th simulated outcome. We then divided this amount by the mean of the 1000 simulated outcomes to derive the risk margin factor, hence defined to be at a 75% confidence level.

In our determination of the risk margin for claims liabilities (case reserves plus best estimate IBNR reserves) and unexpired risk reserve, we have applied the same risk margin factor to both the claims liabilities and the expected ultimate losses contained in the unexpired risk reserve. It should be noted that theoretically, the volatility of the unexpired risk reserve may be different from that of claims liabilities. However, we are not able to actuarially quantify the relative magnitude of volatilities between the premium and claims liabilities. We have also applied a discount factor to account for the expected investment income arising from the run-off of claims liabilities plus the dollar amount of risk margin.

The "square root rule" was adopted to make the adjustment for risk diversification among different insurance portfolios and premium and claims liabilities. In applying this rule, we first squared the risk margin of each class of insurance business and separately for the claims and premiums liabilities. Then, we combined the squared risk margins and derived the square root of the total squared risk margin. Finally, we allocated the square root of the total risk margin to each class of business and claims and premiums liabilities, according to the size of the risk margin relative to the total risk margin. This rule was adopted by the National Association of Insurance Commissioners ("NAIC") of the United States in the calculation of capital requirements for U.S. property and casualty insurance companies.

The two bootstrap techniques, which we used to analyse the risk margin, are described in Section 7.

5.5 Methodology – ICE Reserves

The ICE reserves are estimated by applying a selected indirect claims expense factor to the best estimate net outstanding case and IBNR reserves. The resulting dollar amount of ICE reserves is applied, by class of business, to the gross account. The indirect claims expense reserve is selected based on the following two ratios for the past three years:

- Indirect claims expense paid to the net paid losses.

- Indirect claims expense paid to the average of net paid losses and incurred losses.

We did not estimate the ICE reserves for the URR, as they are already included in the expected maintenance expenses.

6 METHODOLOGY FOR ESTIMATION OF ULTIMATE LOSS

A detailed description of the methodology is set out below.

6.1 Definition of IBNR

The term Incurred But Not Reported, ("IBNR") refers to claims whose accident date falls on or before each year, but which were not reported to Target and recorded in the accounting records until after this date, plus future development on known claims.

6.2 Incurred Loss Development Method

The incurred loss development (ILD) method is based upon the assumption that the relative change in a given accident year's incurred loss estimates from one evaluation point to the next is similar to the relative change in prior accident years' incurred loss estimates at similar evaluation points. In utilizing this method, actual historical accident year incurred loss data is evaluated at the end of each calendar year in a triangular fashion.

Incurred reported-to-reported development factors are calculated to measure the relative development of an accident year from one evaluation point to the next. These historical incurred loss development factors are used to select appropriate development factors to be used in projecting the incomplete accident years to an ultimate basis.

Implicit assumptions of this method is that the relative adequacy of Target's case estimates has been consistent over time and that there have been no material changes in the rate at which claims have been paid.

This method can be represented broadly as follows:

$UL = CI_t \times ULDF_t$

$ULDF_t = ULDF_{t-1} \times ALDF_{t-1 \text{ to } t}$

where UL = projected ultimate losses

CI_t = cumulative incurred losses at the end of $year_t$

$ULDF_t$ = ultimate incurred loss development factor at the end of $year_t$

$ALDF_t$ = assumed reported-to-reported loss development factor from the end of $year_{t-1}$ to end of $year_t$.

6.3 Paid Loss Development Method

The paid loss development (PLD) method is based upon the assumption that the relative change in a given accident year's paid loss costs from one evaluation point to the next is similar to the relative change in prior accident years' paid losses at similar evaluation points. In utilizing this method, actual historical accident year paid loss data is evaluated at the end of each calendar year in a triangular fashion.

Paid reported-to-reported loss development factors are calculated to measure the relative development of an accident year from one evaluation point to the next. These historical paid loss development factors are used to select appropriate assumed development factors to be used in projecting the incomplete years to an ultimate basis.

This method differs from the incurred loss development method in that Target's case estimates are excluded from the analysis. This method has the disadvantage of ignoring whatever information is provided by current case estimates, but it has the advantage of avoiding the distortions, which might be reflected in the incurred loss development method from abnormal reserve increases or decreases.

This method's implicit assumption is that the rate of payment of claims has not changed materially over time. This method can be represented broadly as follows:

$$UL = CP_t \times ULDF_t$$

$$ULDF_t = ULDF_{t-1} \times ALDF_{t-1 \text{ to } t}$$

where UL = projected ultimate losses

CP_t = cumulative claim payments at the end of $year_t$

$ULDF_t$ = ultimate paid loss development factor at the end of $year_t$

$ALDF_t$ = assumed paid loss development factor from the end of $year_{t-1}$ to end of $year_t$.

Tail factors are selected based on our examination of outstanding claims for the most mature accident years.

6.4 Bornhuetter-Ferguson Method

The Bornhuetter-Ferguson (BF) method is essentially a blend of two other methods. The first such method is the loss development method whereby actual incurred (or paid) losses are multiplied by an expected loss development factor. For slow reporting (or paying) coverage, this first method can lead to erratic and unreliable projections, because a relatively small swing in early reporting (or payments) results in a very large swing in ultimate projections. The second method is to simply set the IBNR reserve equal to the difference between a predetermined estimate of expected losses and actual reported losses. This has the advantage of stability, but it completely ignores actual results as they are reported.

The BF method combines these two methods by splitting expected losses into two pieces – expected reported (or paid) and expected unreported (or unpaid). As an accident year matures, the expected reported (or paid) losses are replaced by actual reported (or paid) losses and the expected loss assumption becomes gradually less important.

The expected loss ratio is the critical assumption in the utilization of this method. It is estimated based on the historical loss ratios of the risk portfolio being analysed and the trends in average claim cost and premium level. This method can be represented broadly as follows:

$$UL = RL + EP \times ELR \times UPPCT$$

Where RL = reported losses

EP = earned premium

ELR = expected loss ratio

$$= \frac{(\text{historical loss ratio}) \times (1 + \text{average claim cost trend})}{(1 + \text{average premium trend})}$$

UPPCT = percent of ultimate losses unpaid

= [1 – 1/(ultimate loss development factor)]

6.5 IBNR Factor Method

An IBNR factor is a ratio of IBNR reserves to case reserves. The IBNR reserves are derived by applying IBNR factors to case reserves. The IBNR factors are derived from either industry benchmarks or insurance portfolios with similar type of claims.

7 BRIEF DESCRIPTION OF METHODS ADOPTED FOR ESTIMATING UNCERTAINTY IN OUTSTANDING CLAIMS LIABILITIES

7.1 Bootstrapping Technique

We have used two applications of the bootstrapping technique in this analysis. For the purpose of this report these are labelled "Bootstrap 1" and "Bootstrap 2". The bootstrapping techniques we used for this analysis are based on bootstrapping suitably defined residuals rather than bootstrapping the observations directly.

The bootstrap technique requires calculating suitably chosen residuals for the chosen model. The bootstrap process then involves resampling, with replacement, from the residuals. Having obtained the bootstrap sample, the valuation model is then refitted and the statistic of interest calculated. The process is repeated a large number of times with each simulation providing a new bootstrap sample and statistic of interest, in our case the outstanding claims liability.

The bootstrap standard error in the outstanding claims liability is then calculated as the standard error of all the simulations. The bootstrap standard error calculated in this way provides a measure of the estimation error only and adjustment is required to allow for the process error.

The bootstrapping technique is also distribution free. The net liability distribution is calculated directly from the simulation results.

The bootstrapping process produces anomalous results if the residuals used to compute the pseudo-observations in the bootstrap sample display heteroscedasticity. In particular, a random allocation of residuals that display heteroscedasticity would result in anomalous results when large residuals, generally observed at later development periods, are allocated to early development periods. We have controlled the impact of this in our bootstrap data samples by the imposition of restrictions on the residuals allocated to each development period.

The following paragraphs provide a brief description of the techniques used in this analysis.

7.2 Bootstrap 1

Before applying the bootstrapping technique, we fitted a chain ladder model to the available data, and calculated a central estimate of the net outstanding claims liability. This application of bootstrapping starts with the cumulative payment triangles, which are replaced with pseudo-observations.

In the triangle of past claim payments, let x denote a typical observation. Let x^* be the fitted (or model expected) value associated with x. The fitted value x^* is calculated from the ultimate incurred claims cost for the accident year, based on the selected chain ladder factors.

For example, for accident year 1996, second development year:

x	=	*actual cumulative payments*
	=	*74,316.406*
(and let ln(x)	=	*11.216)*
*x**	=	*chain ladder modelled value*
	=	*ultimate incurred cost for 1996 divided by future development from development year 2 from chain ladder factors.*
	=	*73,225.0 say.*
(and ln(x)*	=	*11.201)*

The next step is to calculate all the standard residuals, $x - x^*$. (In our case we have taken logs to avoid the problem of negative payments at a later stage in the calculations). From the triangle of standard residuals we made selections for each development year, and selected scaling factors by fitting a curve through the selected standard residuals. We then calculated "scaled" residuals for all observations by dividing the standard residuals by the scaling factor k, that is:

$$Y = (x - x^*)/k,$$

so that var(Y) is the same for all observations.

For example, accident year 1996, second development year:

ln(x) – ln(x)*	=	*0.015*
k	=	*0.0432*
scaled deviation	=	*0.343*

A random sample (with replacement) is drawn from the set of scaled deviations. A new triangle is constructed by adding the sampled deviation to the original fitted value:

$$x\sim \quad = \quad x^* + k\,Y$$

The model is then fitted to the new triangle of pseudo-observations and a new projected value of outstanding claims is obtained. This value incorporates variability of the past data used to estimate the model parameters ("parameter error").

In order to estimate the variability of future experience about model predictions ("process error"), a further random drawing from the scaled deviations is needed.

Each of the future claim payment cells produced as a result of the projection from the pseudo-observations (i.e. cells below and to the right of a stepped line in the "pseudo-observations" triangle) has a sampled deviation added to it. The value of the net outstanding claims liability resulting from these adjusted projected claim payments incorporates variability from both parameter error and process error.

As a final step, we have scaled the results so that fitted past payments agree with actual past payments.

These steps have been repeated 1000 times, redrawing different random samples from the deviations each time. As a result, 1000 estimates of the value of outstanding claims liability are produced.

The net liability distribution may be calculated directly from the simulated results.

7.3 Bootstrap 2

For a detailed description of this methodology please refer to England and Verrall (1999). The following paragraphs provide a summary of the method.

This application uses a simple "spreadsheet" methodology that, combined with a suitably defined residual, produces an estimate of the standard error of the net central estimate of the outstanding claims liability estimate that is similar to the error estimated using more complex stochastic modelling techniques (e.g. Generalised Linear Modelling techniques or GLMs).

For this application we used the unscaled Pearson residual, calculated using observations from the incremental claim payment triangle and the modelled incremental claim payment triangle.

The unscaled Pearson residual is calculated for each observation in the triangle as:

$$r_p = \frac{(C-m)}{\sqrt{m}}$$

where : C = *observed incremental claim payment in period;*

m = *modelled incremental claim payment, calculated from the ultimate incurred claim costs and selected chain ladder factors.*

A bootstrap observation (C*) is then computed by inverting formula (B.4) above, based on a random sampling of the residuals.

The outstanding claims liability is computed for each bootstrap data sample and the (bootstrap) standard error of the net outstanding claims liability may be computed directly from the simulated results.

We simulated 1000 observations to derive a distribution of the net outstanding claims liability.

The bootstrap sample standard error is an estimate of the parameter estimation error. However, as described in England and Verrall's paper, for comparison with the error estimated by a comparable stochastic GLM, which more fully describes each accident period and development period effect, fitted to incremental paid claims data, an adjustment is required to allow for the number of parameters estimated in the model. To allow for the number of parameters, the parameter estimation error (bootstrap error) calculated above is multiplied by n/(n-p), where: n is the number of observations in the data triangle; and p is the number of parameters estimated by the comparable GLM. For example, a data triangle with 10 rows of data has 55 observations. In this example, n equals 55 and p equals 19 (10 accident period parameters, 10 development period parameters less the selected base line cell).

The total standard error of this bootstrap technique is equal to the sum of the parameter estimation error and process variation error and may be represented as:

$$SE = \sqrt{ØR + \frac{n}{n-p}(SE_{bootstrap}(R))^2}$$

Where $Ø = \frac{\sum r_p^2}{n-p}$, which is the Pearson scale parameter

r_p = the unscaled Pearson Residual

$SE_{bootstrap}$ = the standard error obtained by the bootstrap method

R = central estimate of the reserve

For and on behalf of SYu&Partners.

Sheng Hau Yu
Fellow of the Casualty Actuarial Society (FCAS)
Managing Director

This Appendix contains a summary of the Articles of Association of our Company. The principal objective is to provide potential investors with an overview of the Articles of Association. As the information set out below is in summary form, it does not contain all of the information that may be important to potential investors. As stated in the section headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" in Appendix VI to this prospectus, a copy of the Articles of Association is available for inspection.

The existing Articles of Association were adopted on 23 December 2014. The following is a summary of certain provisions of the Articles of Association. The powers conferred or permitted by the Articles of Association are subject to the provisions of the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and other ordinances, subsidiary legislation and the Listing Rules.

