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

2014 Annual Report

TARGET

CONTENTS

ABOUT TARGET

The shares of Target Insurance (Holdings) Limited (the "Company" or "Target") commenced listing on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 15 January 2015. Target Insurance Company, Limited ("TIC"), a wholly-owned subsidiary of the Company, was incorporated in 1977, is one of the largest motor insurance companies in Hong Kong. Target offers high quality and professional insurance plans for our customers on taxis, public light buses, private cars, goods carrying vehicles and motorcycles, etc.

Target has all along focused on motor insurance business and reached 1st ranking in terms of motor insurance gross premium income in 2010, and maintains in the top three ranking in recent years. With the fierce competition of the rivalries in the market, Target distinguished itself and earned customers' trust by its convenient and speedy claims procedures, highly efficient and advanced insurance information system, as well as the experienced and professional team. In 2014, Target was awarded the Business Excellence Awards by the Professional Validation Centre of Hong Kong Business Sector (PVCBS).

CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

CHEUNG Haywood *(Chairman)*
LAI Bing Leung
CHIU Sun Ting
CHOI Chiu Fai Stanley
MUK Wang Lit Jimmy *(Chief Executive Officer)*
CHAN Hok Ching

INDEPENDENT NON-EXECUTIVE DIRECTORS

WAN Kam To
WONG Shiu Hoi Peter
SZETO Wai Sun

COMPANY SECRETARY

TSE Kam Fai

AUTHORISED REPRESENTATIVES

CHAN Hok Ching
TSE Kam Fai

COMPLIANCE ADVISER

CLC International Limited

AUDIT COMMITTEE

WAN Kam To *(Chairman)*
WONG Shiu Hoi Peter
SZETO Wai Sun

REMUNERATION COMMITTEE

WONG Shiu Hoi Peter *(Chairman)*
SZETO Wai Sun
CHAN Hok Ching

NOMINATION COMMITTEE

SZETO Wai Sun *(Chairman)*
WONG Shiu Hoi Peter
MUK Wang Lit Jimmy

RISK COMMITTEE

WONG Shiu Hoi Peter *(Chairman)*
SZETO Wai Sun
MUK Wang Lit Jimmy
CHAN Hok Ching

AUDITOR

Mazars CPA Limited
Certified Public Accountants
42nd Floor, Central Plaza
18 Harbour Road
Wanchai, Hong Kong

REGISTERED OFFICE, HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS

Units 1708-1710, 17th Floor
Miramar Tower
132 Nathan Road
Tsimshatsui
Kowloon, Hong Kong

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

STOCK CODE

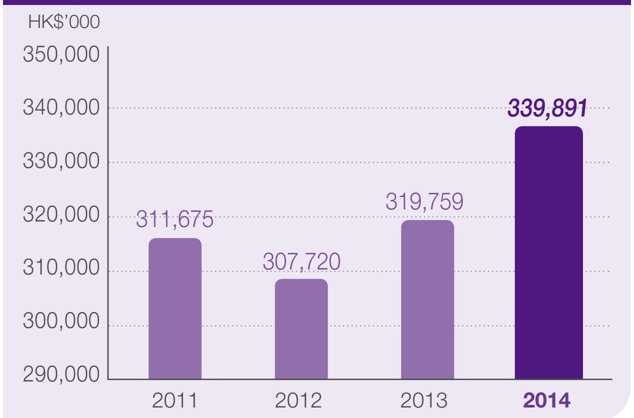
6161

WEBSITE

http://www.targetinsholdings.com

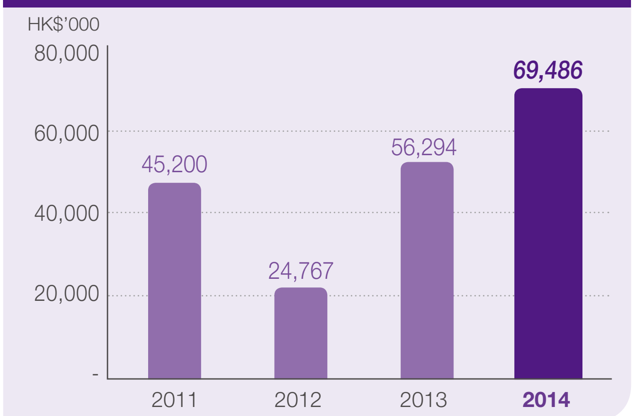
FINANCIAL SUMMARY

GROSS PREMIUM WRITTEN



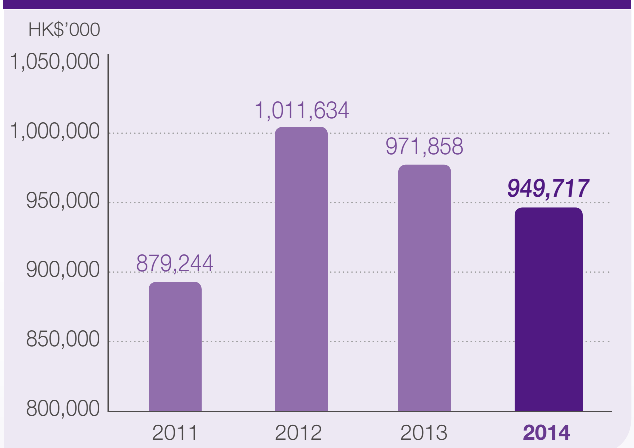
NET CLAIMS INCURRED

GROSS PROFIT

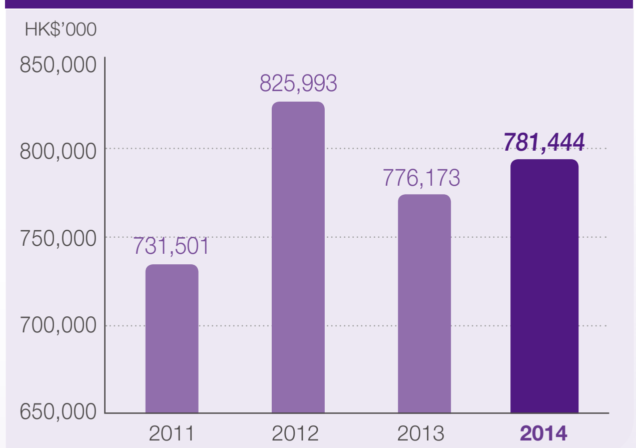


NET PROFIT

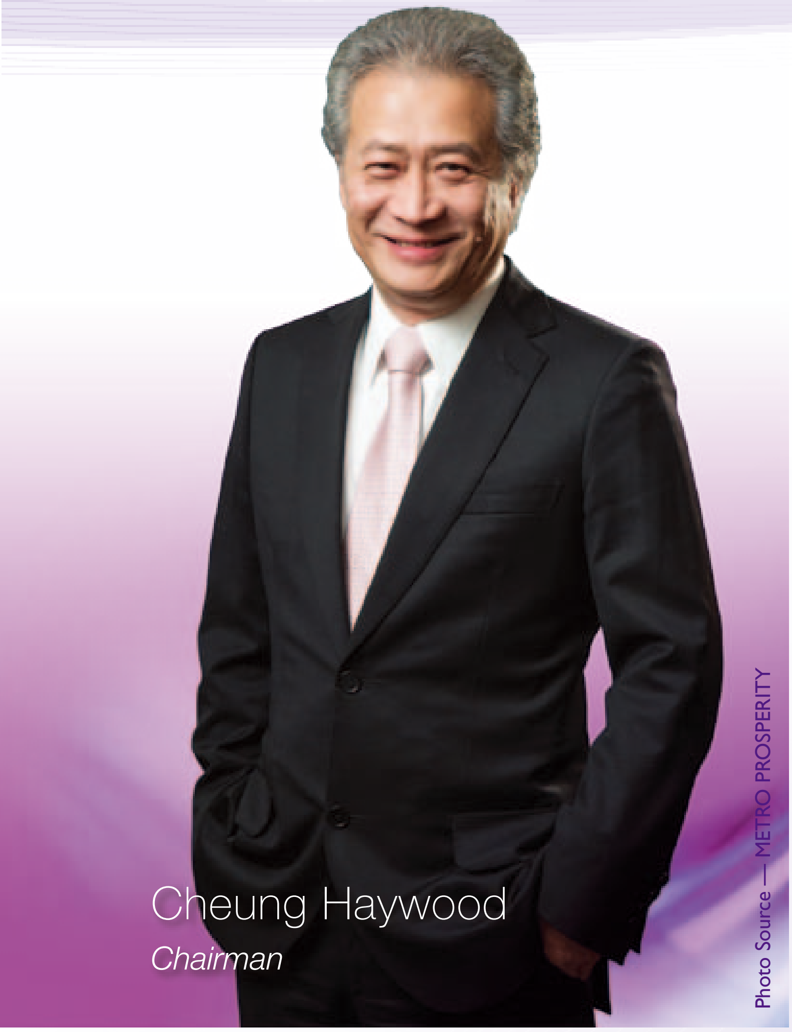
TOTAL ASSETS



TOTAL LIABILITIES



CHAIRMAN'S STATEMENT



On behalf of the board of directors (our "Board") of Target Insurance (Holdings) Limited ("Target" or our "Company", together with its subsidiary, collectively the "Group"), I am pleased to present this annual report for the year ended 31 December 2014 to our shareholders.

Target took a big leap in 2014. We have achieved another year of impressive growth and record profitability, despite fierce competition and challenges in the Hong Kong market in which Target operates. Since the listing of our Company's shares on the Main Board of the Stock Exchange of Hong Kong on 15 January 2015, Target is the first local general insurer accessing to Hong Kong's capital market.

2014 AT A GLANCE

During the year, Target remained focused on core competencies on claims management and growth strategies via the established network of agents to reach out to more customers. Our performance resulted in an increase of approximately 5.0% in net insurance premium revenue and a decrease of approximately 5.7% in insurance claims and loss adjustment expenses. Target achieved approximately 23.4% increase in profit before tax to approximately HK$69.5 million, which was supported by an increase in operating profit of approximately HK$23.9 million.

We seek to continuously improve our standards of service and conduct in everything we do for providing a better choice to customers, insurance intermediaries, shareholders and other stakeholders.

OUR FOCUS

Our business operation, which is conducted entirely in Hong Kong, is highly regulated. During the year, the Insurance Companies (Amendment) Bill 2014 was introduced by the Hong Kong Government to provide for, among other things, the establishment of an independent Insurance Authority and a statutory licensing regime for insurance intermediaries to replace the existing self-regulatory system.

In addition, the three-month consultation on the proposed risk-based capital framework was also conducted in 2014 in which it is proposed that the protection of policy holders will be strengthened by relating capital adequacy to the risk exposure of the insurer.

In these positive developments, corporate governance and capital adequacy are two areas that are now gaining in importance. Target has put in place structures and initiatives to be well-prepared for these important developments.

CHAIRMAN'S STATEMENT

STRENGTHENING OUR BOARD

Our Board currently comprises nine members, including six executive directors and three independent non-executive directors with diversified backgrounds joining us on 1 November 2014.

Mr. Muk Wang Lit Jimmy, our executive director, was appointed as the Chief Executive Officer on 10 October 2014. He has proven to be a highly capable and effective Chief Executive Officer who has made good progress in driving the several strategic goals that we had set ourselves. On the next section headed "Chief Executive's Review", you will find Jimmy's summary of the Company's performance and achievements during 2014 and the outlook and our strategy for the year ahead.

OUR BUSINESS

We expect a continuously competitive market for motor insurance. Recent growth has been helped by a positive cycle of vehicle replacement, but is under pressure structurally. We are putting more emphasis on underwriting discipline and take a granular approach to growth, assessing products and segments in detail to identify the most attractive business.

We believe that the listing of our Company's shares will further strengthened our financial capability for our future business developments, including increasing our insurance business on other types of motor vehicles and exploration of opportunities in other general insurance products.

We will continue to push operational and underwriting performance. We may consider adopting technological advances to improve customers' experience and enhance efficiency. We will also continue to invest in our relationship with agents and develop our people and to capitalize on the many opportunities. With both the capacity and drive to achieve, we look forward to building a strong and rewarding future.

CORPORATE SOCIAL RESPONSIBILITY

During the year under review, Target continued to commit resources towards key Corporate Social Responsibility initiatives that go towards supporting needs of the local community. We are the Gold Sponsor of "Let's Build our HK Dream" under "Bless HK" campaign. The program is organized by the Chinese Gold & Silver Exchange Society Charity Fund Limited which provided free events to low income groups and ethnic minority families with a view to strengthen children's study motivation.

We are awarded Caring Company, "Green Office" Label and United Nations Millennium Development Goals (UNMDG) "Better World Company" Label launched by the Hong Kong Council of Social Service, World Green Organization and Junior Chamber International respectively in 2014/15.

Our Board joins me in thanking our staff, our customers, our insurance intermediaries and other stakeholders for supporting Target over the past years and in the future.

Cheung Haywood
Chairman

CHIEF EXECUTIVE'S REVIEW

FINANCIAL RESULTS

Our Group produced a net profit of HK$57.3 million (2013: HK$48.5 million) from net income of HK$308.6 million (2013: HK$293.6 million). Basic EPS was HK 15.3 cents (2013: HK 12.9 cents). Our EBITDA was HK$70.2 million (2013: HK$57.0 million) (including one-off listing expenses and reporting accountant fees of HK$10.9 million).

Our results were mainly influenced by:

— The increasing trend of comprehensive protection on vehicles, taxi in particular;

— Good control of our insurance claims and loss adjustment expenses; and

— The one-off listing expenses and reporting accountant fees.

PERFORMANCE REVIEW

In 2014, our Group continues to focus our business on motor insurance, specializing in insurance for taxi and public light buses ("PLB").

TAXI

The growth in taxi business is our major source of growth in 2014. The net insurance premium revenue of taxi increased significantly by 13.2% to HK$159.5 million. The net insurance claims and loss adjustment expenses decreased by 0.2% to HK$108.8 million, leading the segment result increased dramatically by 86.9% to HK$37.1 million.

Our outperformance on net insurance premium revenue of the segment is driven by the market trend of replacement of new taxi starting from late 2013. A major distributor of taxi has introduced different incentives to encourage taxi owners to purchase new taxi, thus encouraged our customers to protect their taxi with comprehensive insurance cover.

During this year, we have also noted an improvement on the driving habits of taxi's drivers, combining with the effect of our streamlined claims management, the loss ratio for taxi has been significantly improved to 68.2% (2013: 77.4%).

PLB

We have had a stable year of our PLB business in 2014. The net insurance premium revenue of PLBs decreased slightly by 0.1% to HK$80.7 million. The net insurance claims and loss adjustment expenses increased by 4.2% to HK$29.9 million, leading a mild reduction of segment result by 2.8% to HK$44.3 million.

The PLB market has been relatively stable in the past two years. The evolving differentiator of segment result rests on claims management, in which we have been performing well, the loss ratio for this segment maintains at a relatively low level at 37.1% (2013: 35.6%).

OTHER MOTOR VEHICLES

In 2014, the market environment has been increasingly competitive for motor insurance for other motor vehicles. The net insurance premium revenue of other motor vehicles decreased by 9.8% to HK$45.1 million. The net insurance claims and loss adjustment expenses decreased by 27.9% to HK$29.0 million, turning the segment result to a profit of HK$3.3 million from a loss of HK$4.5 million in 2013.

To resume the profitability of this segment, we have taken a cautious approach in response to the market environment: (i) better underwriting discipline to retain better customers; and (ii) taking gradual adjustments in response to price competition.

INVESTMENTS

As at 31 December 2014, we had total cash and deposits of HK$587.5 million and available-for-sale financial assets of HK$200.5 million. The investment income for the period was increased by 6.3% to HK$22.4 million.

During the year, we have taken a conservative approach towards investments. Our primary goal for this year was to achieve a return higher than bank deposits. Other than the bank deposits and certificate of deposits, majority of investments are government bonds. The average investment yield of the portfolio for the year was 2.8%

OUTLOOK

We expect our business on taxi will continue to be benefited from the trend of replacement of new taxi and our continued effort on streamlining claims management to support a favorable growth of our business.

The fundamentals continue to look stable for PLB business due to our established relationship of the major insurance intermediaries. However, the growth in demand remains limited.

The increasing number of players on other motor vehicles market is likely to result in a volatile market. The market environment for this segment has become more challenging with the enhanced transparency on the pricing information and convenience in accessing the insurers directly via online platform.

We remain selectively open for any development opportunities in other types of general insurance business.

We also expect a challenging investment market as majority of our investments are interest rate sensitive. With the increased funds available for investment, our Company will continue to adopt a prudent approach towards investment and meet the solvency requirements.

STRATEGY FOR 2015

For 2015, we will hone our focus on three key strategic objectives which are:

INCREASE OUR INSURANCE BUSINESS ON OTHER TYPES OF MOTOR VEHICLES

We will direct stronger effort towards the development of our business on other types of motor vehicles. Recognizing the intense competition in this market, we consider this is an area which we can utilize our strength on claims management and thus will provide us with the greatest growth potential in the coming years. For the private car segment, we continue to focus on high quality customers referred by selected car dealers. In order to further penetrate the market, we are also exploring other strategies by way of product and technological innovation, which may include the adoption of a B2C model to provide better insurance coverage for our customers and, at the same time, a better and direct experience on both underwriting and claims processing.

STRENGTHENING RELATIONSHIP WITH OUR AGENTS AND PROVIDING HIGH QUALITY SERVICE TO OUR CUSTOMERS

We continue to invest actively on the relationship with our existing agent network, which include participating and sponsoring those activities organized by taxi and PLB industry organizations in Hong Kong. At the same time, we continue to provide high quality service to our customers, particularly in offering assistance to them in handling claims in a professional and expeditious manner. In addition to the existing underwriting and claims teams, we intend to set up a dedicated team to answer calls from customers similar to a call centre operation so as to ensure all customers' enquiries are being attended to promptly.

EXPLORING BUSINESS OPPORTUNITIES TO DIVERSIFY OUR INSURANCE PRODUCTS

Notwithstanding the fact that it is increasingly difficult to search for attractive business opportunities, we will proceed cautiously in exploring the possibility of further expanding our business portfolio, diversifying our insurance products and to consider any business lines that can leverage on our strengths and draw on our existing networks and expertise.

We will continue to develop our people to capitalize on our growth opportunities. We trust the above will enhance our ability to increase customer satisfaction, reinforcing our position in a strengthening market and generating sustainable growth, significant cash flow and attractive shareholder returns.

Muk Wang Lit Jimmy
Chief Executive Officer

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Dr. CHEUNG HAYWOOD (張德熙) ("Dr. Cheung"), aged 62, is an executive Director and chairman of the Board. He is also the chairman and an executive director of TIC. 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 2016.

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.

Mr. LAI BING LEUNG (黎秉良) ("Mr. Lai"), aged 68, is one of the founders of the Group. Mr. Lai has about 37 years of experience in the motor insurance business. He has been an executive director of TIC since 1977. He had also been the chairman of the board of TIC 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 the 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. CHIU SUN TING (趙新庭) ("Mr. Chiu"), aged 69, is one of the founders of the Group. Mr. Chiu has about 37 years of experience in the motor insurance business. He has been an executive director of TIC since 1977 and was the chief executive officer of TIC up to October 2014. In addition to his directorship role of setting objectives and formulating strategies of the 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.

Dr. CHOI CHIU FAI STANLEY (蔡朝暉) ("Dr. Choi"), aged 46, is an executive Director of the Company. He is also an executive director and a member of the investment committee of TIC. 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 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. MUK WANG LIT JIMMY (穆宏烈) ("Mr. Muk"), aged 60, is an executive Director and chief executive officer of the Company. Mr. Muk is also an executive director and the compliance officer of TIC, reporting to the Board on TIC's compliance matters, and is responsible to monitor TIC's compliance with the requirements under the Insurance Companies Ordinance (Chapter 41 of the Laws of Hong Kong) and other requirements as imposed by the Insurance Authority, as well as a member of each of the Nomination Committee and the Risk Committee of the Company, and a member of the investment committee of TIC. He joined the 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 TIC 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 TIC 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 The Australian and New Zealand Institute of Insurance and Finance ("ANZIIF").