CHANGES IN CAPITAL

The Company may, from time to time subject to the provisions of the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and other ordinances, increase its capital with or without issuing new shares[1].

Subject to the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, other ordinances and rules prescribed by the Stock Exchange from time to time, the Company may buy back its own shares of any class in the capital of the Company, including any redeemable shares or warrants or other securities carrying a right to subscribe for or purchase shares issued by the Company and, should the Company buy back its own shares or warrants or other such securities, neither the Company nor the Board shall be required to select the shares or warrants to be acquired rateably or in any other particular manner as between the holders of shares or warrants of the same class or as between them and the holders of shares or warrants of any other class or in accordance with the rights as to dividends or capital conferred by any class of shares or warrants. In the case of purchases of redeemable shares, (a) purchases not made through the market or by tender shall be limited to a maximum price and (b) if purchases are by tender, tenders shall be available to all shareholders holding redeemable shares alike[2].

Subject to the provisions of the Companies Ordinance and other ordinances, applicable laws, rules, regulations and government policies, the Company may, from time to time, by ordinary resolution[3]:

(a) sub-divide its existing shares or any part thereof into larger number of shares than its existing number. Any resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have such preferred or other special rights, or may have such qualified or deferred rights or be subject to such restrictions, as compared with the other or others, as the Company has power to attach to such new shares;

(b) cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled or have been forfeited in accordance with the Articles of Association;

(c) consolidate and divide all or any of its shares into smaller number of shares than its existing number;

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1 Article 11
2 Article 15
3 Article 13

(d) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, or conditions or such restrictions which in the absence of any such determination by the Company in general meeting; and

(e) make provision for the issue and allotment of shares which do not carry rights, the word "non-voting" shall appear in the designation of such shares and where the equity capital includes shares with different voting rights, the designation of each class of shares, other than those with the most favourable voting rights, must include the words "restricted voting" or "limited voting".

Subject to the provisions of the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, other ordinances and the Articles of Association, the Company may by special resolution reduce its share capital[4].

VARIATION OF RIGHTS

If, at any time, the Company's share capital is divided into different classes of shares, all or any of the special rights or privileges for the time being attached to any class may, subject to the provisions of the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and other ordinances, be varied, modified or abrogated, either while the Company is a going concern or during or in contemplation of a winding up, either with the consent in writing of the holders of not less than three-fourths of the total voting rights of holders of the shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. All the provisions contained in the Articles of Association relating to general meetings or to the proceedings at general meetings shall mutatis mutandis apply to every such separate general meeting except that the quorum thereof (other than an adjourned meeting) shall be two or more persons holding or representing by proxy not less than one-third of the total voting rights of holders of shares of the class. The holders of shares of the class shall, on a poll, have one vote in respect of every share of the class held by them respectively[5].

TRANSFERS OF SHARES

All transfers of shares must be effected by an instrument of transfer in any usual or common form prescribed by the Stock Exchange or in any other form which the Board may approve and shall be executed under hand or, if the transferor or transferee is a clearing house or its nominee(s), the instrument of transfer shall be executed by hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time.[6] Unless the Board approves otherwise, the instrument of transfer must be signed by or on behalf of the transferor and by or on behalf of the transferee. The transferor shall be deemed to remain the holder of the shares concerned until the name of the transferee is entered in the Company's register of members in respect thereof. Nothing in the Articles of Association shall preclude the Board from recognizing a renunciation of the allotment or provisional allotment of any share by the allottee in favour of some other person[7].

The Board may, in its absolute discretion and without assigning any reason therefore, refuse to register any transfer of any share (not being a fully paid up share)[8].

4 Article 14
5 Article 16
6 Article 32(1)
7 Article 33
8 Article 35(1)

The Board may also refuse to register any transfer unless[9]:

(a) subject to the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and other ordinances, the instrument of transfer is duly stamped and lodged at the Company's registered office or at such other place as the Directors may appoint and is accompanied by the certificate for the shares to which it relates, and such other evidence (if any) as the Board may reasonably require to prove the title of the intending transferor or his right to transfer the shares (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do);

(b) the instrument of transfer is in respect of only one class of shares;

(c) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;

(d) the instrument of transfer is accompanied by payment of such fee, not exceeding the maximum amount prescribed by the Stock Exchange from time to time, as the Board may from time to time require;

(e) the shares concerned are free of any lien in favour of the Company;

(f) such other conditions as the Directors may from time to time impose for the purpose of guarding against losses arising from forgery are satisfied; and

(g) issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists.

If the Board refuses to register a transfer of any share, it shall, within two months after the date on which the instrument of transfer was lodged with the Company, send to the transferor and transferee notice of the refusal provided that if any of the transferor or transferee should request for a statement of the reasons for the refusal, the Directors must within 28 days after receiving the request send the statement of the reasons or register the transfer[10].

No transfer may be made to an infant or to a person of unsound mind or under other legal disability[11].

GENERAL MEETINGS

The Board shall convene and the Company shall hold annual general meetings in accordance with the requirements of the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and other ordinances. Subject to such requirements, the Board shall determine the date, time and place at which each annual general meeting shall be held[12]. All other meetings of members other than annual general meetings shall be called general meetings[13].

The Board may convene a general meeting whenever it thinks fit and a general meeting shall also be convened by the Board on the requisition of members pursuant to the provisions of the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and other ordinances[14].

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9 Article 35(2)
10 Article 36
11 Article 32(2)
12 Article 46
13 Article 47
14 Article 48

NOTICE OF GENERAL MEETINGS

Subject to section 578 of the Companies Ordinance, an annual general meeting shall be called by twenty-one clear days' notice in writing at the least, and any other general meeting shall be called by fourteen clear days' notice at the least. The accidental omission to give such notice of a general meeting or (in cases where instruments of proxy are sent out with the notice) the accidental omission to send an instrument of proxy to, or the non-receipt of either or both by, any person entitled to receive such notice shall not invalidate any resolution passed or proceeding had at that meeting[15].

The notice shall specify the place, the day, the time of the meeting and the general nature of business to be dealt with at the meeting. In the case of a meeting convened for passing a special resolution, the notice shall also specify the intention to propose the resolution as a special resolution. In the case of an annual general meeting, the notice shall specify the meeting as such. Subject to the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, other ordinances and the Articles of Association, every notice of meeting shall also state with reasonable prominence that a member entitled to attend and vote at the meeting may appoint one or more proxies to attend and vote instead of him and that a proxy need not also be a member[16].

Notwithstanding that a meeting of the Company is convened by shorter notice than that specified in the Articles of Association, it shall be deemed to have been duly convened if it is so agreed: (a) in the case of an annual general meeting, by all the members entitled to attend and vote at the meeting; and (b) in the case of any other general meeting, by majority in number of the members having a right to attend and vote at the meeting, being majority together holding not less than 95 per cent. of the total voting rights at the meeting of all members[17].

VOTING AT GENERAL MEETINGS

Subject to the Articles of Association and to any special rights or restrictions as to voting for the time being attached to any shares, at every general meeting on a show of hands every member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative shall have one vote for every fully paid-up share of which he is the holder. On a poll, every member present in person or by proxy shall have one vote for every fully paid-up share of which he is the holder[18].

At any general meeting, a resolution put to the vote of a meeting shall be decided on a show of hands unless[19]:—

(a) voting by poll is required by the Listing Rules or other applicable laws, rules and regulations; or

(b) a poll is (before or on the declaration of the result of the show of hands) demanded by:—

  (i) the chairman of the meeting; or

  (ii) not less than five members present in person or by proxy and entitled to vote; or

  (iii) a member or members present in person or by proxy and representing not less than five per cent. of the total voting rights of all the members having the right to vote at the meeting.

15 Article 50
16 Article 52
17 Article 51
18 Article 61(1)
19 Article 60

Where a member is a recognized clearing house (within the meaning of the SFO) or its nominee, it may authorise any number of person or persons as it thinks fit to act as its proxy (or proxies) or representative (or representatives) at any general meeting of the Company or any separate meeting of any class of members of the Company provided that, if more than one person so authorised, the instrument of proxy or authorisation must specify the number and class of shares in respect of which each such person is so authorised. Notwithstanding anything contained in the Articles of Association, each person so authorised, and any instrument of proxy or authorisation signed by any officer of the recognized clearing house, shall be deemed to have been duly authorised without further evidence of the facts. The person so authorised will be entitled to exercise the same rights and powers on behalf of the recognized clearing house (or its nominee) as if such person was the registered holder of the shares held by that recognized clearing house (or its nominee), including the right to vote on a poll[20].

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any vote cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted[21].

QUALIFICATIONS OF DIRECTORS

A Director is not required to hold any qualification shares[22].

BORROWING POWERS

The Board may exercise all the powers of the Company to raise or borrow money, and to mortgage or charge the whole or any part of its undertaking, property, assets (both present and future) and uncalled capital, or any part thereof. The Board may issue debentures, debenture stock, bonds and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party[23].

DIRECTORS' APPOINTMENT, REMOVAL AND RETIREMENT

Directors shall be elected or replaced by the Company in general meeting and shall serve a term of office of three years. A Director may serve consecutive terms if re-elected by the Company in general meeting upon the expiration of his term. Notwithstanding the provisions in the Articles of Association, the Company shall not, without the approval of members in accordance with the provisions of the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and other ordinances, enter into a service contract with a Director under which the guaranteed term of the employment of such Director exceeds or may exceed three years. A retiring Director shall be eligible for reappointment. Subject to the provisions of the Articles of Association, if the Company, at any meeting at which a Director retires in accordance with the Articles of Association by rotation or otherwise, does not fill the office vacated by such Director, the retiring Director, if willing to act, shall be deemed to be re-appointed, unless at the meeting a resolution is passed not to fill the vacancy or to appoint another person in his place or unless the resolution to re-appoint him is put to the meeting and lost[24].

[20] Article 61(4)
[21] Article 61(2)
[22] Article 68
[23] Article 80(1)
[24] Article 72

Subject to the Articles of Association, the Company may by ordinary resolution appoint any person to be a Director, either to fill a casual vacancy or as an additional Director[25]. Without prejudice to the power of the Company in general meeting in accordance with any of the provisions of the Articles of Association to appoint any person to be a Director, the Board may, at any time, and from time to time, appoint any person to be a Director, either to fill a casual vacancy or by way of addition to their number. Any Director so appointed by the Board shall hold office only until the next following annual general meeting of the Company, and shall then be eligible for re-appointment[26].

DIRECTORS' REMUNERATION AND EXPENSES

The Directors are entitled to receive by way of remuneration for their services such sum as the remuneration committee established by the Board with majority of the members being independent non-executive Directors shall from time to time determine, which (unless otherwise directed by the decision of the remuneration committee) is to be divided amongst the Board in such proportions and in such manner as the Board may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. The foregoing shall not apply to a Director who holds any salaried employment or office in the Company except in the case of sums paid in respect of Directors' fees[27].

The Directors are also entitled to be repaid their travelling, hotel and other expenses reasonably and properly incurred by them in and about the discharge of their duties, including their expenses of travelling to and from meetings of the Board, committee meetings or general meetings[28].

The Board, may award special remuneration (by way of bonus, commission, participation in profits or otherwise as the Directors may determine) to any Director who performs any special or extra services to or at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration (if any) as a Director[29].

DIRECTORS' INTERESTS

No Director or intending Director shall be disqualified by his office from entering into any contract, transaction or arrangement with the Company, either with regard to his tenure of any office or position in the management, administration or conduct of the business of the Company or as vendor, purchaser or otherwise, nor (subject to the interest of the Director being duly declared) shall any contract, transaction or arrangement entered into by or on behalf of the Company in which any Director is in any way interested, be liable to be avoided, nor shall any Director so interested be liable to account to the Company for any benefit realised by any such contract, transaction or arrangement by reason of such Director holding that office or of any fiduciary relationship thereby established by holding that office, provided that such Director shall disclose the nature and extent of his interest in any contract, transaction or arrangement in which he is interested as required by and subject to the provisions of the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and other ordinances[30].

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25 Article 69(1)
26 Article 71
27 Article 77(1)
28 Article 77(2)
29 Article 78
30 Article 89(1)

A Director shall not vote (or be counted in the quorum at a meeting) in relation to any resolution relating to any contract, transaction or arrangement or other proposal in which he is aware that he or any of his connected entities (having such meaning as set out in section 486(1) of the Companies Ordinance) or his close associate(s) (and if required by the Listing Rules, his other associates) has a material interest and, if he purports to do so, his vote shall not be counted, but subject to the Listing Rules, this prohibition shall not apply and a Director may vote (and be counted in the quorum) in respect of any resolution concerning any one or more of the following matters[31]:

(a) any contract, transaction or arrangement for the giving to the Director or his close associate(s) (and if required by the Listing Rules, his other associates) of any indemnity or security in respect of money lent or obligations undertaken by him or any of them at the request of, or for the benefit of, the Company or any of its subsidiaries;

(b) any contract, transaction or arrangement for the giving to a third party of any indemnity or security in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) (and if required by the Listing Rules, his other associates) has assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(c) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or his close associate(s) (and if required by the Listing Rules, his other associates) is/are intending to become interested as a participant in the underwriting or sub-underwriting of the offer;

(d) any contract, transaction or arrangement in which the Director or his close associate(s) (and if required by the Listing Rules, his other associates) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;

(e) any proposal concerning any other company in which the Director or his close associate(s) (and if required by the Listing Rules, his other associates) is/are interested only, whether directly or indirectly, as an officer, executive or shareholder or in which the Director or his close associate(s) (and other associates, as the case may be) is/are beneficially interested in shares of that company, provided that the Director together with any of his close associate(s) (and other associates, as the case may be) are not in aggregate beneficially interested in 5 per cent. or more of the issued shares of any class of such company (or of any third company through which his interest or that of his close associate(s) (and other associates, as the case may be) is derived) or of the voting rights;

(f) any proposal or arrangement concerning the benefit of the employees of the Company or any of its subsidiaries, including the adoption, modification or operation of a pension fund or retirement, death or disability benefit scheme, which relates to the Directors, his close associate(s) (and if required by the Listing Rules, his other associates) and employees of the Company or any subsidiaries and does not accord to any Director or his close associate(s) (and other associates, as the case may be) as such any privilege or advantage not generally accorded to the employees to whom such arrangement relates; and

[31] Article 89(7)

(g) any proposal or arrangement concerning the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme for the benefit of the employees of the Company or any of its subsidiaries under which the Director or his close associate(s) (and if required by the Listing Rules, his other associates) may benefit.

Notwithstanding the above, any conflicted Director, meaning any Director who is also a director or member of senior management of the Controlling Shareholders or their respective subsidiaries (other than the Group) shall abstain from participating in any Board meeting or part thereof when matters in which any conflicted Director or his close associate(s) (and if required by the Listing Rules, his other associates) has/have a material interest are discussed, unless his attendance is requested by majority of the independent non-executive Directors. Notwithstanding his attendance, he shall not vote or be counted towards the quorum in respect of such matters[32].

Any Director may continue to be or become a member or director of, or hold any other office or place of profit under, any other company in which the Company may be interested, and no such Director shall be accountable for any dividend, remuneration, superannuating payment or other benefits received by him as a member or director of, or holder of any other office or place of profit under, any such other company. The Board may also cause any voting power conferred by the shares in any other company held or owned by the Company or any power of appointment to be exercised in such manner in all respects as it thinks fit (including the exercise of the voting power or power of appointment in favour of the appointment of the Directors or any of them as directors or officers of the other company or in favour of the payment of any benefit to the directors or officers of the other company) provided always that a Director who is also a director or a member of senior management of any Controlling Shareholder or their respective subsidiaries (other than the Group) shall not hold any executive position in either: (i) the Company or its subsidiaries; or (ii) any Controlling Shareholder or their respective subsidiaries (other than the Group) which is engaged in the same or similar business as that of the Company, save for any Director who has been previously appointed to the board or management of a Controlling Shareholder who may continue to hold office under such appointment until he resigns[33].

DIVIDENDS

Subject to the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and other ordinances, the Company may, from time to time, by ordinary resolution, declare dividends to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board. No dividend shall be paid or distribution made out of profits available for distribution if to do so would render the Company unable to pay its liabilities as they become due or the realisable value of its assets would thereby become less than the aggregate of its liabilities and its issued share capital[34].

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, but no amount paid up on a share in advance of calls shall for the purpose of the Articles of Association be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid[35]. The Board may deduct from any dividend or other moneys payable to any person (either alone or jointly with another) on or in respect of any shares all sums as may be due from him (either alone or jointly with another) to the Company on account of calls or otherwise in relation to the shares[36].

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[32] Article 89(12)
[33] Article 89(4)
[34] Article 103
[35] Article 105
[36] Article 108

The Board may from time to time pay to the members such interim dividends as appear to the Board to be justified by the profits of the Company and in particular (but without prejudice to the generality of the foregoing) if at any time the share capital of the Company is divided into different classes, the Board may pay such interim dividends in respect of those shares in the capital of the Company which confer on the holders thereof deferred or non-preferential rights as well as in respect of those shares which confer on the holders thereof preferential rights with regard to dividend, and provided that the Board acts in good faith, the Board shall not incur any responsibility to the holders of shares conferring any preference for any damage that they may suffer by reason of the payment of an interim dividend on any shares having deferred or non-preferential rights and may also pay any fixed dividend which is payable on any shares half-yearly or on any other dates, whenever such profits, in the opinion of the Board, justifies such payment[37].

The Board may, with the authority of an ordinary resolution, offer any holder of shares the right to elect to receive further shares, credited as fully paid, instead of cash in respect of all (or some part) of any dividend specified by the ordinary resolution (a "**scrip dividend**") in accordance with the Articles of Association. The basis of allotment shall be decided by the Board and the Board shall give notice to the holders of shares of their rights of election in respect of the scrip dividend and shall specify the procedure to be followed in order to make an election. The further shares so allotted shall rank pari passu in all respects with the fully paid shares of the same class then in issue except as regards participation in the relevant dividend[38].

With the authority of an ordinary resolution and on the recommendation of the Board, payment of dividend may be satisfied wholly or partly by the distribution of specific assets and in particular of paid-up shares or debentures of any other company[39].

All dividends, interests, bonuses or other sums payable unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, interests, bonuses or other sums payable unclaimed for after a period of six years from the date of declaration shall be forfeited by the Board and shall revert to the Company[40].

INDEMNITY

Subject to the provisions of, and so far as may be permitted under section 469 of the Companies Ordinance and are not avoided by section 468 of the Companies Ordinance, each of the Directors, company secretary or other officer or auditors of the Company shall be indemnified out of the assets of the Company against any liabilities incurred by him in the execution and discharge of his duties or in relation to defending any proceedings, whether civil or criminal, in which judgment is given in his favour or in which he is acquitted or any application for relief from liability under sections 903 and 904 of the Companies Ordinance in which relief is granted to him by the court[41].

37 Article 104
38 Article 110
39 Article 111
40 Article 109
41 Article 132(1)

Subject to the provisions of, and so far as may be permitted under section 469 of the Companies Ordinance and are not avoided by section 468 of the Companies Ordinance, the Company may purchase and maintain for any Director, company secretary, other officer or auditors of the Company (a) insurance against any liability to the Company, or its associated company in respect of any negligence, default, breach of duty or breach of trust (save for fraud) of which he may be guilty in relation to the Company or its associated company; and (b) insurance against any liability incurred by him in defending any proceedings, whether civil or criminal, taken against him for any negligence, default, breach of duty or breach of trust (including fraud) of which he may be guilty in relation to the Company or its associated company[42].

WINDING UP

If the Company is in liquidation, the liquidator (whether voluntary or official) may, with the sanction of a special resolution and any other sanction required by law, divide among the members in specie the whole or any part of the assets of the Company and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members. The liquidator may, with the like sanction, vest the whole or any part of the assets of the Company in trustees upon such trusts for the benefit of the members or any of them as the liquidator, with the like sanction, shall think fit, but no member shall be compelled to accept any assets upon which there is any liability[43].

UNTRACEABLE SHAREHOLDERS

The Company may cease to send any cheque or warrant or order through the post for any dividend payable on any shares in the Company which is normally paid in that manner on those shares if in respect of at least two consecutive dividends payable on those shares the cheques or warrants or orders remain uncashed or after the first occasion when the cheques or warrants or orders have been returned undelivered but, subject to the provisions of the Articles of Association, shall recommence sending cheques or warrants or orders in respect of dividends payable on those shares if the holder or person entitled by transmission to it claims the arrears of dividend and does not instruct the Company to pay future dividends in some other way[44].

The Company may sell any share of a member, or any share to which a person is entitled by transmission, by instructing an exchange participant of the Stock Exchange to sell at the best available price at the time if[45]:

(a) during a period of twelve years at least three cash dividends or other distributions have become payable in respect of the share to be sold and have been sent by the Company in accordance with the Articles of Association;

(b) during that period of twelve years no cash dividend or other distribution payable in respect of the share has been claimed, no cheque, warrant, order or other payment for a dividend has been cashed, no dividend sent by means of a funds transfer system has been paid and no communication has been received by the Company from the member or the person entitled by transmission to the share;

42 Article 132(1)
43 Article 131
44 Article 45
45 Article 43(1)

(c) on or after the expiry of that period of twelve years the Company has published advertisements in at least one English language newspaper and one Chinese language newspaper circulating in Hong Kong giving notice of its intention to sell the share;

(d) during the period of three months following the publication of those advertisements or of the first of the advertisements if they are published on different dates, the Company has not received any communication from the member or the person entitled by transmission to the share; and

(e) the Company has given notice to the Stock Exchange of its intention to sell the share.

To give effect to any sale, the Board may authorise some person to transfer the share to, or as directed by, the purchaser, who shall not be bound to see to the application of the purchase money; nor shall the title of the new holder to the share be affected by any irregularity in, or invalidity of, the proceedings relating to the sale[46]. The Company shall account to the person entitled to the share at the date of sale for a sum equal to the net proceeds of sale and shall be deemed to be his debtor, and not a trustee for him, in respect of them. Pending payment of the net proceeds of sale to such person, the proceeds may either be employed in the business of the Company or invested in such investments (other than shares of the Company or its holding company, if any) as the Board may from time to time decide. No interest shall be payable in respect of the net proceeds and the Company shall not be required to account for any moneys earned on the net proceeds[47].

[46] Article 43(3)
[47] Article 44

A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation

Our Company was incorporated under the Companies Ordinance in Hong Kong as a public company with limited liability on 28 August 2014. The registered office of our Company is at Units 1708 - 1710, 17th Floor, Miramar Tower, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong. As our Company was incorporated in Hong Kong, our operations are subject to the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association. A summary of the relevant sections of the Articles of Association is set out in Appendix IV to this prospectus.

2. Changes in the share capital of our Company

As at the date of incorporation of our Company, 1 Share at the subscription price of HK$1 was issued and allotted to Independent Assets. The following alterations in the share capital of our Company have taken place since the date of incorporation up to the date of this prospectus:

(a) On 1 December 2014, in consideration of the acquisition by our Company of the entire issued share capital of Target from Tracing Paper, Mr. Chiu and Mr. Lai, (i) a total of 374,999,999 new Shares, all credited as fully paid, were allotted and issued by our Company, at the direction of Tracing Paper, Mr. Chiu and Mr. Lai to Independent Assets as to 183,749,999 Shares, to Allied Connect as to 78,750,000 Shares, to Generous Rich as to 56,250,000 Shares and to Champion City as to 56,250,000 Shares.

(b) Immediately upon completion of the Share Offer (but without taking account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, any options granted under the Pre-IPO Share Option Scheme and any options which may be granted under the Share Option Scheme), 500,000,000 Shares will be issued fully paid or credited as fully paid.

Save as disclosed herein and in the paragraph headed "Written resolutions of the Shareholders on 23 December 2014" below, there has been no alteration in the share capital of our Company since the date of its incorporation.

3. Written resolutions of the sole Shareholder on 30 September 2014

Conditional upon the conditions as stated in the sub-section headed "Conditions of the Share Offer" in the section headed "Structure of the Share Offer" in this prospectus being fulfilled (or, if applicable, waived), the rules of the Pre-IPO Share Option Scheme were approved and adopted and the Board was authorised at its absolute discretion to grant options to subscribe for Shares thereunder to allot, issue and deal with Shares pursuant to the exercise of subscription rights attaching to any options granted thereunder and to take all steps which it considers to be necessary or desirable to implement and give effect to the Pre-IPO Share Option Scheme.

4. Written resolutions of the Shareholders on 23 December 2014

(a) Conditional upon the conditions as stated in the sub-section headed "Conditions of the Share Offer" in the section headed "Structure of the Share Offer" in this prospectus being fulfilled (or, if applicable, waived):

(i) the Share Offer and the Over-allotment Option on the terms and subject to the conditions set out in this prospectus and the Application Forms were approved, and our Directors were authorised to allot and issue the Offer Shares and such number of Shares as may be allotted and issued upon the exercise of the Over-allotment Option pursuant to the terms and conditions set out in this prospectus;

(ii) the rules of the Share Option Scheme were approved and adopted and the Board was authorised at its absolute discretion to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of subscription rights attaching to any options granted thereunder and to take all steps which it considers to be necessary or desirable to implement and give effect to the Share Option Scheme;

(iii) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with (otherwise than pursuant to, or in consequence of, the Share Offer, the exercise of the Over-allotment Option, any options granted under the Pre-IPO Share Option Scheme and any options which may be granted under the Share Option Scheme or any other share option scheme of our Company, or by way of rights issues, scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association or a specific authority granted by the Shareholders in general meetings) such number of Shares not exceeding 20% of the aggregate number of Shares in issue immediately following completion of the Share Offer (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option, any options granted under the Pre-IPO Share Option Scheme and any options which may be granted under the Share Option Scheme);

(iv) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to repurchase, on the Stock Exchange or any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose in accordance with all applicable laws and requirements of the Listing Rules (or of such other stock exchange), such number of Shares not exceeding 10% of the aggregate number of Shares in issue immediately following completion of the Share Offer (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option, any options granted under the Pre-IPO Share Option Scheme and any options which may be granted under the Share Option Scheme);

(v) each of the general mandates referred to in paragraphs (iii) and (iv) above will remain in effect until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Articles of Association to be held or when it is revoked, varied or renewed by an ordinary resolution of the Shareholders in general meeting, whichever is the earliest;

(vi) the general unconditional mandate mentioned in paragraph (iii) above was extended by the addition to the aggregate number of Shares which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate number of Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (iv) above, provided that such extended amount shall not exceed 10% of the aggregate number of Shares in issue immediately following the completion of the Share Offer (excluding the Shares which may be issued pursuant to the exercise of the Over-allotment Option, any options granted under the Pre-IPO Share Option Scheme and any options which may be granted under the Share Option Scheme); and

(b) our Company approved and adopted the Articles of Association with immediate effect.