Mr. CHAN HOK CHING (陳學貞) ("Mr. Chan"), aged 52, is an executive Director of the Company. He joined the Group in July 2010 as the assistant to chairman. Mr. Chan is also a member of each of the Remuneration Committee and the Risk Committee of the Company, and an executive director and a member of the investment committee of TIC. He was responsible for assisting the chairman in performing his duties in all areas. Mr. Chan has been appointed as an executive director of TIC since June 2012. Mr. Chan has over 25 years' experience in banking and financial industry. Mr. Chan has been the general manager of Simsen 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 2016.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. WAN KAM TO (尹錦滔) ("Mr. Wan"), aged 62, was appointed as an independent non-executive Director on 1 November 2014. Mr. Wan is also an independent non-executive director and the chairman of the audit committee of TIC, and the chairman of the Audit Committee of the Company. 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
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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. WONG SHIU HOI PETER (黃紹開) ("Mr. Wong"), aged 74, was appointed as an independent non-executive Director on 1 November 2014. Mr. Wong is also an independent non-executive director and a member of each of the audit committee and the investment committee of TIC, the chairman of each of the Remuneration Committee and the Risk Committee, and a member of the Audit Committee and the Nomination Committee of the Company. 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

Mr. SZETO WAI SUN (司徒維新) ("Mr. Szeto"), aged 56, was appointed as an independent non-executive Director on 1 November 2014. Mr. Szeto is also an independent non-executive director and a member of the audit committee of TIC, the chairman of the Nomination Committee, a member of each of the Audit Committee, the Remuneration Committee and the Risk Committee of the Company. 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.

SENIOR MANAGEMENT

Ms. LAU KA YEE (劉家儀) ("Ms. Lau"), aged 35, 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 the 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 53, is the underwriting manager of the 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 TIC 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 TIC 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 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 the 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, 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.

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 the 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.

FINANCIAL REVIEW

Our Group's general insurance business is operated by TIC. TIC is a Hong Kong incorporated company and is wholly-owned by the Company. TIC is principally engaged in underwriting of motor policies in Hong Kong.

The key financial data of the Group is summarized below:

	2014 HK$'000	2013 HK$'000	% Change
Gross premium written	**339,891**	319,759	6.3%
Net premium written	**295,059**	275,856	7.0%
Net insurance premium revenue	**285,352**	271,715	5.0%
Net insurance claims and loss adjustment expenses	**(167,814)**	(178,021)	(5.7%)
Acquisition costs and other underwriting expenses, net	**(32,785)**	(32,817)	(0.1%)
Operating profit	**84,753**	60,877	39.2%
Investment income	**22,381**	21,061	6.3%
Other income	**897**	863	3.9%
Employee benefit expenses	**(15,650)**	(15,248)	2.6%
Other operating expenses	**(22,895)**	(11,259)	103.3%
Profit before tax (1)	**69,486**	56,294	23.4%
Profit for the year (1)	**57,325**	48,477	18.3%
EBITDA (1)	**70,209**	57,014	23.1%
Basic Earnings per share (2)	**15.29 cents**	12.93 cents	18.3%
Diluted Earnings per share (2)	**15.27 cents**	12.93 cents	18.1%
Solvency margin ratio	**227.3%**	209.6%	8.4%
Retention ratio	**86.8%**	86.3%	0.6%
Investment yield	**2.8%**	2.6%	7.7%

Note:

(1) One-off listing expenses and reporting accountant fees of HK$10.9 million is recognised in 2014.

(2) The weighted average number of shares in issue for the year is based on the assumption that 375,000,000 ordinary shares of the Company are in issue and issuable, comprising 1 ordinary share issued upon incorporation of the Company and 374,999,999 ordinary shares issued as a result of the Reorganization as if the shares were outstanding throughout the years ended 31 December 2014 and 2013 the purpose of the calculation of earnings per share.

NET PROFIT

We recorded a net profit of HK$57.3 million in 2014 (2013:HK$ 48.5 million). We produced a moderate premium growth and a solid operating profit in 2014. Despite of the substantial one-off listing expenses and reporting accountant fees of HK$10.9 million recognized in 2014, net profit increased significantly by 18.3%.

FINANCIAL REVIEW

GROSS PREMIUM WRITTEN

Gross premium written increased by 6.3% to HK$339.9 million (2013: HK$319.8 million). During the year, there was positive cycle of vehicle replacement, particularly for taxi. It has helped the growth of our business. The detailed breakdown of gross premium written is as follows:

	For the year ended 31 December			
	2014 HK$'000	**% of Total**	2013 HK$'000	% of Total
Taxi	**199,003**	**58.5%**	172,236	53.9%
PLB	**93,700**	**27.6%**	93,356	29.2%
Other motor vehicles	**47,188**	**13.9%**	54,167	16.9%
	339,891	**100.0%**	319,759	100.0%

NET INSURANCE CLAIMS AND COMBINED RATIO

Net insurance claims and loss adjustment expense was decreased by 5.7% to HK$167.8 million (2013: HK$178.0 million). Benefitting from the streamlined claims management, the loss ratio reduced 6.7% to 58.8% (2013: 65.5%).

The expense ratio (after normalizing the effect of one-off listing expenses and reporting accountant fees) slightly reduced 0.6% to 21.2% (2013: 21.8%).

	As at 31 December		
	2014	2013	Difference
Loss ratio (1)	**58.8%**	65.5%	(6.7%)
Expense ratio (1) & (2)	**21.2%**	21.8%	(0.6%)
Combined ratio (2) & (3)	**80.0%**	87.3%	(7.3%)

(1) Both the loss ratio and expense ratio are based on net insurance premium revenue.
(2) Both the expense ratio and combined ratio of 2014 are normalized by excluding the one-off listing expenses and reporting accountant fees of HK$10.9 million.
(3) The combined ratio is the sum of the loss ratio and expense ratio.

INVESTMENT PERFORMANCE

Our Group has adopted a prudent approach towards investment. During the year, we have realized a significant portion of the equity securities. The composition of investments is as follows:

	As at 31 December			
	2014 HK$'000	**% of Total**	2013 HK$'000	% of Total
Debt securities and certificate of deposits	**191,615**	**24.3%**	224,766	28.0%
Equity securities	**8,886**	**1.1%**	48,263	6.0%
Cash and bank deposits	**587,516**	**74.6%**	530,374	66.0%
	788,017	**100.0%**	803,403	100.0%

The debt securities and certificate of deposits classified by type and class are as follows:

	As at 31 December		
	2014 HK$'000	2013 HK$'000	% Change
Government (HKD)	**122,284**	145,962	(16.2%)
Corporate entities (USD)	**3,234**	40,705	(92.1%)
Corporate entities (CNY)	**—**	23,561	(100%)
Certificate of Deposits (HKD)	**11,000**	—	n/a
Certificate of Deposits (CNY)	**39,610**	6,756	486.3%
Certificate of Deposits (USD)	**15,487**	7,782	99.0%
	191,615	224,766	(14.7%)

Despite of the reducing portion of the investment in equity securities during 2014, our prudent financial management enable us to maintain an investment yield at 2.8% (2013: 2.6%). The total investment income and the investment yield on a pre-tax basis recognized in the Consolidated Income Statement are as follows:

	For the year ended 31 December		
	2014 HK$'000	2013 HK$'000	% Change
Interest income from bank deposits	**9,414**	9,890	(4.8%)
Interest income from available-for-sale financial assets	**9,628**	7,585	26.9%
Dividend income from available-for-sale financial assets	**2,089**	1,153	81.2%
Gain on disposal of available-for-sale financial assets	**5,167**	341	1,415.2%
Net foreign exchange (loss)/gain	**(3,917)**	2,092	(287.2%)
	22,381	21,061	6.3%
Investment yield	**2.8%**	2.6%	7.7%

UNDERWRITING AND OTHER ADMINISTRATIVE EXPENSES

Our Group managed to achieve a higher net insurance premium revenue with the similar level of underwriting expenses and staff costs. The increase of other administrative expenses is mainly arisen from the one-off listing expenses and reporting accountant fees of HK$10.9 million incurred in 2014 and the increase of rent charges by 31.6% following the renewal of tenancy agreement in the second half of 2013. The underwriting and other administrative expenses are summarized as follows:

	For the year ended 31 December		
	2014 HK$'000	2013 HK$'000	% Change
Acquisition costs and other underwriting expenses, net	**32,785**	32,817	(0.1%)
Employee benefit expenses	**15,650**	15,248	2.6%
Listing expenses	**10,922**	—	n/a
Rental charges	**4,378**	3,328	31.6%
Advertising and promotion expenses	**1,507**	2,358	(36.1%)
Donation	**1,420**	103	1,278.6%
Others	**4,668**	5,470	(14.7%)
	71,330	59,324	20.2%

FINANCIAL REVIEW

OPERATING PROFIT

Our Group produced an operating profit of HK$84.8 million in 2014 (2013: HK$60.9 million), representing an increase of 39.2% compared to last year. In respect of profit for the year, we have achieved HK$57.3 million (2013: HK$48.5 million), representing an increase of 18.3% compared to last year.

	For the year ended 31 December		
	2014 HK$'000	2013 HK$'000	% Change
Operating profit	**84,753**	60,877	39.2%
Profit before tax	**69,486**	56,294	23.4%
Profit for the year	**57,325**	48,477	18.3%

SOLVENCY MARGIN RATIO

The solvency margin ratios of TIC under the Hong Kong Insurance regulations are as follows:

	As at 31 December	
	2014	2013
Solvency Margin Ratio	**227.3%**	209.6%

LIQUIDITY AND FINANCIAL RESOURCES

Our Group's cash and bank deposits as at 31 December 2014 amounted to HK$ 587.5 million (2013: HK$530.4 million).

FINANCIAL LEVERAGE

Our Group is determined to keep up with prudent financial management. As at 31 December 2014, our Group had no bank overdrafts (2013: HK$ 5.0 million) and any other borrowings (2013: Nil).

CAPITAL STRUCTURE

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

INCORPORATION OF THE COMPANY

On 28 August 2014, the Company was incorporated under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as a public company with limited liability. One share at the subscription price of HK$1 was allotted and issued to Independent Assets Management Limited ("Independent Assets").

ACQUISITION OF TIC BY THE COMPANY

On 13 November 2014, the Insurance Authority ("IA") granted its approval to each of the Company, Independent Assets, Allied Connect Limited ("Allied Connect"), Generous Rich Limited ("Generous Rich") and Champion City Holdings Limited ("Champion City") to be the controllers of TIC.

Pursuant to a sale and purchase agreement entered into among Tracing Paper International Limited ("Tracing Paper"), Mr. Chiu, Mr. Lai and our Company on 1 December 2014, the Company acquired the entire issued share capital of TIC from Tracing Paper, Mr. Chiu and Mr. Lai. In consideration of such acquisition, the 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, TIC became a wholly-owned subsidiary of the Company.