5. Corporate Reorganisation

The companies comprising our Group underwent a Reorganisation to rationalise our Group's structure in preparation for the listing of the Shares on the Stock Exchange. The Reorganisation involved the following:

(a) On 28 August 2014, our Company was incorporated under the Companies Ordinance as a public company with limited liability. 1 Share at the subscription price of HK$1 was allotted and issued to Independent Assets.

(b) On 1 December 2014, our Company acquired the entire issued share capital of Target from Tracing Paper, Mr. Chiu and Mr. Lai. In consideration for such acquisition, our Company had, at the direction of Tracing Paper, Mr. Chiu and Mr. Lai:

(i) allotted and issued 183,749,999 new Shares, credited as fully paid, to Independent Assets;

(ii) allotted and issued 78,750,000 new Shares, credited as fully paid, to Allied Connect;

(iii) allotted and issued 56,250,000 new Shares, credited as fully paid, to Generous Rich; and

(iv) allotted and issued 56,250,000 new Shares, credited as fully paid, to Champion City.

6. Changes in the share capital of our subsidiary

Save as those disclosed in the paragraph headed "Changes in the share capital of our Company" and "Corporate Reorganisation" above, there is no alternation in the share capital of the Company's subsidiary, Target, which took place within two years preceding the date of this Prospectus.

7. Repurchase by our Company of our own Shares

This section includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of our own securities.

(a) Relevant legal and regulatory requirements

The Listing Rules permit companies whose primary listings are on the Stock Exchange to repurchase their own shares on the Stock Exchange subject to certain restrictions, amongst which it is provided that:

(i) Shareholders' approval

All proposed repurchases of securities (which must be fully-paid up in the case of shares) on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of its shareholders, either by way of a general mandate or by specific approval of a particular transaction.

Pursuant to the written resolutions of the Shareholders passed on 23 December 2014, conditional upon the conditions as stated in the sub-section headed "Conditions of the Share Offer" in the section headed "Structure of the Share Offer" in this prospectus being fulfilled (or, if applicable, waived), a general unconditional mandate (the "Repurchase Mandate") was given to our Directors to exercise all the powers of our Company to repurchase, on the Stock Exchange or any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose in accordance with all applicable laws and requirements of the Listing Rules (or of such other stock exchange), an aggregate number of Shares not exceeding 10% of the aggregate number of Shares in issue immediately following completion of the Share Offer (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option, any options granted under the Pre-IPO Share Option Scheme and any options which may be granted under the Share Option Scheme). The Repurchase Mandate will remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Articles of Association to be held or when it is revoked, varied or renewed by an ordinary resolution of the Shareholders in general meeting, whichever is the earliest.

(ii) Source of funds

Repurchases must be paid out of funds legally available for the purpose in accordance with the Articles of Association and the applicable laws of Hong Kong. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(iii) Shares to be repurchased

The Listing Rules provide that the Shares which are proposed to be repurchased by us must be fully paid up.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and the Shareholders for our Directors to have a general authority from the Shareholders to enable our Company to repurchase Shares in the market. Repurchases of Shares will only be made when and to the extent that our Directors believe that such repurchases will benefit our Company and our Shareholders. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or the earnings per Share.

(c) Funding of repurchases

In repurchasing the Shares, our Company may only apply funds of our Company legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws and regulations of Hong Kong.

On the basis of the current financial position of our Company as disclosed in the prospectus, and taking into account the current working capital position of our Company, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse impact on the working capital and/or the gearing position of our Company as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital position of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(d) Number of Shares which may be repurchased

On the basis of 500,000,000 Shares in issue immediately following the completion of the Share Offer (without taking into account the exercise of the Over-allotment Option, any options granted under the Pre-IPO Share Option Scheme and any options which may be granted under the Share Option Scheme), our Directors would be authorised under the Repurchase Mandate to repurchase up to 50,000,000 Shares during the period in which the Repurchase Mandate remains in force.

(e) General

None of our Directors nor, to the best of their knowledge, having made all reasonable enquiries, any of their respective associates, have any present intention, if the Repurchase Mandate is exercised, to sell any Shares to our Company or our subsidiary.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Articles of Association and the applicable laws and regulations of Hong Kong.

If as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder, or a group of Shareholders acting in concert (as defined in the Takeovers Code), depending on the level of increase of the Shareholder's interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases of Shares pursuant to the Repurchase Mandate.

Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than the prescribed percentage of the Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding public shareholding. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent that in the circumstances, there is insufficient public float as prescribed under the Listing Rules.

No connected person (as defined in definition section of this prospectus) of our Company has notified our Company that he/she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

As required by Rule 10.06(5) of the Listing Rules, the listing of the Shares repurchased by our Company shall be cancelled upon purchase and our Company shall apply for listing of any further issues of that type of Shares in the normal way. Furthermore, our Company shall ensure that the documents of title of purchased Shares are cancelled and destroyed as soon as reasonably practicable following settlement of any such purchase.

B. FURTHER INFORMATION ABOUT THE BUSINESS

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by our Company or our subsidiary within the two years preceding the date of this prospectus and are or may be material:

(i) the sale and purchase agreement dated 1 December 2014 entered into between Tracing Paper, Mr. Chiu, Mr. Lai and our Company in relation to the acquisition of the entire issued share capital of Target in consideration of our Company allotting and issuing 183,749,999 new Shares, 78,750,000 new Shares, 56,250,000 new Shares and 56,250,000 new Shares, all credited as fully paid, to Independent Assets, Allied Connect, Generous Rich and Champion City respectively, at the direction of Tracing Paper, Mr. Chiu and Mr. Lai;

(ii) the deed of non-competition dated 23 December 2014 and executed by the Controlling Shareholders, Dr. Choi, Mr. Chiu, Mr. Lai, Allied Connect, Generous Rich and Champion City in favour of our Company (for ourselves and as trustee for each of our subsidiaries from time to time) containing the non-competition undertakings as more particularly set out in the paragraph headed "Non-competition Undertaking" in the section headed "Relationship with Controlling Shareholders" in this prospectus;

(iii) the deed of indemnity dated 30 December 2014 given by Dr. Cheung, Dr. Choi, Mr. Chiu, Mr. Lai, Independent Assets, Allied Connect, Generous Rich and Champion City in favour of our Company (for ourselves and as trustee for our subsidiary) containing, among other things, indemnities as more particularly set out in the sub-paragraph headed "Estate duty, tax and other indemnities" in the paragraph headed "Other information" in this Appendix; and

(iv) the Public Offer Underwriting Agreement.

2. Intellectual Property

A. Trademarks

(a) Trademark owned by our Group

As at the Latest Practicable Date, our Group had registered the following trademarks:

Trademark	Place of Registration	Registration Number	Name of Owner	Class	Date of Registration	Expiry Date
泰加保險有限公司 TARGET INSURANCE CO., LTD.	Hong Kong	302067200	Target Insurance Company, Limited	36 [1]	25 October 2011	24 October 2021

(b) Application for registration of trademark

As at the Latest Practicable Date, our Group has applied for registration of the following trademarks, the certificates of registration of which have not yet been granted, details of which are as follows:

Trademark	Place of application	Application number	Name of applicant	Class	Application date
泰加 泰加 泰加 泰加	Hong Kong	303160313	Target Insurance (Holdings) Limited	36[1,]	9 October 2014
TARGET TARGET TARGET TARGET	Hong Kong	303160322	Target Insurance (Holdings) Limited	36[1,]	9 October 2014
泰加 泰加 泰加 泰加	Hong Kong	303163356	Target Insurance (Holdings) Limited	16[2]	13 October 2014
TARGET TARGET TARGET TARGET	Hong Kong	303163347	Target Insurance (Holdings) Limited	16[2]	13 October 2014

Notes:

(1) The products/services covered under class 36 include insurance services.

(2) The products/services covered under class 16 include goods made from prospectus and financial publications.

B. Domain names

As at the Latest Practicable Date, our Group was the registrant of the following domain name:

Domain name	Name of registrant	Registration date	Expiry date
TARGETINS.COM.HK	Target Insurance Company, Limited	24 April 2010	26 April 2016

Note: The contents contained in the website above do not form part of this prospectus.

Save as disclosed above, there are no other trademarks or other intellectual property rights which are material in relation to our Group's business.

C. FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT STAFF AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of interests or short position of Directors and chief executives of our Company in the Shares, underlying Shares or debentures of our Company and its associated corporations

Immediately following the completion of the Share Offer and assuming that the Over-allotment Option, the options granted under the Pre-IPO Share Option Scheme and the options which may be granted under the Share Option Scheme are not exercised, the interests and/or short positions of our Directors and the chief executives of our Company in the Shares, underlying Shares and debentures of our Company or any of our associated corporations (within the meaning of Part XV of the SFO), which (a) will have to be disclosed pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have taken under the SFO), (b) will be required pursuant to section 352 of the SFO, to be entered in the register required to be kept therein; or (c) will be required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules to be notified to our Company and the Stock Exchange are as follows:

(i) Long positions in the Shares

Name of Director/ Chief executive	Capacity	Number of Shares	Approximate percentage of shareholding %	*Notes*
Dr. Cheung	Interest of a controlled corporation	183,750,000	36.75	*1*
Dr. Choi	Interest of a controlled corporation	78,750,000	15.75	*2*
Mr. Chiu	Interest of a controlled corporation	56,250,000	11.25	*3*
Mr. Lai	Interest of a controlled corporation	56,250,000	11.25	*4*

Notes:

(1) Independent Assets is the registered and beneficial owner of these Shares. Independent Assets is wholly owned by Dr. Cheung. Moreover, Independent Assets is accustomed to act in accordance with Dr. Cheung's directions. By virtue of the SFO, Dr. Cheung is deemed to be interested in the same parcel of Shares in which Independent Assets is interested.

(2) Allied Connect is the registered and beneficial owner of these Shares. Allied Connect is wholly owned by Dr. Choi. Moreover, Allied Connect is accustomed to act in accordance with Dr. Choi's directions. By virtue of the SFO, Dr. Choi is deemed to be interested in the same parcel of Shares in which Allied Connect is interested.

(3) Generous Rich is the registered and beneficial owner of these Shares. Generous Rich is wholly owned by Mr. Chiu. Moreover, Generous Rich is accustomed to act in accordance with Mr. Chiu's directions. By virtue of the SFO, Mr. Chiu is deemed to be interested in the same parcel of Shares in which Generous Rich is interested.

(4) Champion City is the registered and beneficial owner of these Shares. Champion City is wholly owned by Mr. Lai. Moreover, Champion City is accustomed to act in accordance with Mr. Lai's directions. By virtue of the SFO, Mr. Lai is deemed to be interested in the same parcel of Shares in which Champion City is interested.

(ii) Interest in share options granted by the Company

Name of Director/ Chief executive	Date of grant	Exercise price per Share	Number of Shares subject to options granted under the Pre-IPO Share Option Scheme	Expiry date *(Note)*
Mr. Muk Wang Lit Jimmy	7 October 2014	20% discount to the Offer Price	2,000,000	6 October 2024
Mr. Chan Hok Ching	7 October 2014	20% discount to the Offer Price	1,300,000	6 October 2024
Mr. Wong Shiu Hoi Peter	7 October 2014	20% discount to the Offer Price	500,000	6 October 2024
Mr. Wan Kam To	7 October 2014	20% discount to the Offer Price	500,000	6 October 2024
Mr. Szeto Wai Sun	7 October 2014	20% discount to the Offer Price	500,000	6 October 2024

Note: The vesting period of the options granted under the Pre-IPO Share Option Scheme is as follows:

(a) one-third vesting after the expiry of 12-month period from and including the Listing Date;

(b) additional one-third vesting after the expiry of 24-month period from and including the Listing Date; and

(c) remaining vesting after the expiry of 36-month period from and including the Listing Date.

2. Particulars of service contracts and letters of appointment

(a) Executive Directors

Each of the executive Directors has entered into a service contract with our Company on 1 November 2014 for an initial term of three years with effect from the Listing Date and thereafter be continuous unless and until terminated by not less than three months' notice in writing served by either party on the other or by payment of three months' fixed salary in lieu of such notice. Each of the annual basic remuneration (excluding the bonus and double pay mentioned below) of executive Directors is set out below. The basic remuneration of each executive Director after the expiry of the initial term is subject to annual review with such increment (if any) at such rate to be determined by the remuneration committee of our Company and approved by majority in number of the members of the Board (excluding the Director whose salary is under review) and the relevant executive Director shall abstain from voting and shall not be counted in the quorum in respect of the proposed resolution regarding the increment.