STAFF AND STAFF REMUNERATION

As at 31 December 2014, the Group had a total of 37 employees (2013: 35 employees), an increase of 2 employees. Total remuneration for 2014 amounted to HK$15.7 million (2013: HK$15.2 million), an increase of 2.6%. Bonuses are linked to both the performance of the Group and the performance of the individual.

CONTINGENT LIABILITIES

Other than those incurred in the normal course of our Group's insurance business, there was neither outstanding litigation nor any other contingent liabilities as at 31 December 2014.

DIRECTORS' REPORT

The board of directors ("Directors") of the Company is pleased to submit their first report together with the audited financial statements of Group for the year ended 31 December 2014.

REORGANISATION AND INITIAL PUBLIC OFFERING

The Company was incorporated under the Companies Ordinance (Chapter 622, Laws of Hong Kong) in Hong Kong as a public company with limited liability on 28 August 2014. Pursuant to a reorganisation to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange"), the Company became the holding company of its subsidiary now comprising the Group.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The proceeds from the Company's issue of new shares in connection with its listing on the Stock Exchange together the issue of new shares upon the full exercise of the over-allotment options, after deduction of related expenses, amounted to approximately HK$199.7 million, which are intended to be applied in accordance with the proposed applications set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 31 December 2014 ("Prospectus"). Up to the date of this report, HK$140.0 million was utilised for strengthened the share capital of Target Insurance Company, Limited, the wholly-owned subsidiary of the Company, to enhance its solvency position and meeting statutory requirements for (i) diversification of our motor insurance products to other types of vehicles, and (ii) to explore business opportunities of other general insurance. The remaining net proceeds is temporarily placed in short term deposits with licensed banks in Hong Kong.

PRINCIPAL ACTIVITIES

The Company is an investment company and the subsidiary is principally engaged in writing motor insurance in Hong Kong with leading market position on insurance for taxi and PLB.

BUSINESS REVIEW

REVIEW OF OUR BUSINESS

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.

The following table illustrates the breakdown of our gross premium written by business segments (including policy cancellations) for the years ended 31 December 2014 and 2013:

	Year ended 31 December			
	2014		2013	
	HK$'000	**% of total**	HK$'000	% of total
Taxi	**199,003**	**58.5%**	172,236	53.9%
PLB	**93,700**	**27.6%**	93,356	29.2%
Other motor vehicles (Note)	**47,188**	**13.9%**	54,167	16.9%
Total	**339,891**	**100.0%**	319,759	100.0%

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

DIRECTORS' REPORT

There has been no change on the business focus of our Group. We continued to strengthen our leading position in the motor insurance for taxi and PLB in Hong Kong. We have also benefited from the increasing trend of comprehensive protection on vehicles, new taxi in particular, which drove the growth of our business in 2014.

We invest the premiums and other income generated from our insurance business. The carrying value of our investment portfolio as at 31 December 2014 was approximately HK$ 788.0 million.

FINANCIAL KEY PERFORMANCE INDICATORS

For details discussion on each financial key performance indicators, please refer to "Financial Review" section.

	2014 HK$'000	2013 HK$'000	% Change
Gross premium written	**339,891**	319,759	6.3%
Net premium written	**295,059**	275,856	7.0%
Net insurance premium revenue	**285,352**	271,715	5.0%
Net insurance claims and loss adjustment expenses	**(167,814)**	(178,021)	(5.7%)
Acquisition costs and other underwriting expenses, net	**(32,785)**	(32,817)	(0.1%)
Underwriting profit	**84,753**	60,877	39.2%
Investment income	**22,381**	21,061	6.3%
Other income	**897**	863	3.9%
Employee benefit expenses	**(15,650)**	(15,248)	2.6%
Other operating expenses	**(22,895)**	(11,259)	103.3%
Profit before tax (1)	**69,486**	56,294	23.4%
Profit for the year (1)	**57,325**	48,477	18.3%
EBITDA (1)	**70,209**	57,014	23.1%
Basic Earnings per share (2)	**15.29 cents**	12.93 cents	18.3%
Diluted Earnings per share (2)	**15.27 cents**	12.93 cents	18.1%
Solvency margin ratio	**227.3%**	209.6%	8.4%
Retention ratio	**86.8%**	86.3%	0.6%
Investment yield	**2.8%**	2.6%	7.7%

Note:

(1) One-off listing expenses and reporting accountant fees of HK$10.9 million is recognised in 2014.

(2) The weighted average number of shares in issue for the year is based on the assumption that 375,000,000 ordinary shares of the Company are in issue and issuable, comprising 1 ordinary share issued upon incorporation of the Company and 374,999,999 ordinary shares issued as a result of the Reorganization as if the shares were outstanding throughout the years ended 31 December 2014 and 2013 the purpose of the calculation of earnings per share.

PRINCIPAL RISKS AND UNCERTAINTIES

(A) RELIANCE ON OUR AGENTS IN REFERRING BUSINESS TO US

We have traditionally been relying on our agents, most of which are motor trading/management companies and insurance agents, to sell our insurance products. During the year ended 31 December 2014, the gross premiums written by our Group from those insurance policies sold through our agents represented approximately 99.4% of the total gross premium written by our Group respectively.

We maintain close relationships with these agents through effective communications, competitive commissions and prices for our insurance products. The total number of agents appointed by us as at 31 December 2014 under the record of the Hong Kong Federation of Insurers is 137.

We believe the new Independent Insurance Authority as proposed under the Insurance Companies (Amendment) Bill 2014 will enhance the licensing and conduct requirements of insurance agents, which will further strengthen the quality of our agents.

(B) RELIANCE 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 the year ended 31 December 2014, the gross premium written by us on the insurance policies for taxi and PLB represented approximately 86.1% of the total gross premium written by us (2013: 83.1%).

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. Taxi and PLB ranked high on the traffic accident rates in Hong Kong. During this year, we noted an improvement on the driving habits of taxi and PLB drivers, combing with the effect of our streamlined claims management, the loss ratio for taxis has been significantly improved to 68.2% (2013: 77.4%), while the loss ratio for PLB maintains at a relatively low level at 37.1% (2013: 35.6%).

(C) DIVERSIFICATION 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. Such decision will be subject to the results of the feasibility study. We are not able to ascertain at this stage whether the IA will grant any licences or impose additional requirement on TIC to carry out any of those general insurance business.

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 businesses 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.

(D) HIGHLY REGULATED INSURANCE INDUSTRY

The insurance industry in Hong Kong is highly regulated. Companies carrying on insurance business in or from Hong Kong must obtain authorization from the IA. Authorization will only be granted to insurers meeting certain requirements under the Insurance Companies Ordinance (Chapter 41, the Laws of Hong Kong) ("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 TIC. If any of TIC'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.

(E) VOLATILITY AND UNCERTAINTIES IN CONNECTION WITH OUR INVESTMENT IN SECURITIES, BONDS AND FIXED DEPOSITS IN FOREIGN CURRENCIES

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. 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.

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. 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.

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.

IMPORTANT EVENTS SINCE THE END OF THE FINANCIAL YEAR

(A) INITIAL PUBLIC OFFER

On 15 January 2015, the Company issued 125,000,000 ordinary shares at HK$1.61 each in relation to the initial public offering. The net proceeds received by the Company from the initial public offering amounted to approximately HK$171,162,000. Details of the initial public offer were disclosed in the Prospectus.

(B) INVESTMENT IN A SUBSIDIARY

The Company further subscribed for 1,400,000 ordinary shares of its subsidiary in cash of HK$100 each at a total consideration of HK$140,000,000 on 26 January 2015.

(C) OVER-ALLOTMENT OPTION

The over-allotment option in relation to the initial public offering of an aggregate of 18,750,000 shares was exercised in full at HK$1.61 per share by the Sole Bookrunner, for itself and on behalf of the Placing Underwriters, on 28 January 2015. The net proceeds received by the Company from the exercise of over-allotment option amounted to approximately HK$28,525,000. Details of the exercise of the over-allotment option were more particularly disclosed in the announcement of the Company dated 28 January 2015.

FUTURE DEVELOPMENT OF OUR BUSINESS

For 2015, we will hone our focus on three key strategic objectives which are:

INCREASE OUR INSURANCE BUSINESS ON OTHER TYPES OF MOTOR VEHICLES

We will direct stronger effort towards the development of our business on other types of motor vehicles. Recognizing the intense competition in this market, we consider this is an area which we can utilize our strength on claims management and thus will provide us with the greatest growth potential in the coming years. For the private car segment, we continue to focus on high quality customers referred by selected car dealers. In order to further penetrate the market, we are also exploring other strategies by way of product and technological innovation, which may include the adoption of a B2C model to provide better insurance coverage for our customers and, at the same time, a better and direct experience on both underwriting and claims processing.

STRENGTHENING RELATIONSHIP WITH OUR AGENT AND PROVIDING HIGH QUALITY SERVICE TO OUR CUSTOMERS

We continue to invest actively on the relationship with our existing agent network, which include participating and sponsoring those activities organized by taxi and PLB industry organizations in Hong Kong. At the same time, we continue to provide high quality service to our customers, particularly in offering assistance to them in handling claims in a professional and expeditious manner. In addition to the existing underwriting and claims team, we intend to set up a dedicated team to answer calls from customers similar to a call centre operation so as to ensure all customers' enquiries are being attended to promptly.

EXPLORING BUSINESS OPPORTUNITIES TO DIVERSIFY OUR INSURANCE PRODUCTS

Notwithstanding the fact that it is increasingly difficult to search for attractive business opportunities, we will proceed cautiously in exploring the possibility of further expanding our business portfolio, diversifying our insurance products and to consider any business lines that can leverage on our strengths and draw on our existing networks and expertise.

RESULTS AND APPROPRIATIONS

The Group's profit for the year ended 31 December 2014 and the state of affairs of the Company and of the Group as at that date are set out in the financial statements on pages 48 to 96.

The Directors do not recommend the payment of final dividend in respect of the year ended 31 December 2014. The Company maintains its dividend policy to distribute dividend of not less than 30% of any net consolidated distributable profit derived for the year ending 31 December 2015 and onwards as stated in the Prospectus.