Pursuant to the terms of the service contracts entered into between each executive Director and our Company, the annual remuneration (excluding the bonus and double pay mentioned below) of each executive Director is as follows:

Name	Annual remuneration *(HK$)*
Dr. Cheung	800,000
Dr. Choi	80,000
Mr. Chiu	800,000
Mr. Lai	800,000
Mr. Muk Wang Lit Jimmy	1,340,000
Mr. Chan Hok Ching	1,280,000

Each of the executive Directors may be entitled to a discretionary bonus as may be determined by the remuneration committee of our Company from time to time and approved by majority of the members of the Board by reference to the then prevailing market conditions, the performance of our Company as well as his individual performance.

Apart from Dr. Choi, each of the executive Directors shall also be entitled to an end of year payment equivalent to one month salary and allowance (i.e. double pay) in arrears on the last day of every year.

(b) Independent non-executive Directors

Each of the independent non-executive Directors has entered into a letter of appointment with our Company for a period of two years commencing from the Listing Date subject to the provision of retirement and rotation of Directors under the Articles of Association.

Pursuant to the terms of the letters of appointment entered into between the independent non-executive Directors on the one part and our Company on the other part, the annual Director's fee payable to each of them is as follows:

Name	**Annual Director's fee** *(HK$)*
Mr. Wan Kam To	150,000
Mr. Wong Shiu Hoi Peter	150,000
Mr. Szeto Wai Sun	150,000

The independent non-executive Directors are not entitled to any bonus.

(d) Each of our Directors is entitled to reimbursement for all necessary and reasonable out-of-pocket expenses properly incurred in connection with the performance and discharge of his duties under the relevant service contract or letter of appointment.

(e) Save as disclosed in this prospectus, none of our Directors has entered into any service agreements with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

3. Directors' remuneration

(a) The aggregate sums of approximately HK$5.2 million, HK$5.7 million, HK$5.7 million and HK$3.4 million were paid to our Directors as remuneration (including benefits in kind) by our Group for each of the three financial years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014 respectively. Further information in respect of our Directors' remuneration is set out in the accountant's report in Appendix I to this prospectus.

(b) Under the arrangements currently in force, it is estimated that an aggregate of approximately HK$5.6 million will be paid to our Directors as remuneration (including benefits in kind but excluding any discretionary bonus which may be paid to any executive Director) by our Group for the financial year ending 31 December 2014.

(c) None of our Directors has been paid any sum of money for each of the three financial years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014 respectively for (a) the loss of office as director or any other office in connection with the management affairs of any member of our Group or (b) as an inducement to join or upon joining any member of our Group.

(d) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three financial years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014 respectively.

4. Substantial Shareholders

So far as our Directors are aware, immediately following completion of the Share Offer and assuming that the Over-allotment Option, the options granted under the Pre-IPO Share Option Scheme and the options which may be granted under the Share Option Scheme are not exercised, the following persons (other than our Directors or the chief executive of our Company) will have an interest and/or a short position in the Shares or underlying Shares or debentures of our Company that would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO (including interests and/ or short positions which they are taken or deemed to have under such provisions of the SFO) or will be expected, directly or indirectly, to be interested in 10% or more of any class of shares carrying right to vote in all circumstances at general meetings of any member of our Group, once the Shares are listed on the Stock Exchange:

Long positions in the Shares

Name	Capacity	Number of Shares	Approximate percentage of shareholding %	*Notes*
Dr. Cheung	Interest of a controlled corporation	183,750,000	36.75	*1*
Independent Assets	Beneficial owner	183,750,000	36.75	*1*
Dr. Choi	Interest of a controlled corporation	78,750,000	15.75	*2*
Allied Connect	Beneficial owner	78,750,000	15.75	*2*
Mr. Chiu	Interest of a controlled corporation	56,250,000	11.25	*3*
Generous Rich	Beneficial owner	56,250,000	11.25	*3*
Mr. Lai	Interest of a controlled corporation	56,250,000	11.25	*4*
Champion City	Beneficial owner	56,250,000	11.25	*4*

Notes:

(1) Independent Assets is wholly owned by Dr. Cheung.

(2) Allied Connect is wholly owned by Dr. Choi.

(3) Generous Rich is wholly owned by Mr. Chiu.

(4) Champion City is wholly owned by Mr. Lai.

5. Agency fees or commissions received

Save as disclosed in this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or our subsidiary within the two years ended on the date of this prospectus.

6. Related party transactions

Save as disclosed herein and in note 27 under the heading "Related party transactions" in the section headed "Notes to the financial information" of the Accountants' Report set out in Appendix I to this prospectus, our Group has not entered into any related party transactions within the two years immediately preceding the date of this prospectus.

7. Disclaimers

Save as disclosed in this prospectus:

(a) none of our Directors or the chief executives of our Company has any interest or short position in the Shares, underlying Shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) immediately following the completion of the Share Offer and assuming that the Over-allotment Option, the options granted under the Pre-IPO Share Option Scheme and the options which may be granted under the Share Option Scheme are not exercised, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they are taken or deemed to have taken under such provision of the SFO), or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required to be notified to our Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules, in each case once the Shares are listed on the Stock Exchange;

(b) our Directors are not aware of any person (other than our Directors or the chief executive of our Company) who will, immediately following completion of the Share Offer and assuming that the Over-allotment Option, the options granted under the Pre-IPO Share Option Scheme and the options which may be granted under the Share Option Scheme are not exercised, have an interest and/or a short position in the Shares or underlying Shares that would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO) or who will be expected, directly or indirectly, to be interested in 10% or more of any class of shares carrying right to vote in all circumstances at general meetings of any member of our Group;

(c) none of our Directors nor the experts referred to in the paragraph headed “Qualification and consent of experts” under the section headed “Other information” in this Appendix has any direct or indirect interest in the promotion of any member of our Company, or in any assets which have, within the two years immediately preceding the date of this prospectus, been acquired or disposed of by, or leased to, any member of our Group, or are proposed to be acquired or disposed of by, or leased to, any member of our Group;

(d) none of our Directors nor the experts referred to in the paragraph headed “Qualification and consent of experts” under the section headed “Other information” in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;

(e) none of our Directors has any existing or proposed service contract with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));

(f) none of our Directors nor the experts referred to in the paragraph headed “Qualification and consent of experts” under the section headed “Other information” in this Appendix has received any agency fee, commissions, discounts, brokerage or other special terms from our Group within the two years immediately preceding the date of this prospectus in connection with the issue or sale of any capital of any member of our Group; and

(g) none of the Controlling Shareholders and Directors is interested in any business apart from our Group’s business which competes or is likely to compete, directly or indirectly, with the business of our Group.

D. (I) SHARE OPTION SCHEME

The purpose of the Share Option Scheme is to enable the Company to grant options to full-time or part-time employees, Directors (including executive, non-executive or independent non-executive Directors) and any consultants or advisers (whether professional or otherwise and whether on an employment or contractual or honorary basis or otherwise and whether paid or unpaid), distributor, contractor, supplier, service provider, agent, customer and business partner of the Company and/or any of our subsidiaries from time to time (the "**Eligible Participants**") as incentives or rewards for their contribution to the growth of the Group and to provide the Group with a more flexible means to reward, remunerate, compensate and/or provide benefits to the Eligible Participants. The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by a written resolution of all the Shareholders on 23 December 2014 (the "**Adoption Date**").

No options will be granted under the Share Option Scheme unless the grant of such options is in compliance with all the requirements of the Listing Rules.

1. Terms of the Share Option Scheme

(a) Who may join

The Board may, at its absolute discretion, offer the Eligible Participants, options to subscribe for such number of Shares as the Board may determine at a subscription price determined in accordance with paragraph (b) below, and subject to the other terms of the Share Option Scheme summarised below.

An offer of grant of an option shall remain open for acceptance by the Eligible Participant concerned for such period as determined by the Board, which period shall not be more than fourteen (14) days from the date of the offer, provided that no such offer shall be open for acceptance after the tenth anniversary of the Adoption Date or after the Share Option Scheme has been terminated in accordance with the provisions thereof. Upon acceptance of the offer, the grantee shall pay HK$1.00 to the Company by way of consideration for the grant and the date on which the option is offered shall be deemed to be the date of grant of the relevant option, except in determining the date of grant for the purpose of calculating the subscription price under paragraph (b) where paragraphs (c)(v) and (d)(iii) apply.

(b) Price of Shares

The subscription price for Shares in respect of any particular option granted under the Share Option Scheme shall be such price as the Board shall determine, provided that such price shall not be less than the highest of (i) the closing price per Share on Main Board as stated in the Stock Exchange's daily quotation sheet on the date of offer of the option, which must be a business day; and (ii) the average closing price per Share on Main Board as stated in the Stock Exchange's daily quotation sheets for the five (5) business days immediately preceding the date of offer of the option. For the purpose of determining the subscription price for Shares under this paragraph (b), where the Shares have been listed on Main Board for less than five (5) business days, the final offer price per Share (exclusive of brokerage fee, SFC transaction levy and Stock Exchange trading fee) at which Shares are to be subscribed or purchased pursuant to the Share Offer shall be taken as the "closing price per Share" for any business day falling within the period before the Listing Date.

(c) Maximum number of Shares

(i) The maximum aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Group must not exceed 30% of the total number of Shares in issue from time to time. No options may be granted under the Share Option Scheme if this will result in such limit being exceeded.

(ii) The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Group must not, in aggregate, exceed 10% of the total number of Shares in issue as at the Listing Date (the "**Scheme Mandate Limit**") (such 10% being equivalent to 50,000,000 Shares expected then to be in issue) unless Shareholders' approval has been obtained pursuant to paragraph (iii) or (iv) below. Any options lapsed in accordance with the terms of the Share Option Scheme or any other share option scheme of the Group shall not be counted for the purpose of calculating the Scheme Mandate Limit.

(iii) The Board may seek approval by Shareholders in general meeting to renew the Scheme Mandate Limit and our Company must send a circular to our Shareholders containing the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4). However, the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Group in these circumstances must not exceed 10% of the total number of Shares in issue at the date of approval of the renewed limit (the "**Renewed Scheme Mandate Limit**"). Options previously granted under the Share Option Scheme and any other share option schemes of our Group (including those outstanding, cancelled, lapsed in accordance with the Share Option Scheme or any other share option schemes of our Group and exercised options) will not be counted for the purpose of calculating the Renewed Scheme Mandate Limit.

(iv) Subject to paragraph (i) above, the Board may seek separate Shareholders' approval in general meeting to grant options beyond the Scheme Mandate Limit or the Renewed Scheme Mandate Limit referred to in paragraphs (c)(ii) or (c)(iii) above (as the case may be) provided that the options in excess of the Scheme Mandate Limit or the Renewed Scheme Mandate Limit are granted only to the Eligible Participants specifically identified by the Company before such approval is sought and the Company must issue a circular to our Shareholders containing a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to such Eligible Participants with an explanation as to how the terms of the options serve such purpose, the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

(v) Unless approved by our Shareholders in the manner set out in this paragraph (v), the total number of Shares issued and to be issued upon exercise of the options granted to each Eligible Participant (including both exercised and outstanding options under the Share Option Scheme) in any 12-month period must not exceed 1% of the total number of Shares in issue. Where any further grant of options to an Eligible Participant would result in the total number of Shares issued and to be issued upon exercise of all options granted and to be granted to such Eligible Participant (including exercised, cancelled and outstanding options under the Share Option Scheme) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the total number of Shares in issue as at the date of such further grant, such further grant must be subject to the separate approval of Shareholders at general meeting with such Eligible Participant and his/her close associates (or his/her associates if the Eligible Participant is a connected person) abstaining from voting. A circular must be sent to our Shareholders disclosing the identity of the Eligible Participant, the number and the terms of the options previously granted and to be granted and containing the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules. The number and terms (including the subscription price for Shares) of the options to be granted to such Eligible Participant must be fixed before Shareholders' approval and the date of the Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price under paragraph (b) above.

(d) Restrictions on grant of options

(i) No offer or the grant of an option shall be made after an inside information has come to the Company's knowledge, until such inside information has been announced and, in particular, no Eligible Participant shall be granted an option during the period commencing one (1) month immediately before the earlier of:

(1) the date of the Board meeting (as such date is first notified to the Stock Exchange under the Listing Rules) for approving the annual results, the interim results or the quarterly or any other interim period results of the Company (whether or not required under the Listing Rules); and

(2) the deadline for the Company to announce its annual results, interim results or quarterly results under the Listing Rules or any other interim period results (whether or not required under the Listing Rule),

and ending on the date of announcement for such results. For the avoidance of doubt, no options shall be granted as mentioned above during any period of delay in publishing a results announcement.

(ii) Any grant of options to a Director, chief executive or substantial Shareholder of the Company or any of their respective associates must be approved by all of the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options).

(iii) Where options are proposed to be granted to a substantial Shareholder or an independent non-executive Director or any of their respective associates, and the proposed grant of options would result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the total number of Shares in issue on the date of offer and having an aggregate value, based on the closing price of the Shares on the date of each grant, in excess of HK$5 million, such further grant of options must be approved by Shareholders taken on a poll in general meeting. In addition, the date of the Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price under paragraph (b) above. The Grantee, his/her associates and all core connected persons of the Company must abstain from voting in such general meeting (except that any Grantee, his/her associate and core connected person may vote against the proposed grant provided that his/her intention to do so has been stated in the Shareholders' circular). A Shareholders' circular must be prepared and sent by the Company containing (1) details of the number and terms (including the subscription price) of the options to be granted to each Eligible Participant, which must be fixed before the Shareholders' meeting; (2) a recommendation from the independent non-executive Directors (excluding independent non-executive Director who is the grantee of the options) to the independent Shareholders as to voting; (3) the information required under Rules 17.02(2)(c) and (d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules; and (4) the information required under Rule 2.17 of the Listing Rules.

(iv) The Directors may not make any offer of options to an Eligible Participant who is a Director during the periods or times in which the Directors are prohibited from dealing in Shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by the Company.

(e) Time of and restrictions on exercise of option

An option may be exercised in whole or in part in accordance with the terms of the Share Option Scheme at any time during a period to be notified by the Board to each grantee, the expiry date of such period not to exceed 10 years from the date of grant of the option.

There is no general requirement on the minimum period for which an option must be held or the performance targets which must be achieved before an option can be exercised under the terms of the Share Option Scheme. However, the Board may offer to grant any options subject to such terms and conditions in relation to the minimum period of the options to be held and/or the performance targets to be achieved before such options can be exercised as the Board may determine in its absolute discretion.

(f) Assignment

Options granted under the Share Option Scheme must be personal to the grantee and shall not be assignable. No grantee shall sell, transfer, charge, mortgage, encumber or create any interest (legal or equitable) in favour of any third party over or in relation to any option or attempt to do so. Any breach of the foregoing by the grantee shall entitle the Company to cancel any option granted to such grantee (to the extent not already exercised).

(g) Rights on cessation of employment by death

If the grantee of an option (being an individual) ceases to be an Eligible Participant by reason of death and none of the events set out in paragraph (i) below which would be a ground for the termination of his/her employment, directorship, appointment or engagement arises, his/her personal representative(s) may exercise the option up to the entitlement of the grantee as at the date of death (to the extent which has become exercisable but not already exercised) within a period of twelve (12) months from the date of death (or such longer period as the Board may determine or, if any of the events referred to in paragraphs (k), (l) and (m) below occurs during such period, his/her personal representative(s) may exercise the option pursuant to paragraphs (k), (l) and (m) below within such period), failing which the option will lapse.

(h) Right on winding up of, or material changes in, the grantee

If a grantee (being a corporation):

(i) commences winding up by whatever means, whether voluntarily or not; or

(ii) suffer a change in its constitution, management, directors, shareholdings or beneficial ownership which in the opinion of the Board is material, the option (to the extent not already exercised) shall lapse on the date of the commencement of winding up of the grantee or on the date of notification by the Company that the said change in constitution, management, directors, shareholding or beneficial ownership is material, as the case may be, and not be exercisable unless the Board otherwise determines in which event the option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such occurrence. A resolution of the Board resolving the grantee's option has lapsed by reason of material change in the constitution, management, directors, shareholding or beneficial ownership as aforesaid shall be final and conclusive.

(i) Rights on dismissal of the grantee

If the grantee of an option ceases to be an Eligible Participant by reason of the termination of his/her employment, directorship, appointment or engagement on any one or more of the grounds that he/she has been guilty of serious misconduct, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his/her debts or has become insolvent or has made any arrangements or composition with his/her creditors generally, or has breached or failed to comply with any provisions of the relevant service contract, letter of appointment or other contracts or agreements of the grantee with the Company or the relevant subsidiary for the employment, appointment or engagement, or has been convicted of any criminal offence involving his/her integrity or honesty or on any other ground on which an employer would be entitled to terminate his/her employment at common law or pursuant to any applicable laws or under the service contract or letter of appointment or other contract or agreement for employment, appointment or engagement of the grantee with the Company or the relevant subsidiary, his/her option (to the extent not already exercised) will lapse and not be exercisable on the date of termination of his/her employment, directorship, appointment or engagement. A resolution of the Board or the board of directors or governing body of the relevant subsidiary to the effect that the employment, directorship, appointment or engagement of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph (i) shall be conclusive.

(j) Right on cessation of eligibility for other reasons

If the grantee of an option ceases to be an Eligible Participant for any other reason, the grantee may exercise the option up to his/her entitlement at the date of cessation (to the extent which has become exercisable but not already exercised) within three (3) months following the date of such cessation (or such longer period as the Board may determine or, if any of the events referred to in paragraphs (k), (l) and (m) below occurs during such period, he/she may exercise the option pursuant to paragraphs (k), (l) and (m) below within such period), failing which the option will lapse. The date of cessation as aforesaid shall be the last working day with the Company or the relevant subsidiary, whether salary or compensation is paid in lieu of notice or not, or the last date of office or appointment as Director, or the last date of appointment or engagement as consultant or adviser to the Company or the relevant subsidiary, as the case may be, in the event of which, the date of cessation as determined by a resolution of the Board or the board of directors or governing body of the relevant subsidiary shall be conclusive.

(k) Rights on a general offer

If a general (or partial) offer (whether by takeover offer or scheme of arrangement or otherwise in like manner) is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror), the terms of which have been approved by any relevant regulatory authority and are in accordance with the applicable laws and regulatory requirements and becomes, or is declared unconditional prior to the expiry of the option, the Company shall within seven (7) days of such offer becoming or being declared unconditional give notice thereof to the grantee, whereupon the grantee (or his/her personal representatives) shall be entitled to exercise the option in full or in part (to the extent which has become exercisable but not already exercised) at any time within fourteen (14) days after the date of such notice and, to the extent any of the options have not been so exercised, such option shall upon the expiry of such period lapse.

(l) Rights on winding up

In the event that a notice is given by the Company to our Shareholders to convene a general meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind up the Company, the Company shall on the same date as it despatches such notice of the proposed general meeting to each Shareholder give notice thereof to the grantee (or his/her personal representatives), who may, by notice in writing to the Company (such notice to be received by the Company not later than five (5) business days prior to the proposed general meeting) accompanied by a remittance/payment for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given, exercise the option (to the extent which has become exercisable but not already exercised) either to its full extent or to the extent specified in such notice and the Company shall, as soon as possible and in any event no later than the business day immediately prior to the date of the proposed general meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise, credited as fully paid up and register the grantee as holder thereof. Any options shall, to the extent they have not been so exercised, lapse and determine.

(m) Rights on compromise or arrangement

If, pursuant to the Companies Ordinance or other applicable law, a compromise or scheme of arrangement between the Company and our members and/or creditors is proposed for the purpose of or in connection with the reconstruction of the Company or our amalgamation with any other company or companies, the Company shall give notice thereof to all grantees (or to their personal representatives) on the same day as we give notice to the members or creditors of the Company summoning a meeting to consider such a compromise or scheme of arrangement. Upon receipt of the notice, the grantee may, during the period commencing on the date of the notice and ending on earlier of:

(i) the date two (2) calendar months thereafter; and

(ii) the date on which such compromise or arrangement is sanctioned by the court,

exercise his/her option (to the extent which has become exercisable but not already exercised), conditional upon the compromise or arrangement being sanctioned by the court and becoming effective. The Company may require the grantee to transfer or otherwise deal with the Shares issued as a result of the exercise of the options in these circumstances so as to place the grantee in the same position as nearly as would have been the case had such Shares been subject to the compromise or arrangement. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been so exercised, lapse and determine. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court) the rights of grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full but only up to the extent not already exercised and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by the Company and no claim shall lie against the Company or any of our officers for any loss or damage sustained by any grantee as a result of the aforesaid suspension.

(n) Effects of alterations to share capital

In the event of any capitalization of profits or reserves, rights issue or other similar offer of securities to holders of Shares, consolidation, subdivision, or reduction of the share capital of the Company in accordance with legal requirements and the requirements of the Stock Exchange (other than an issue of Shares as consideration in respect of a transaction to which the Company and/or any of our subsidiaries is a party), the number of Shares subject to the option granted pursuant to Share Option Scheme so far as unexercised and/or the subscription price or any combination thereof, shall be adjusted in such manner as the auditors for the time being of the Company or an independent financial adviser to be appointed by the Company for such purpose shall certify in writing to the Board to be in their opinion fair and reasonable provided always that such adjustments shall be made on the basis that the grantee shall have as nearly as possible the same proportion of the equity share capital of the Company to which the grantee was entitled before such adjustments, and any adjustment must be made in compliance with the Listing Rules (including Chapter 17 thereof), and any guidance or interpretation of the Listing Rules issued by the Stock Exchange from time to time. In addition, in respect of any such adjustments, other than any adjustment made on a capitalization issue, the auditors for the time being of the Company or an independent financial adviser to be appointed by the Company must confirm to our Directors in writing that the adjustments satisfy the requirements of the relevant provision of the Listing Rules or the relevant guidance or interpretation thereof.

(o) Ranking of Shares

The Shares to be issued and allotted upon the exercise of options granted under the Share Options Scheme will be subject to all the provisions of the Articles of Association for the time being in force and will rank pari passu in all respects with the fully paid Shares in issue on the date on which Shares are allotted to the grantee (or his/her personal representative(s)) (the "**Allotment Date**") and accordingly will entitle the holders to participate in all dividends or other distributions declared paid or made on or after the Allotment Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor is before the Allotment Date.

Unless the context otherwise requires, references to "**Shares**" in the Share Option Scheme include references to shares in the share capital of the Company as shall result from a sub-division or a consolidation, reclassification or reconstruction of the share capital of the Company from time to time forming part of the ordinary equity share capital.

(p) Lapse of option

The right to exercise an option shall lapse automatically and become not exercisable (to the extent not already exercised) immediately upon the earliest of:

(i) the expiry of the period referred to in paragraph (e) above;

(ii) the expiry of the periods referred to in paragraphs (g), (h), (j), (k), (l) and (m) above;

(iii) subject to paragraph (l) above, the date of the commencement of the winding-up of the Company;

(iv) the date on which the grantee ceases to be an Eligible Participant by reason of the termination of his/her employment, directorship, appointment or engagement referred to in paragraph (i) above;

(v) the date on which the grantee sells, transfers, charges, mortgages, encumbers or creates any interest (legal or equitable) in favour of any third party over or in relation to any option or attempt to do so in breach of the Share Option Scheme.

(q) Period of the Share Option Scheme

Subject to the fulfillment of the conditions of the Share Option Scheme and the earlier termination by Shareholders' resolution in general meeting or the Board, the Share Option Scheme shall be valid and effective for a period of ten (10) years commencing from the Adoption Date, after which period no further options will be offered or granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects with respect to options granted during the life of the Share Option Scheme.

(r) Alteration to the Share Option Scheme and the terms of options granted under the Share Option Scheme

All provisions of the Share Option Scheme may, subject to the Listing Rules, be altered from time to time in any respect by a resolution of the Board save that the following alterations shall require the prior sanction of an ordinary resolution of our Shareholders in general meeting (with all grantees, prospective grantee and their associates abstaining from voting and the votes taken by poll):

(i) any alterations of the provisions relating to the matters set out in Rule 17.03 of the Listing Rules to the advantage of the grantee or the Eligible Participants;

(ii) any alterations of the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted under the Share Option Scheme (except where the alterations take effect automatically under the existing terms of the Share Option Scheme); and

(iii) any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme.

No such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the grantees as would be required of the Shareholders under the Articles of Association for the time being for a variation of the rights attached to the Shares. Any amended terms of the Share Option Scheme or options shall still comply with the relevant requirements of Chapter 17 of the Listing Rules (subject to such waiver as may be granted by the Stock Exchange from time to time).

In respect of any meeting of the grantees which may be held for this purpose, all the provisions of the constitutional documents for the time being of the Company as to general meetings of the Company shall mutatis mutandis apply as though the options were a class of shares forming part of the capital of the Company except that:

(i) not less than seven (7) days' notice of such meeting shall be given;

(ii) a quorum at any such meeting shall be two (2) grantees present in person or by proxy and holding options entitling them to the issue of one-tenth of the number of all Shares which would fall to be issued upon the exercise of all options then outstanding unless there is only one (1) grantee holding all options then outstanding, in which case the quorum shall be one (1) grantee;

(iii) every grantee present in person or by proxy at any such meeting shall be entitled on a poll to one (1) vote for each Share to which he/she would be entitled upon exercise in full of his/her options then outstanding; and

(iv) if any such meeting is adjourned for want of a quorum, such adjournment shall be to such date and time, not being less than seven (7) or more than fourteen (14) days thereafter, and to such place as may be appointed by the chairman of the meeting. At any adjourned meeting those grantees who are then present in person or by proxy shall form a quorum and at least seven (7) days' notice of any adjourned meeting shall be given in the same manner as for an original meeting and such notice shall state that those grantee who are then present in person or by proxy shall form a quorum.