CLOSURE OF REGISTER OF MEMBERS

For determining the identity of the shareholders to attend and vote at the annual general meeting of the Company to be held on Friday, 22 May 2015 ("2015 AGM"), the register of members of the Company will be closed from Thursday, 21 May 2015 to Friday, 22 May 2015, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2015 AGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 20 May 2015.

SHARE CAPITAL

Details of movements in the Company's share capital for the year ended 31 December 2014 are set out in note 23 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association ("Articles") or the laws of Hong Kong, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders of the Company ("Shareholders").

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor its subsidiary purchased, redeemed or sold any of the Company's listed securities since the date of listing of the Company's securities on the Stock Exchange on 15 January 2015 up to the date of this annual report.

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities. The permitted indemnity provision is in force for the benefit of the Directors as required by section 470 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) when the Report of the Board of the Directors prepared by the Directors is approved in accordance with section 391(1)(a) of the Companies Ordinance.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As a listed company with its subsidiary, TIC, engages in insurance business in Hong Kong, the Company and TIC are subject to various laws and regulations including Companies Ordinance (Cap. 622), Business Registration Ordinance (Cap. 310), Inland Revenue Ordinance (Cap. 112) and Employment Ordinance (Cap. 57). Our Group has put in place internal controls to ensure compliance of the same. We set out our compliance with respect to the listing of the shares of the Company and insurance business of TIC as below:

RULES GOVERNING THE LISTING OF SECURITIES (THE "LISTING RULES") ON THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE") AND THE SECURITIES AND FUTURES ORDINANCE (CHAPTER 571, LAWS OF HONG KONG) (THE "SFO")

The Company is listed on the Stock Exchange on 15 January 2015 and therefore the Company is subject to the governance of the Listing Rules including the disclosure requirements and corporate governance provisions therein. Under the SFO, the Company is required to maintain a register of interests in shares and short positions and a register of directors' and chief executives' interests and short positions and is obliged to disclose price sensitive or inside information.

INSURANCE COMPANIES ORDINANCE (CHAPTER 41, LAWS OF HONG KONG) AND THE INSURANCE COMPANIES (GENERAL BUSINESS (VALUATION) REGULATION

Companies carrying on insurance business in or from Hong Kong must obtain authorization from the IA. Authorization 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.

During 2014, 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.

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

– TIC 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 TIC;

– TIC 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);

– TIC 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;

– TIC is required to compile and submit the audited financial information to the IA annually in accordance with the requirements of the ICO;

– TIC is required to submit to the IA an annual actuarial report prepared by a professional actuary and peer-reviewed by another professional actuary;

– TIC 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;

– TIC 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 TIC;

– TIC shall obtain the IA's prior written consent for investment exceeding a certain monetary limit; and

– TIC is required to submit to the IA a summary on material reinsurance arrangement annually.

RESTRICTIONS IMPOSED BY THE IA AND THE ICO

The following table summarizes the major restrictions imposed by the IA and the ICO on TIC in relation to investment and financial healthiness as at 31 December 2014.

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** TIC 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** TIC 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* TIC's total investment in bonds that do not have a credit rating shall not exceed HK$40 million. During 2014, the amount of our investment in unrated bonds is approximately HK$Nil to HK$33.8 million.
Fixed deposits	2.^ *Maintenance of fixed deposits* TIC is required to maintain fixed deposits of not less than HK$330 million (including statutory deposit in the sum of HK$100 million). During 2014, our fixed deposits (including the statutory deposits) is approximately HK$498.0 million to HK$648.4 million.
Assets	3. *Assets in Hong Kong* The amount of TIC'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 2014, we maintained over 95% of our assets in Hong Kong.

Solvency margin ratio	4.	*Solvency margin ratio* TIC 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. During 2014, we maintained solvency margin ratio from 227.3% to 335.0%
Gross premium	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 the year ended 31 December 2014, our gross premium income was HK$339.9 million.
Number of policy in force	6a.^	*Total number of motor vehicle insurance policy in force* TIC'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 taxis and PLBs* Subject to the overall limit as set out in paragraph 6a above, TIC's total number of taxi and PLB insurance policy in force at any one time shall not exceed 15,000. During 2014, the number of policy in force was 23,521 to 24,715, in which the number of taxi and PLB insurance policy in force was 11,100 to 11,480.

^ Such restrictions are imposed specifically on TIC 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 TIC. TIC has complied with all the above restrictions imposed by the IA or the ICO during the Year.

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 TIC, we are discussing with the IA regarding the restrictions specifically imposed on TIC 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 TIC by the net proceeds accordingly.

CHARITABLE DONATIONS

During the year ended 31 December 2014, the Group made charitable donations amounting to approximately HK$1.4 million.

ENVIRONMENTAL POLICY AND PERFORMANCE

We adopted Green Office Best Practice framework developed by the World Green Organization. We have fulfilled more than 25 best practice criteria out of 150 feasible green criteria are grouped into the following 9 categories: Energy savings, Water savings, Waste reduction, Paper/Printing saving, Green Procurement, IT use and disposal, Transportation, Education and awareness, Green Innovation. The criteria are designed by technical partners and professional associations. It aims for three levels of green improvements, starts from basic requirements that are easy to implicate and up to those that are more.

We are awarded "Green Office" Label and United Nations Millennium Development Goals (UNMDG) and "Better World Company" Label launched by the World Green Organization and Junior Chamber International respectively in 2014/15.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were as follows:

Executive Directors

Dr. Cheung Haywood	(appointed on 28 August 2014)
Mr. Lai Bing Leung	(appointed on 12 September 2014)
Mr. Chiu Sun Ting	(appointed on 12 September 2014)
Dr. Choi Chiu Fai Stanley	(appointed on 12 September 2014)
Mr. Muk Wang Lit Jimmy	(appointed on 12 September 2014)
Mr. Chan Hok Ching	(appointed on 28 August 2014)

Independent Non-executive Directors

Mr. Wan Kam To	(appointed on 1 November 2014)
Mr. Wong Shiu Hoi Peter	(appointed on 1 November 2014)
Mr. Szeto Wai Sun	(appointed on 1 November 2014)

In accordance with article 71 of the Company's Articles, all of the above Directors will retire and, being eligible, offer themselves for re-election at the forthcoming 2015 AGM.

The directors of TIC, a wholly-owned subsidiary of the Company during the year and up to the date of this report were as follows:

Executive directors

Dr. Cheung Haywood	
Mr. Lai Bing Leung	
Mr. Chiu Sun Ting	
Dr. Choi Chiu Fai Stanley	
Mr. Muk Wang Lit Jimmy	
Mr. Chan Hok Ching	
Mr. Tse Kam Fai	(resigned on 1 November 2014)

Non-executive director

Mr. Chan Nim Leung, Leon	(resigned on 1 November 2014)

Independent non-executive directors

Mr. Wan Kam To	(appointed on 1 November 2014)
Mr. Wong Shiu Hoi Peter	(appointed on 1 November 2014)
Mr. Szeto Wai Sun	(appointed on 1 November 2014)
Mr. Yung Ha Kuk Victor	(resigned on 1 November 2014)
Mr. Lam Yat Ming	(resigned on 1 November 2014)

INDEPENDENCE CONFIRMATION

The Company has received from each of the independent non-executive Directors a confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange upon the listing of the shares of the Company on the Stock Exchange. The Company considers all of the independent non-executive directors are independent.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company on 1 November 2014 for an initial term of three years with effect from the Listing Date, i.e. 15 January 2015, 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 executive Directors may be entitled to a discretionary bonus as may be determined by the remuneration committee of the 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 the Company as well as his individual performance.

Each of the independent non-executive Directors has entered into a letter of appointment on 1 November 2014 with the 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.

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as those disclosed under the section headed "Connected Transactions", none of the Directors had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or its subsidiary was a party during the year.

DIRECTORS' INTERESTS IN SHARES

As at the date of this report, the interest or short positions of the Directors in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"), are set out below:

INTERESTS IN THE COMPANY

Name of Director	Nature of interest	Long position/ Short position	Number of ordinary shares/ underlying shares held	Approximate percentage of shareholding
Dr. Cheung Haywood	Interest of a controlled corporation	Long position	183,750,000 (Note 1)	35.42%
Dr. Choi Chiu Fai Stanley	Interest of a controlled corporation	Long position	78,750,000 (Note 2)	15.18%
Mr. Chiu Sun Ting	Interest of a controlled corporation	Long position	56,250,000 (Note 3)	10.84%
Mr. Lai Bing Leung	Interest of a controlled corporation	Long position	56,250,000 (Note 4)	10.84%
Mr. Muk Wang Lit Jimmy	Beneficial owner	Long position	2,000,000 (Note 5)	0.39%
Mr. Chan Hok Ching	Beneficial owner	Long position	1,300,000 (Note 5)	0.25%
Mr. Wong Shiu Hoi Peter	Beneficial owner	Long position	500,000 (Note 5)	0.10%
Mr. Wan Kam To	Beneficial owner	Long position	500,000 (Note 5)	0.10%
Mr. Szeto Wai Sun	Beneficial owner	Long position	500,000 (Note 5)	0.10%

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.

(5) These interest are derived from the interest in the share options granted under the Pre-IPO Share Option Scheme, details are set out in the section headed "Interest in Share Options".

Save as disclosed above, none of the Directors or chief executive of the Company or their associates, had any interest or short position in any shares, underlying shares or debentures of the Company or its associated corporations as at the date of this report as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTEREST IN SHARE OPTIONS

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 were set out in the Prospectus.

An aggregate of 13,390,000 share options at an exercise price of HK$1.288 per share, being 20% discount to the offer price of HK$1.61 under the Share Offer (as defined in the Prospectus), were granted on 7 October 2014 to two executive Directors, three independent non-executive Directors and certain employees and consultants of the Group.