Where there is any proposed change to the terms of any options granted to an Eligible Participant who is also a substantial Shareholder or an independent non-executive Director or any of their respective associates (except where the change takes effect automatically under the existing terms of the Share Option Scheme), then the proposed change must be subject to the approval of the Shareholders taken on poll at general meeting and to such other requirements of the Listing Rules. The Grantee, his/her associates and all connected persons of the Company must abstain from voting in such general meeting (except that any Grantee, his/her associate or core connected person may vote against the proposed change provided that his/her intention to do so has been stated in the circular). A Shareholders' circular must be prepared and sent by the Company explaining the proposed change and disclosing the original terms of the options, and containing a recommendation from the independent non-executive Directors (excluding an independent non-executive Director who is the holder of the options which terms are to be changed) on whether or not to vote in favour of the proposed change and containing such other information required under the Listing Rules.

(s) Administration of the Share Option Scheme

The Share Option Scheme shall be administered by the Board.

Options may be granted on such terms and conditions in relation to their vesting, exercise or otherwise as the Board may determine in its absolute discretion, provided that such terms and conditions shall not be inconsistent with any other terms and conditions of the Share Option Scheme.

(t) Termination of the Share Option Scheme

The Company by ordinary resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects in respect of any options granted prior thereto but not yet exercised at the time of termination. Upon such termination, details of the options granted, including options exercised or outstanding shall be disclosed in the circular to Shareholders seeking approval of the first new scheme to be established after such termination.

(u) Cancellation of Options

Subject to paragraph (f) above, any cancellation of options granted but not exercised shall be approved by the Board. Cancelled options may be re-issued after such cancellation has been approved, provided that re-issued options shall only be granted in compliance with the terms of the Share Option Scheme and the requirements of the Listing Rules and provided further that new options may be issued to a grantee in place of his/her cancelled options only if there are available unissued options (excluding the cancelled options) within the Scheme Mandate Limit or the Renewed Scheme Mandate Limit.

Any reference to the "**Board**" above shall include a duly authorised committee of the Board.

2. Present status of the Share Option Scheme

The Share Option Scheme is conditional on:

(a) the Listing Committee of the Stock Exchange granting (i) approval of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including the Shares which may fall to be issued pursuant to the exercise of options granted under the Share Option Scheme) and (ii) if so required by the Stock Exchange, approval of the Share Option Scheme and the grant of options thereunder;

(b) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any conditions) and not being terminated in accordance with its terms or otherwise; and

(c) commencement of dealings in the Shares on the Main Board.

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Listing Committee of the Stock Exchange for the approval of the Share Option Scheme and the subsequent granting of options under the Share Option Scheme and for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of the options granted under the Share Option Scheme.

(ii) PRE-IPO SHARE OPTION SCHEME

Pursuant to a written resolution of the sole Shareholder passed on 30 September 2014, the rules of the Pre-IPO Share Option Scheme were approved and adopted. The purpose of the Pre-IPO Share Option Scheme is to enable the Company to grant options to the participants of the Pre-IPO Share Option Scheme as incentives or rewards for their contribution to the growth of the Group and to provide the Group with a more flexible means to reward, remunerate, compensate and/or to provide benefits to the participants of the Pre-IPO Share Option Scheme. The principal terms of the Pre-IPO Share Option Scheme, approved by the aforesaid written resolution of the sole Shareholder, are substantially the same as the terms of the Share Option Scheme except that:

(a) the subscription price for Shares under the Pre-IPO Share Option Scheme is fixed at 20% discount to the Offer Price per Share;

(b) the maximum number of Shares which may be issued upon the exercise of all options granted under the Pre-IPO Share Option Scheme is 13,390,000 Shares, representing approximately 2.678% of our enlarged issued share capital immediately following completion of the Share Offer but excluding the Shares which may be issued upon the exercise of the Over-allotment Option, the options granted under the Pre-IPO Share Option Scheme and the options which may be granted under the Share Option Scheme;

(c) save for options which have been conditionally granted (details of which are set out herein below), no further options will be offered or granted as the Pre-IPO Share Option Scheme shall end on the day immediately prior to the Listing Date; and

(d) our Company by ordinary resolution in general meeting or the Board may at any time terminate the operation of the Pre-IPO Share Option Scheme and in such event, no further option shall be offered but the provisions of the Pre-IPO Share Option Scheme shall remain in full force and effect in all other respects in respect of any options granted thereto but not yet exercised at the time of termination.

The Shares to be issued and allotted upon the exercise of options granted under the Pre-IPO Share Option Scheme will be subject to all the provisions of the Articles for the time being in force and will rank pari passu in all respects with the fully paid Shares in issue on the date on which Shares are allotted to the grantee (or his personal representative) and accordingly will entitle the holders thereof to participate in all dividends or other distributions declared, paid or made on or after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the date of the relevant allotment.

Application has been made to the Listing Committee for the approval of the listing of, and permission to deal in, the Shares which may be issued pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme.

As at the Latest Practicable Date, options had been conditionally granted to 2 executive Directors, 3 independent non-executive Directors, 30 employees and 2 consultants of our Group by our Company at a consideration of HK$1.00 under the Pre-IPO Share Option Scheme. All the options under the Pre-IPO Share Option Scheme were granted on 7 October 2014.

Particulars of the outstanding options conditionally granted on 7 October 2014 under the Pre-IPO Share Option Scheme are set out as follows:

Name of Grantee (relationship with our Group)	Address	Number of Shares subject to the options granted under the Pre-IPO Share Option Scheme	Approximate percentage of shareholding held by each grantee *(Note 1)*	Expiry Date *(Note 2)*
Muk Wang Lit Jimmy (Executive Director)	Flat C, 13/F, Block 3, Juniper Mansions, Whampoa Garden, Hunghom, Kowloon, Hong Kong	2,000,000	0.4000%	6 October 2024
Chan Hok Ching (Executive Director)	Flat H, 5/F, Maple Mansion, Tai Koo Shing, Hong Kong	1,300,000	0.2600%	6 October 2024
Wong Shiu Hoi Peter (Independent non-executive Director)	5B, 8 Serene Avenue, La Serene, Discovery Bay, Lantau Island, Hong Kong	500,000	0.1000%	6 October 2024
Wan Kam To (Independent non-executive Director)	Flat A, 23rd Floor, The Conlonnade, 152 Tai Hang Road, Hong Kong	500,000	0.1000%	6 October 2024

Name of Grantee (relationship with our Group)	Address	Number of Shares subject to the options granted under the Pre-IPO Share Option Scheme	Approximate percentage of shareholding held by each grantee *(Note 1)*	Expiry Date *(Note 2)*
Szeto Wai Sun (Independent non-executive Director)	Flat A, 13th Floor, Star Court, 4 Man Wan Road, Ho Man Tin, Kowloon, Hong Kong	500,000	0.1000%	6 October 2024
Yuen Wai Piu (Consultant)	G/F, Yick Man Building, 7 Ha Heung Road, To Kwa Wan, Kowloon, Hong Kong	2,000,000	0.4000%	6 October 2024
Chan Ching Yee (Junior clerk)	Flat 3214, Block 1, Choi Fu House, Choi Ming Court, Tseung Kwan O, New Territories, Hong Kong	30,000	0.0060%	6 October 2024
Cheang Kin Shing (Claims supervisor)	Flat 2513, 25/F, Ping Sin House, Ping Tin Estate, Lam Tin, Kowloon, Hong Kong	142,000	0.0284%	6 October 2024
Cheung Oi Kan (Assistant to chairman)	Flat D, 6/F, Block 10, Park Island, Ma Wan, Kowloon, Hong Kong	190,000	0.0380%	6 October 2024
Ho Yuen Tao (Underwriting clerk)	9/F, Rear Block, Tong Mi Building, 205 Tong Mi Road, Tai Kok Tsui, Kowloon, Hong Kong	50,000	0.0100%	6 October 2024
Lam Oi Mui (Underwriting clerk)	Flat 4, 24/F, Block B, Jade Court, 35A Belcher's Street, Kennedy Town, Hong Kong	76,000	0.0152%	6 October 2024
Lau Ka Po (Business development trainee)	No. 17, 1/F, Block B, Fan Police Married Quarters, Jockey Club Road, Fanling, New Territories, Hong Kong	30,000	0.0060%	6 October 2024

Name of Grantee (relationship with our Group)	Address	Number of Shares subject to the options granted under the Pre-IPO Share Option Scheme	Approximate percentage of shareholding held by each grantee *(Note 1)*	Expiry Date *(Note 2)*
Lau Ka Yee (Financial controller)	Flat D, 11/F, Block 1, The Sherwood, Tuen Mun, New Territories, Hong Kong	254,000	0.0508%	6 October 2024
Law Yuk Hing (Accounts manager)	Flat G, 15/F, Block 5, Belvedere Garden, Phase 2, Tsuen Wan, New Territories, Hong Kong	460,000	0.0920%	6 October 2024
Li Sau Wai (Underwriting supervisor)	Flat C, 20/F, Block 2, Phase 2, Metro City, 8 Yan King Road, Tseung Kwan O, New Territories, Hong Kong	110,000	0.0220%	6 October 2024
Lin Wai Man (Underwriting supervisor)	Flat 915, 9/F Choi Wah House, Choi Yuen Estate, Sheung Shui, New Territories, Hong Kong	180,000	0.0360%	6 October 2024
Lin Ye (Claims supervisor)	Flat B, 43/F, Tower 3, Harbour Green, Tai Kok Tsui, Kowloon, Hong Kong	224,000	0.0448%	6 October 2024
Liu Yin Ling (Secretary)	Flat 1501, 15/F Fung Hei House, Fung Lai Court, Diamond Hill, Kowloon, Hong Kong	180,000	0.0360%	6 October 2024
Lo Chau Yee (Claims sub manager)	Flat 1022, 10/F Tak Man House, Oi Man Estate, Homantin, Kowloon, Hong Kong	310,000	0.0620%	6 October 2024

Name of Grantee (relationship with our Group)	Address	Number of Shares subject to the options granted under the Pre-IPO Share Option Scheme	Approximate percentage of shareholding held by each grantee *(Note 1)*	Expiry Date *(Note 2)*
Ng Suet Fun, Shirley (Underwriting clerk)	Flat 3806, 38/F, Nang Fu House, Tin Fu Court, Tin Shui Wai, New Territories, Hong Kong	100,000	0.0200%	6 October 2024
Ngai Shu Tak Nathaniel (Senior claims manager)	Flat A4, 5/F, Block A, Kingsland Villa, 19, Man Fuk Road, Kowloon, Hong Kong	560,000	0.1120%	6 October 2024
Or Pik Yuk (Underwriting manager)	Room B, 7/F, Block 1, Prosperity Court, 168 Lai Chi Kok Road, Shamshuipo, Kowloon, Hong Kong	420,000	0.0840%	6 October 2024
Rui Yuanqing (Business development manager)	Flat D, 7/F, Tower 5, Manhattan Hill, 1 Po Lun Street, Lai Chi Kok, Kowloon, Hong Kong	410,000	0.0820%	6 October 2024
Tam Ka Ho (Claims assistant)	Flat 1501, Yiu Chung House, Yiu On Estate, Ma On Shan, New Territories, Hong Kong	30,000	0.0060%	6 October 2024
Tang Ka Ip (Claims supervisor)	Room 8, 8/F, Block F, Chung Hoi House, Tin Chung Court, Tin Shui Wai, New Territories, Hong Kong	162,000	0.0324%	6 October 2024
Tsang Loy Hei (Tealady)	Flat 204, 2/F, Wang Kwong House, Wang Tau Hom Estate, Wong Tai Sin, Kowloon, Hong Kong	30,000	0.0060%	6 October 2024

Name of Grantee (relationship with our Group)	Address	Number of Shares subject to the options granted under the Pre-IPO Share Option Scheme	Approximate percentage of shareholding held by each grantee *(Note 1)*	Expiry Date *(Note 2)*
Wong Pui Wai (Underwriting supervisor)	Flat B, 11/F Yau Wo Building, 134 Fa Yuen Street, Mongkok, Kowloon, Hong Kong	180,000	0.0360%	6 October 2024
Wong Siu Chun (Affair manager to chairman)	Flat 501, 5/F, Kam Wai House, Kam Fung Court, Ma On Shan, New Territories, Hong Kong	120,000	0.0240%	6 October 2024
Wong Yuen Ming (Administration and human resources officer)	Flat C, 13/F, Block 6, Bauhinia Garden, Tseung Kwan O, New Territories, Hong Kong	380,000	0.0760%	6 October 2024
Yau Oi Ling (Underwriting clerk)	Flat 6, 12/F Ting Yin House, Siu On Court, Tuen Mun, New Territories, Hong Kong	76,000	0.0152%	6 October 2024
Yau Po Shan (Administrative assistant)	Flat D, 11/F, Block 6, Tsui Ning Garden, Tuen Mun, New Territories, Hong Kong	82,000	0.0164%	6 October 2024
Yeung Wai Han (Accounts supervisor)	Flat A2, 9/F, Block A, Wing Ning Building, 501-511 Shun Ning Road, Cheung Sha Wan, Kowloon, Hong Kong	186,000	0.0372%	6 October 2024
Yip Shing Fat (Claims supervisor)	Flat 1208, 12/F, Block 44, Shek Kip Mei Estate, Kowloon, Hong Kong	128,000	0.0256%	6 October 2024
Yiu Tan Ki (Underwriting clerk)	Flat 2103, 21/F Sun Man House, Oi Man Estate, Homantin, Hong Kong	80,000	0.0160%	6 October 2024

Name of Grantee (relationship with our Group)	Address	Number of Shares subject to the options granted under the Pre-IPO Share Option Scheme	Approximate percentage of shareholding held by each grantee *(Note 1)*	Expiry Date *(Note 2)*
Yu Lai Bing (Accounts supervisor)	Flat K, 2/F, Block 17, Charming Garden, Mongkok, Kowloon, Hong Kong	200,000	0.0400%	6 October 2024
Yuen Hon Kwan (Consultant)	Flat B, 18/F, Block 1, Oscar by the Sea, Tseung Kwan O, New Territories, Hong Kong	1,000,000	0.2000%	6 October 2024
Zhang Ping (Project manager)	Room 5B, 3/F, Hung Wen Court, United Building, No. 5 Wu Kwong Street, Hunghom, Kowloon, Hong Kong	210,000	0.0420%	6 October 2024
Total		13,390,000	2.6780%	

Notes:

1) This percentage is calculated on the basis of 500,000,000 Shares in issue immediately following completion of the Share Offer but does not take into account any Shares which may fall to be allotted and issued upon exercise of the Over-allotment Option and any options granted under the Pre-IPO Share Option Scheme or any options which may be granted under the Share Option Scheme.

2) The vesting period of the options granted under the Pre-IPO Share Option Scheme is as follows:

   (a) one-third vesting after the expiry of 12-month period from and including the Listing Date;

   (b) additional one-third vesting after the expiry of 24-month period from and including the Listing Date; and

   (c) remaining vesting after the expiry of 36-month period from and including the Listing Date.

Save as disclosed, no other option has been granted or agreed to be granted by our Company under the Pre-IPO Share Option Scheme.

Assuming that all outstanding options granted under the Pre-IPO Share Option Scheme were exercised in full on the Listing Date, the shareholding interest of the public (not including the Shares to be issued and allotted to the 2 executive Directors and the 3 independent non-executive Directors) would be increased from approximately 25.0% to approximately 26.02% of the total number of Shares in issue immediately after completion of the Share Offer, without taking into account any Shares which may fall to be issued upon exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme. Our Directors will not exercise any options if as a result of which our Company will not be able to comply with the public float requirements of the Listing Rules.

The Pre-IPO Share Option Scheme is conditional on:

(a) the Listing Committee granting (i) approval of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including the Shares which may fall to be issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme) and (ii) if so required by the Stock Exchange, approval of the Pre-IPO Share Option Scheme and the grant of options thereunder;

(b) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any conditions) and not being terminated in accordance with its terms or otherwise; and

(c) the commencement of dealings in the Shares on the Stock Exchange.

Exercise in full of the options granted under the Pre-IPO Share Option Scheme will result in an aggregate of 13,390,000 Shares to be issued and allotted, representing approximately 2.61% of the Shares in issue immediately following completion of the Share Offer (without taking into account the Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme), and such increase in issue of Shares will reduce the historical earnings per Share for the six months period ended 30 June 2014 based on 500,000,000 Shares in issue by approximately 2.61% from approximately HK$0.073 to approximately HK$0.071, and the net asset value as at 30 June 2014 per Share from approximately HK$0.457 to approximately HK$0.445.

E. OTHER INFORMATION

1. Estate duty, tax and other indemnities

Dr. Cheung, Dr. Choi, Mr. Chiu, Mr. Lai, Independent Assets, Allied Connect, Generous Rich and Champion City (collectively, the "**Indemnifiers**") have entered into a deed of indemnity with and in favour of our Company (for ourselves and as trustee for our present subsidiary) (being the material contract (iii) referred to in the paragraph headed "Summary of material contracts" above of this Appendix) to provide indemnities on a joint and several basis, in respect of, among other matters:

(a) any liability for Hong Kong estate duty which might be incurred by any member of the Group by reason of any transfer of property (within the meaning of sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) to any member of the Group at any time on or before the Listing Date; and

(b) tax liabilities (including all fines, penalties, costs, charges, expenses and interests incidental to or relating to taxation) and claims falling on any member of the Group resulting from or by reference to any income, profits, gains earned, accrued or received, or any transactions or events entered into or occurring, on or before the Listing Date, whether alone or in conjunction with any other circumstances whenever occurring and whether or not such tax liabilities or claims are chargeable against or attributable to any other person, firm, company or corporation.

The Indemnifiers are under no liability under the deed of indemnity in respect of any taxation:

(a) to the extent that provision or reserve has been made for such taxation, liabilities or claims in the audited accounts of any member of the Group up to the end of the Track Record Period; or

(b) to the extent that such taxation or liability falling on any of the members of the Group in respect of any accounting period commencing on the day immediately after the end of the Track Record Period and ending on the Listing Date, where such taxation or liability would not have arisen but for some act or omission of, or transaction voluntarily entered into by, any member of the Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifiers, other than any such act, omission or transaction:

(i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after the end of the Track Record Period; or

(ii) carried out, made or entered into pursuant to a legally binding commitment created on or before the end of the Track Record Period or pursuant to any statement of intention made in this prospectus; or

(c) to the extent that such taxation, liabilities or claims arise or are incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Hong Kong Inland Revenue Department, or any other relevant authority (whether in Hong Kong or any other part of the world) coming into force after the date of the deed of indemnity or to the extent such taxation, liabilities or claims arise or are increased by an increase in rates of taxation after the date of the deed of indemnity with retrospective effect; or

(d) to the extent that any provision or reserve made for taxation in the audited accounts of any member of the Group up to the end of the Track Record Period which is finally established to be an over-provision or an excessive reserve, in which case the Indemnifier's liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied referred to in this paragraph to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

Under the deed of indemnity, the Indemnifiers have also undertaken to each member of the Group that they will indemnify and at all times keep each member of the Group fully indemnified, on a joint and several basis, from and against all depletion in or reduction in value of assets, increase in liabilities, losses, claims, actions, proceedings, demands, orders, notices, liabilities, damages, costs (including legal costs on a full indemnity basis), expenses, interest, fines, penalties, payments of whatever nature suffered or incurred by any member of the Group directly or indirectly arising out of or in connection with any of the following (collectively, the "**Indemnified Matters**"):

(a) the implementation of the corporate reorganisation of the Group in the preparation of Listing as described in this prospectus; and

(b) all breaches, non-compliance and/or violation of, by any member of the Group on or before the Listing Date, (i) any applicable laws, rules and/or regulations (whether in Hong Kong or any other part of the world) and/or (ii) any requirements imposed by the IA and/or other regulatory authorities including but not limited to all the matters as referred to in the paragraph headed "Non-compliance" in the "Business" section of this prospectus, provided that the Indemnifiers are under no liability under the deed of indemnity in respect of the Indemnified Matters:

(i) to the extent that provision or reserve has been made for the relevant Indemnified Matters in the audited accounts of any member of the Group for any accounting period up to the end of the Track Record Period; or

(ii) to the extent that any provision or reserve made for the Indemnified Matters in the audited accounts of any member of the Group for any accounting period up to the end of the Track Record Period which is finally established to be over-provision or an excessive reserve, in which case the Indemnifiers' liability (if any) in respect of the Indemnified Matters shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied to reduce the Indemnifiers' liability in respect of the Indemnified Matters shall not be available in respect of any such liability arising thereafter.

2. Litigation

As at the Latest Practicable Date, no member of our Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against any member of our Group.

3. Sponsor

The Sponsor has declared its independence pursuant to Rule 3A.07 of the Listing Rules.

The Sponsor has made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, all the Shares in issue and to be issued as mentioned in this prospectus, including any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option, any options granted under the Pre-IPO Share Option Scheme and the options which may be granted under the Share Option Scheme.

Our Company agreed to pay the Sponsor a fee of HK$4.5 million in respect of its services rendered as the sponsor to our Company for the Share Offer.

All necessary arrangements have been made to enable the Shares to be admitted into the CCASS.

4. Registration procedures

The register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited. Save where our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, our Company's share register in Hong Kong.

5. Taxation of holders of Shares

(a) Hong Kong

Dealings in the Shares registered on our Company's Hong Kong register of members will be subject to Hong Kong stamp duty and the current rate charged on each of the purchaser and the seller is 0.1%. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) Generally

Potential holders of the Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, or dealing in, the Shares. It is emphasised that none of our Company, our Directors, the Sponsor, the Underwriters and all of their respective directors, agents or advisers nor any other parties involved in the Share Offer accepts responsibility for any tax effect on, or liabilities of, holders of the Shares resulting from their subscription for, holding, purchase or disposal of or dealing in the Shares or exercising any rights attaching to them.

6. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company are estimated to be approximately HK$8,350 and are payable by our Company.

7. Promoter

There are no promoters of our Company.

Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefits has been paid, allotted or given to the promoters in connection with the Share Offer or the related transactions described in this prospectus.

8. Qualification and consent of experts

The following are the qualifications of the experts which have given opinions or advice which are contained in, or referred to in, this prospectus:

Expert	**Qualification**
The Sponsor	Licensed corporation holding a licence under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Sit, Fung, Kwong & Shum	Legal advisors of the Company as to Hong Kong law
Mazars CPA Limited	Certified Public Accountants
S. Yu & Partners Limited	Independent actuarial consultant
Euromonitor	Industry consultant

Each of the Sponsor, Sit, Fung, Kwong & Shum, Mazars CPA Limited, S. Yu & Partners Limited and Euromonitor has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or opinion and/or the references to its name included herein in the form and context in which they are respectively included.

9. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

10. No material adverse change

Save as disclosed in this prospectus, our Directors confirm that there has been no material adverse change in the financial or trading position or prospects since 30 June 2014, being the date on which the latest audited financial statements of our Company were made up.

11. Miscellaneous

(a) Save as disclosed in this prospectus:

(i) within the two years preceding the date of this prospectus, no share or loan capital of our Company or our subsidiary has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;

(ii) within the two years preceding the date of this prospectus, no commission, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or our subsidiary and no commission (excluding sub-underwriters' commission) has been paid or payable for subscribing or agreeing to subscribe or procuring or agreeing to procure subscription for any shares of our Company or our subsidiary;

(iii) no share or loan capital of our Company or our subsidiary is under option or is agreed conditionally or unconditionally to be put under option;

(iv) no founders, management or deferred shares of our Company or our subsidiary have been issued or agreed to be issued; and

(v) our Company has no outstanding convertible debt securities.

(b) None of the Sponsor, Sit, Fung, Kwong & Shum, Mazars CPA Limited, S. Yu & Partners Limited and Euromonitor:

(i) is interested beneficially or non-beneficially in any shares in any member of our Group; or

(ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group saved as disclosed in this prospectus and in connection with the Underwriting Agreements.

(c) No company within our Group is presently listed on any stock exchange or traded on any trading system.

(d) There has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus.

12. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided in section 4 of the Companies (Exemption of Companies and Prospectus from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case at any discrepancies between the English language version and the Chinese language version, the English language version shall prevail.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the Application Forms, the written consents referred to in the paragraph headed "Qualification and consent of experts" in the section headed "Statutory and General Information" in Appendix V to this prospectus and copies of the material contracts referred to in the paragraph headed "Summary of material contracts" in the section headed "Further information about the business" in Appendix V to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Sit, Fung, Kwong & Shum at 9th Floor, York House, The Landmark, 15 Queen's Road Central, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the Articles of Association;

(b) the accountants' report of our Group prepared by Mazars CPA Limited, the text of which is set out in Appendix I to this prospectus;

(c) the letters from Mazars CPA Limited relating to the unaudited proforma financial information prepared by Mazars CPA Limited, the texts of which are set out in Appendix II to this prospectus;

(d) a written statement prepared by Mazars CPA Limited setting out the adjustments made by them in arriving at their report;

(e) such audited financial statements of our Group for each of the three financial years ended 31 December 2013 and the six months ended 30 June 2014 or for the period of their respective dates of incorporation to 30 June 2014 where there is a shorter period;

(f) the consulting actuaries' report from S. Yu & Partners Limited, an extract of which is set out in Appendix III to this prospectus;

(g) the report from Euromonitor in respect of the motor insurance market in Hong Kong;

(h) the legal opinions issued by Sit, Fung, Kwong & Shum, our Hong Kong legal advisors, relating to non-compliances with ICO and non-compliances with predecessor Companies Ordinance (Chapter 32 of the Laws of Hong Kong);

(i) the material contracts referred to in the paragraph headed "Summary of material contracts" in the section headed "Further information about the business" in Appendix V to this prospectus;

(j) the service agreements and the letters of appointment referred to in the paragraph headed "Particulars of service contracts and letters of appointment" in Appendix V to this prospectus;

(k) the rules of the Pre-IPO Share Option Scheme;

(l) the rules of the Share Option Scheme;

(m) the full list of all the grantees of the Pre-IPO Share Option Scheme, containing all the details in respect of each option required under paragraph 10 of the Third Schedule of the Companies (Winding Up and Miscellaneous Provisions) Ordinance and Rule 17.02(1)(b) of and paragraph 27 of Part A of Appendix I to the Listing Rules; and

(n) the written consents referred to in the paragraph headed "Qualification and consent of experts" in the section headed under "Other information" in Appendix V to this prospectus.