Details of the share options granted under the Pre-IPO Share Option Scheme are as follows:

Name or category of participants	Granted on 7 October 2014	Lapsed during the period from the Listing Date up to the date of this report	Outstanding as at the date of this report	Exercise price (HK$)	Exercisable period
Directors					
Mr. Muk Wang Lit Jimmy	2,000,000	–	2,000,000	1.288	15 January 2016 to 6 October 2024
Mr. Chan Hok Ching	1,300,000	–	1,300,000	1.288	15 January 2016 to 6 October 2024
Mr. Wong Shiu Hoi Peter	500,000	–	500,000	1.288	15 January 2016 to 6 October 2024
Mr. Wan Kam To	500,000	–	500,000	1.288	15 January 2016 to 6 October 2024
Mr. Szeto Wai Sun	500,000	–	500,000	1.288	15 January 2016 to 6 October 2024
Sub-total:	4,800,000	–	4,800,000		
Employees	5,590,000	(30,000)	5,560,000	1.288	15 January 2016 to 6 October 2024
Consultants	3,000,000	–	3,000,000	1.288	15 January 2016 to 6 October 2024
Total:	13,390,000	(30,000)	13,360,000		

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, i.e. 15 January 2015;

(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.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") which was approved by a resolution of the then Shareholders passed on 23 December 2014. The purpose of the 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 its subsidiary 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 principal terms of the Scheme are summarised as follows:

(1) The limit on the total number of shares of the Company ("Shares") which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other scheme(s) of any member of the Group must not exceed 10% of the total number of Shares in issue as at the date of the listing of the Shares on the Stock Exchange, i.e. 15 January 2015 (the "Listing Date") (which shall be 50,000,000 Shares) unless Shareholders' approval has been obtained, and which must not exceed 30% of the total number of Shares in issue from time to time.

    As at the date of this report, the total number of Shares available for issue under the Scheme is 50,000,000 Shares, which represents 9.64% of the issued Shares as at the date of this report.

(2) 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) in any 12-month period must not exceed 1% of the total number of Shares in issue.

(3) The subscription price for Shares in respect of any options granted under the 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 of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of offer of the option, which must be a business day; and (ii) the average closing price per Share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of offer of the option.

(4) An option may be exercised in accordance with the terms of the 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 the grant of the option.

(5) HK$1.00 shall be paid by the grantee to the Company be way of consideration for the grant.

(6) The Scheme shall be valid and effective for a period of ten years commencing the adoption date, i.e. 23 December 2014.

Other details of the Scheme are set out in the Prospectus.

No share option has been granted by the Company under the scheme since its adoption up to the date of this report.

Save as disclosed above, at no time during the year was the Company, its subsidiary or its associated companies a party to any arrangement to enable the Directors (including their spouse and children under 18 years of age) to acquire benefits by an acquisition of shares or underlying shares in, or debentures of, the Company or its associated corporation.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year was the Company or its subsidiary a party to any arrangements to enable the Directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at the date of this report, the interests or short positions of every person, other than a Director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, are set out below:

INTEREST IN THE SHARES OF THE COMPANY

Name of shareholder	Nature of interest	Long position/ Short position	Number of ordinary shares held	Percentage of the Company's issued share capital
Independent Assets Management Limited (Note 1)	Beneficial owner	Long position	183,750,000	35.42%
Allied Connect Limited (Note 2)	Beneficial owner	Long position	78,750,000	15.18%
Generous Rich Limited (Note 3)	Beneficial owner	Long position	56,250,000	10.84%
Champion City Holdings Limited (Note 4)	Beneficial owner	Long position	56,250,000	10.84%

Notes:

(1) Independent Assets is wholly-owned by Dr. Cheung, the chairman of the Board and an executive Director, and therefore, Dr. Cheung is deemed to be interested in these 183,750,000 Shares pursuant to the SFO.

(2) Allied Connect is wholly-owned by Dr. Choi, an executive Director, and therefore, Dr. Choi is deemed to be interested in these 78,750,000 Shares pursuant to the SFO.

(3) Generous Rich is wholly-owned by Mr. Chiu, an executive Director, and therefore, Mr. Chiu is deemed to be interested in these 56,250,000 Shares pursuant to the SFO.

(4) Champion City is wholly-owned by Mr. Lai, an executive Director, and therefore, Mr. Lai is deemed to be interested in these 56,250,000 Shares pursuant to the SFO.

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at the date of this report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code since the Listing Date up to the date of this report.

CONNECTED TRANSACTIONS

The companies now comprising the Group have had entered into a number of transactions with parties who, upon the listing of the Company's shares on the Stock Exchange, became connected persons of the Company under the Listing Rules. Details of such transactions are set out in the section headed "Connected transactions" in the Prospectus.

EXEMPT CONTINUING CONNECTED TRANSACTIONS

The following continuing connected transactions (as defined in the Listing Rules) for the Company which are fully exempt from shareholders' approval, annual review and all disclosure requirements under the Listing Rules:

(1) PROVISION OF INSURANCE SERVICES BY TARGET TO CONNECTED PERSONS

The Group provides motor insurance services in respect of private motor vehicles belonging to certain connected persons in the ordinary and usual course of business of the 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.

The relevant connected persons with whom the Group has 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.

For the year ended 31 December 2014, the aggregate annual premium paid to the Group from the relevant connected persons were approximately HK$0.2 million.

(2) PROVISION OF INSURANCE AGENCY SERVICES BY THE OSCAR MOTORS COMPANY LIMITED

The Oscar Motors Company Limited ("Oscar") engages in the business of selling motorcycles and is one of the Group's agents in Hong Kong for the sale of the motor insurance policies for Target.

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.

Target 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 the 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.

For the year ended 31 December 2014, the aggregate amount of commissions paid to Oscar was approximately HK$0.8 million.

As the applicable percentage ratios under Chapter 14 of the Listing Rules for the transactions under the provision of insurance services and 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.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The following connected transactions constitute non-exempt continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

PROVISION OF INSURANCE AGENCY SERVICES BY ATLANTIC OCEAN UNDERWRITERS LIMITED

Atlantic Ocean Underwriters Limited ("Atlantic Ocean") engages in the business of providing insurance agency services and is one of the Group's agents in Hong Kong for the sale of the motor insurance policies for Target.

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.

Target 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 the 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.

For the year ended 31 December 2014, the aggregate amount of commission paid to Atlantic Ocean was approximately HK$4.6 million.

Annual Cap

The annual cap under the Atlantic Ocean Agreement for the financial year ended 31 December 2014 is HK$5.8 million.

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.

The Stock Exchange granted to the Company a waiver on 29 December 2014 from strict compliance with the announcement requirement relating to continuing connected transactions set out in Chapter 14A of the Listing Rules for the transactions under the Atlantic Ocean Agreement.

The independent non-executive Directors of the Company have reviewed the above continuing connected transactions and confirmed that the transactions have been entered into:

1. in the ordinary and usual course of the Group's business;

2. on normal commercial terms or better; and

3. have been carried out in accordance with the terms of the agreement governing such transactions that are fair and reasonable and in the interests of the Company's shareholders as a whole.

The auditor of the Company has also reviewed and issued a letter to the Board confirming that based on the procedures carried out on the continuing connected transaction regarding the provision of insurance agency services by Atlantic Ocean, nothing has come to their attention that causes them to believe that the transaction:

(i) has not been approved by the Board;

(ii) was not entered into, in all material respects, in accordance with the relevant agreement governing such transaction; and

(iii) has exceeded the maximum aggregate annual value disclosed in the Prospectus.

MANAGEMENT AND ADMINISTRATION CONTRACT

Target entered into an agreement and a supplement deed with Eastop Motors Limited ("Eastop"), an independent third party, on 1 April 2005 and 15 October 2014 respectively, pursuant to which the services that Eastop provides to the 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.

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

Save as disclosed above, the Group did not enter into any contract by which a person undertakes the management and administration of the whole or any substantial part of any business of the Group.

MAJOR CUSTOMERS AND REINSURERS

During 2014, the percentage of gross premium written attributable to the largest customer and the five largest customers of the Group is 2.9% and 6.5% respectively.

During 2014, the largest reinsurer and the five largest reinsurers of the Group accounted for approximately 40% and 83.5% of the total reinsurer's portion of loss of the Group respectively.

None of the Directors, their associates or any Shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the customers or reinsurers noted above.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as required under the Listing Rules since the listing of its Shares on the Stock Exchange on 15 January 2015.

AUDIT COMMITTEE

The Company established an audit committee ("Audit Committee") on 23 December 2014 with written terms of reference in compliance with the Corporate Governance Code 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 system of the Group. The Audit Committee comprises three independent non-executive Directors of the Company, namely Mr. Wan Kam To (as chairman), Mr. Wong Shiu Hoi Peter and Mr. Szeto Wai Sun. The Audit Committee has reviewed the audited financial statements of the Group for the year ended 31 December 2014.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 40 to 45 of the 2014 Annual Report.

AUDITOR

The consolidated financial statements for the year ended 31 December 2014 have been audited by Mazars CPA Limited, who term of appointment shall expire at the conclusion of the 2015 AGM. A resolution will be submitted to the 2015 AGM for the re-appointment of Mazars CPA Limited as auditor of the Company.

On behalf of the Board
Target Insurance (Holdings) Limited
Cheung Haywood
Chairman

Hong Kong, 24 March 2015

CORPORATE GOVERNANCE REPORT

The Company is committed to maintaining good corporate governance standard and procedures to ensure the integrity, transparency and quality of disclosure in order to enhance the shareholders' value.

CORPORATE GOVERNANCE PRACTICE

The Company has adopted the code provisions set out in the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Rules (the Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). As the shares of the Company were only listed on the Stock Exchange since 15 January 2015 (the "Listing Date"), the CG Code were not applicable to the Company during the period under review. Throughout the period since the Listing Date and up to the date of this report, the Company has complied with the relevant provisions of the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct regarding directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") of the Listing Rules. Having made specific enquiry of all Directors, all the Directors have confirmed that they have complied with the required standards as set out in the Model Code since the Listing Date up to the date of this report.

BOARD OF DIRECTORS ("BOARD")

The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance. The management was delegated the authority and responsibility by the Board for the management of the Group. In addition, the Board has also delegated various responsibilities to the Board Committees. Further details of these committees are set out in this report.

The Board currently consists of nine Directors including six executive Directors and three independent non-executive Directors:

EXECUTIVE DIRECTORS

Dr. CHEUNG Haywood *(Chairman)*
Mr. LAI Bing Leung
Mr. CHIU Sun Ting
Dr. CHOI Chiu Fai Stanley
Mr. MUK Wang Lit Jimmy *(Chief Executive Officer)*
Mr. CHAN Hok Ching

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. WAN Kam To
Mr. WONG Shiu Hoi Peter
Mr. SZETO Wai Sun

The Board members have no financial, business, family or other material/relevant relationships with each other. Such balanced board composition is formed to ensure strong independence exists across the Board and has met the recommended practice under the CG Code for the Board to have at least one-third of its members comprising independent non-executive Directors. The biographical information of the Directors are set out on pages 10 to 14 under the section headed "Biographical Details of Directors and Senior Management".

The Board decides on corporate strategies, approves overall business plans and evaluates the Group's financial performance and management. Specific tasks that the Board delegates to the Group's management include the implementation of strategies approved by the Board, the monitoring of operating performance, the implementation of internal controls procedures, and the compliance with relevant statutory requirements and other rules and regulations.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The two positions are held by two individuals to ensure their respective independence, accountability and responsibility. The Chairman, being Dr. Cheung, is in-charge of the leadership of the Board and strategies planning of the Group. The Chief Executive Officer, being Mr. Muk, is responsible for the day-to-day management of the Group's business.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The three independent non-executive Directors are persons of high caliber, with academic and professional qualifications in the fields of accounting, legal and investment. With their experience gained from various sectors, they provide strong support towards the effective discharge of the duties and responsibilities of the Board. Each independent non-executive Director gives a confirmation of his independence to the Company upon the Listing, and the Company considers each of them to be independent under Rules 3.13 of the Listing Rules.

The independent non-executive Directors were appointed for a term of two years and are subject to retirement by rotation in accordance with the Articles of Association of the Company.

BOARD MEETING

The Company was incorporated under the Companies Ordinance (Chapter 622, Laws of Hong Kong) on 28 August 2014. During the financial year ended 31 December 2014, the Board held one meeting:

Name of Director	Number of attendance
Dr. Cheung Haywood	1/1
Mr. Lai Bing Leung	1/1
Mr. Chiu Sun Ting	1/1
Dr. Choi Chiu Fai Stanley	1/1
Mr. Muk Wang Lit Jimmy	1/1
Mr. Chan Hok Ching	1/1
Mr. Wan Kam To	1/1
Mr. Wong Shiu Hoi Peter	1/1
Mr. Szeto Wai Sun	1/1

Board minutes are kept by the Company Secretary and are open for inspection by the Directors. Every Board member is entitled to have access to Board papers and related materials and has unrestricted access to the advice and services of the Company Secretary, and has the liberty to seek external professional advice if so required.

DIRECTORS' CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT

All Directors are aware of their responsibilities to the shareholders and have exercised their duties with care, skill and diligence, in pursuit of the development of the Group. Every newly appointed Director receives an induction to ensure that he has a proper understanding of the business and operations of the Group and that he is fully aware of his duties and responsibilities as a director under applicable rules and requirements.

All Directors are provided with regularly updates on the Company's performance and financial position to enable the Board as a whole and each Director to discharge their duties. In addition, briefings and updates on the latest development regarding the Listing Rules and other applicable regulatory requirements are provided to each of the Directors during Board meetings to ensure compliance and enhance their awareness of good corporate governance practices.

AUDIT COMMITTEE

The Company established the Audit Committee on 23 December 2014. The Audit Committee of the Company comprises three independent non-executive Directors, namely Mr. Wan Kam To (as chairman), Mr. Wong Shiu Hoi Peter and Mr. Szeto Wai Sun.

The Audit Committee is mainly responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditors and to approve the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of such auditors; reviewing the interim and annual reports and financial statements of the Group; and overseeing the Company's financial reporting system and internal control procedures.

Terms of reference adopted by the Audit Committee are aligned with the code provisions set out in the CG Code.

The Audit Committee meets the external auditors at least twice a year to discuss any area of concern during the audits or review. The Audit Committee reviews the interim and annual reports before submission to the Board. The Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual report. The Audit Committee noted the existing internal control policies of the Group and also noted that review of the same will be carried out and anticipate there may have further improvement to the said policies.

During the financial year ended 31 December 2014, no meeting for the Audit Committee was held since the Company only became listed on 15 January 2015.

NOMINATION OF DIRECTORS

In considering the nomination of new Directors, the Board will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates, especially their experience in the insurance industry and/or other professional area.

The Company established a Nomination Committee, with written terms of reference, on 23 December 2014 and consists of one executive Director, namely Mr. Muk Wang Lit Jimmy and two independent non-executive Directors, namely, Mr. Szeto Wai Sun (as chairman) and Mr. Wong Shiu Hoi Peter.

The principal responsibilities of the Nomination Committee are to review the composition of the Board, including its structure, size and diversity at least annually to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Group. It is also responsible to consider and recommend to the Board suitably qualified persons to become a member of the Board, monitor the succession planning of Directors and assess the independence of independent non-executive Directors. The Nomination Committee will also give consideration to the Board Diversity Policy (as defined below) when identifying suitable qualified candidates to become members of the Board, and the Board will review the Board Diversity Policy (as defined below), so as to develop and review measurable objectives for the implementing the Board Diversity Policy (as defined below) and to monitor the progress on achieving these objectives.

During the financial year ended 31 December 2014, no meeting for the Nomination Committee was held since the Company only became listed on 15 January 2015.

BOARD DIVERSITY POLICY

Pursuant to the CG Code, the Board adopted a board diversity policy (the "Board Diversity Policy") on 24 March 2015. The Company recognizes and embraces the benefits of diversity of Board members. While all Board appointments will continue to be made on a merit basis, the Company will ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the needs of the Company's business. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge.

REMUNERATION OF DIRECTORS

The Company established a Remuneration Committee, with written terms of reference, on 23 December 2014 and consists of one executive Director, namely Mr. Chan Hok Ching and two independent non-executive Directors, namely, Mr. Wong Shiu Hoi Peter (as chairman) and Mr. Szeto Wai Sun.

The functions of the Remuneration Committee are to establishing and reviewing the policy and structure of the remuneration for the Directors and senior management.

During the financial year ended 31 December 2014, no meeting for the Remuneration Committee was held since the Company only became listed on 15 January 2015.

The Company has adopted a pre-IPO share option scheme and a share option scheme on 30 September 2014 and 23 December 2014 respectively. The purpose of the two schemes is to enable the Board to grant options to selected eligible participants to motivate them and to optimize their performance and efficiency for the benefit of the Group. Details of the two schemes are set out in the Directors' Report. The emolument payable to Directors will depend on their respective contractual terms under employment contracts, if any, and as recommended by the Remuneration Committee. Details of the Directors' remuneration are set out in note 10 to the financial statements.

RISK MANAGEMENT

The Company established a Risk Committee 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 the 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 Shiu Hoi Peter (as chairman), Mr. Szeto Wai Sun, Mr. Muk Wang Lit Jimmy and Mr. Chan Hok Ching.

During the financial year ended 31 December 2014, no meeting for the Risk Committee was held since the Company only became listed on 15 January 2015.

CORPORATE GOVERNANCE FUNCTIONS

The corporate governance functions were performed by the Board.

The corporate governance functions are to develop and review the Company's policies and practices on corporate governance to comply with the CG Code and other legal or regulatory requirements and make recommendations to the Board, to oversee the Company's orientation program for new Director, to review and monitor the training and continuous professional development of Directors and senior management, to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors, and to review the Company's disclosure in the Corporate Governance Report.

The Board is going to perform the abovementioned corporate governance functions starting from the year of 2015 as the Company only became listed on the Main Board of the Stock Exchange on 15 January 2015.

AUDITORS' REMUNERATION

During the year under review, the remuneration paid to the Company's auditors, Mazars CPA Limited, is set out below:

	Fee paid/payable HK$'000
Services Rendered	
Audit services	1,220
Non-audit services	1,050
Total	2,250

The non-audit services rendered was the reporting accountant for the Listing of the Company

COMPANY SECRETARY

The Company engaged an external professional company secretarial services provider, Uni-1 Corporate Services Limited ("Uni-1"), to provide compliance and full range of company secretarial services to the Group in order to assist the Group to cope with the changing regulatory environment and to suit different commercial needs.

Mr. Tse Kam Fai ("Mr. Tse"), the representative of Uni-1, was appointed as the named Company Secretary of the Company.

Ms. Lau Ka Yee, the Financial Controller of the Company, is the primary point of contact at the Company for the Company Secretary.

According to the requirements of Rule 3.29 of the Listing Rules, Mr. Tse, being a person who was a company secretary of an issuer before 31 December 1994, will take no less than 15 hours of relevant professional training for the financial year commencing on 1 January 2017.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communications between the shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called a general meeting.

SHAREHOLDERS TO CONVENE A GENERAL MEETING

Shareholders may convene a general meeting of the Company according to the provisions as set out in the Articles of Association and the Companies Ordinance. The procedures shareholders can use to convene a general meeting are set out in the document entitled "Procedures for a Shareholder to Propose a Person for Election as a Director", which is currently available on the Company's website.

PUTTING ENQUIRIES BY SHAREHOLDERS TO THE BOARD

To ensure effective communications between the Board and the shareholders and the investment community at large, the Company has adopted a set of shareholders communication policy (the "Policy") on 24 March 2015. Under the Policy, the Company's information shall be communicated to the shareholders and the investment community mainly through the Company's financial reports (interim reports and annual reports), and its corporate communications and other corporate publications on the Company's website and the Stock Exchange's website. Shareholders and the investment community may at any time make a request for the Company's information to the extent such information is publicly available. Any such questions shall be directed to the Board at the Company's registered office or by email at ir@targetins.com.hk.

PROCEDURES FOR PUTTING FORWARD PROPOSALS BY SHAREHOLDERS AT GENERAL MEETING

The number of members necessary for a requisition for putting forward a proposal at a general meeting shall be any number of members holding at least 5% of the total voting rights of all the members of the Company having a right to vote at general meeting of the Company may send a written requisition to the Board to convene a general meeting.

A copy or copies of requisition signed by all requisitionists shall be deposited at the Company's registered office in the case of:

(i) a requisition requiring notice of a resolution, not less than six weeks before the meeting; and

(ii) any other requisition, not less than seven days before the meeting.

The Company will verify the requisition and upon confirming that the requisition is proper and in order, the Board will proceed with the necessary procedures.

CONSTITUTIONAL DOCUMENTS

Pursuant to a special resolution of the then shareholders of the Company passed on 23 December 2014, the existing articles of association of the Company were adopted. Save as disclosed above, during the year ended 31 December 2014, there was no change in the articles of association of the Company.

The existing articles of association of the Company are available on the websites of the Stock Exchange and the Company.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Board recognizes the importance of good communications with all shareholders. The Company's annual general meeting is a valuable forum for the Board to communicate directly with the shareholders. The Chairman of the Board as well as the chairman of each of the Audit Committee, the Nomination Committee and the Remuneration Committee together with the external auditor are present to answer shareholders' questions. The annual report together with annual general meeting circular is distributed to all the shareholders at least 20 clear business days before the annual general meeting.

VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. As such, all the resolutions set out in the notice of the 2015 annual general meeting will be voted by poll.

INTERNAL CONTROL

The Board has overall responsibility for maintaining a proper and effective system of internal control of the Group. The internal control system includes safeguard of the interest of shareholders and the Group's assets. The Board has delegated to management the implementation of all relevant financial, operational, compliance controls and risk management function within a defined framework. During the year ended 31 December 2014, the Board has appointed an independent professional to conduct a review of the system of internal control to ensure the effectiveness and adequacy of the system. The Board shall conduct such review at least once annually.

INDEPENDENT AUDITOR'S REPORT

MAZARS

Mazars CPA Limited
瑪澤會計師事務所有限公司
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Website 網址: www.mazars.cn

To the shareholders of Target Insurance (Holdings) Limited
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Target Insurance (Holdings) Limited (the "Company") and its subsidiary (together the "Group") set out on pages 48 to 96, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance (Cap. 622), and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2014, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Mazars CPA Limited
Certified Public Accountants
Hong Kong, 24 March 2015

Or Ming Chiu
Practising Certificate number: P04786

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Net insurance premium revenue	4	**285,352**	271,715
Investment income	5	**22,381**	21,061
Other income	6	**897**	863
Net income		**308,630**	293,639
Net insurance claims and loss adjustment expenses	7	**(167,814)**	(178,021)
Acquisition costs and other underwriting expenses, net	8	**(32,785)**	(32,817)
Employee benefit expenses		**(15,650)**	(15,248)
Other operating expenses		**(22,895)**	(11,259)
Expenses		**(239,144)**	(237,345)
Profit before tax	9	**69,486**	56,294
Income tax expense	12	**(12,161)**	(7,817)
Profit for the year		**57,325**	48,477
Earnings per share	14	**HK cents**	HK cents
Basic		**15.29**	12.93
Diluted		**15.27**	12.93

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2014

	2014 HK$'000	2013 HK$'000
Profit for the year	**57,325**	48,477
Other comprehensive (loss) income		
Item that was reclassified or may be reclassified subsequently to profit or loss:		
Available-for-sale financial assets		
(Losses) Gains arising during the year	**(1,570)**	1,908
Reclassification of net changes in fair value to profit or loss	**(5,167)**	(341)
Net movement in fair value of available-for-sale financial assets	**(6,737)**	1,567
Total comprehensive income for the year	**50,588**	50,044

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
Assets			
Property, plant and equipment	15	**897**	1,569
Available-for-sale financial assets	17	**200,501**	273,029
Insurance and other receivables	18	**68,729**	67,133
Reinsurance assets	19	**74,984**	82,621
Deferred acquisition costs	20	**17,090**	17,132
Statutory deposit	21	**100,000**	100,000
Time deposits with original maturity over 3 months	21	**42,842**	–
Bank balances and cash	21	**444,674**	430,374
TOTAL ASSETS		**949,717**	971,858
Liabilities			
Insurance liabilities	19	**754,126**	752,289
Reinsurance premium payable		**12,780**	10,622
Insurance and other payables	22	**11,028**	7,730
Tax payable		**3,510**	496
Bank overdrafts		**–**	5,036
TOTAL LIABILITIES		**781,444**	776,173
EQUITY			
Share capital	23	**150,000**	150,000
Other reserves	25	**(2,465)**	4,272
Retained earnings		**20,738**	41,413
TOTAL EQUITY		**168,273**	195,685
TOTAL LIABILITIES AND EQUITY		**949,717**	971,858

Approved and authorised for issue by the Board of Directors on 24 March 2015

Cheung Haywood
Director

Chiu Sun Ting
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014

	Share capital HK$'000 (Note 23)	Available-for-sale investment reserve HK$'000 (Note 25)	Merger relief reserve HK$'000 (Note 25)	Other reserve HK$'000 (Note 25)	Retained earnings HK$'000	Total HK$'000
At 1 January 2013	150,000	2,705	24,936	(24,936)	32,936	185,641
Profit for the year	–	–	–	–	48,477	48,477
Other comprehensive income						
Net movement in fair value of available-for-sale financial assets	–	1,567	–	–	–	1,567
Total comprehensive income for the year	–	1,567	–	–	48,477	50,044
Transaction with equity owners:						
Contributions and distribution						
Dividends (Note 13)	–	–	–	–	(40,000)	(40,000)
At 31 December 2013	150,000	4,272	24,936	(24,936)	41,413	195,685
At 1 January 2014	**150,000**	**4,272**	**24,936**	**(24,936)**	**41,413**	**195,685**
Profit for the year	**–**	**–**	**–**	**–**	**57,325**	**57,325**
Other comprehensive loss						
Net movement in fair value of available-for-sale financial assets	**–**	**(6,737)**	**–**	**–**	**–**	**(6,737)**
Total comprehensive income for the year	**–**	**(6,737)**	**–**	**–**	**57,325**	**50,588**
Transactions with equity owners						
Contributions and distribution						
Dividends (Note 13)	**–**	**–**	**–**	**–**	**(78,000)**	**(78,000)**
	–	**–**	**–**	**–**	**(78,000)**	**(78,000)**
At 31 December 2014	**150,000**	**(2,465)**	**24,936**	**(24,936)**	**20,738**	**168,273**

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
OPERATING ACTIVITIES			
Cash generated from operations	26	**57,294**	29,787
Income tax paid		**(9,147)**	(6,411)
Net cash from operating activities		**48,147**	23,376
INVESTING ACTIVITIES			
Interest received		**19,042**	17,475
Dividend received from available-for-sale financial assets		**2,089**	1,153
Proceeds from disposal of available-for-sale financial assets		**173,127**	17,963
Purchase of available-for-sale financial assets		**(102,169)**	(202,172)
Purchase of property, plant and equipment		**(58)**	(34)
Withdrawal of statutory and time deposits with original maturity over 3 months		**100,000**	131,514
Placement of statutory and time deposits with original maturity over 3 months		**(142,842)**	(100,000)
Net cash from (used in) investing activities		**49,189**	(134,101)
FINANCING ACTIVITIES			
Dividends paid		**(78,000)**	(40,000)
Net cash used in financing activities		**(78,000)**	(40,000)
Net increase (decrease) in cash and cash equivalents		**19,336**	(150,725)
Cash and cash equivalents at beginning of year		**425,338**	576,063
Cash and cash equivalents at end of year		**444,674**	425,338
Analysis of the balances of cash and cash equivalents			
Bank balances and cash	21	**444,674**	430,374
Bank overdrafts		**–**	(5,036)
		444,674	425,338

1. GENERAL INFORMATION

Target Insurance (Holdings) Limited (the "Company") was incorporated in Hong Kong with limited liability on 28 August 2014. 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. The Company and its subsidiary (together the "Group") are principally engaged in writing of motor insurance business in Hong Kong.

2. PRINCIPAL ACCOUNTING POLICIES

BASIS OF PRESENTATION

Pursuant to the group reorganisation on 1 December 2014 (the "Reorganisation") to rationalise the Group's structure in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the subsidiary now comprising the Group. Details of the Reorganisation are set out in the prospectus of the Company dated 31 December 2014 (the "Prospectus"). The shares of the Company became listed on the Main Board of the Stock Exchange on 15 January 2015.

The consolidated financial statements are presented in thousands of Hong Kong Dollars ("HK$'000"), which is the functional and reporting currency of the Company and its subsidiary.

BASIS OF PREPARATION

The consolidated financial statements have been prepared using the principles of the merger accounting under Accounting Guideline 5 "Merger accounting for common control combinations" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as if the Reorganisation has been completed throughout the years ended 31 December 2014 and 2013.

The Company has taken advantage of merger relief under section 196 of the Hong Kong Companies Ordinance in accounting for the acquisition of 100% equity interest in Target Insurance Company, Limited. The excess of the cost of investment over the subscribed share capital of Target Insurance Company, Limited acquired by the Company in the amount of HK$24,936,000 was recorded in the merger relief reserve of the Company.

The consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows are prepared as if the current group structure had been in existence, regardless of the date of the common control combination, throughout the years ended 31 December 2014 and 2013.

The net assets of the group companies are consolidated using the existing book values from the controlling party's perspective. No amount is recognised as consideration for goodwill or gain on bargain purchase at the time of common control combination, to the extent of the continuation of the controlling party's interest.

These consolidated financial statements have 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 Hong Kong Companies Ordinance. In addition, these consolidated financial statements comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

BASIS OF PREPARATION (Continued)

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the Accountants' Report as set out in Appendix I of the Prospectus that are relevant to the Group and effective from the current year. 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 these consolidated financial statements 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.

BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at 31 December each year. The financial statements of the subsidiary are prepared for the same reporting year as that of the Company using consistent accounting policies.

All intra-group balance, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiary are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

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.

In the Company's statement of financial position, an investment in subsidiary is stated at cost less impairment loss. The carrying amount of the investment is reduced to its recoverable amount on an individual basis, if it is higher than the recoverable amount. The result of subsidiary is accounted for by the Company on the basis of dividends received and receivable.

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 profit or loss during the year in which they are incurred.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

PROPERTY, PLANT AND EQUIPMENT (Continued)

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 derecognised 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 in which the item is derecognised.

FINANCIAL INSTRUMENTS

RECOGNITION AND DERECOGNITION

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised 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 derecognised 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 or financial liabilities are initially recognised 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.

(A) LOANS AND RECEIVABLES

Loans and receivables including insurance and other receivables 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 recognised in profit or loss.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

FINANCIAL INSTRUMENTS (Continued)

(B) 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 recognised 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.

(C) FINANCIAL LIABILITIES

The Group's financial liabilities include insurance and other payables. All financial liabilities except for derivatives are recognised 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 the reporting 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 recognised, 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 recognised.

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 recognised impairment loss in profit or loss, is reclassified from equity to profit or loss as a reclassification adjustment. Impairment losses recognised 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 recognised 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 recognised in profit or loss.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

IMPAIRMENT OF NON-FINANCIAL ASSETS

At the end of the reporting 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 recognised 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 recognised as an expense immediately.

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 recognised in prior years. Reversal of impairment loss is recognised as income immediately.

CASH EQUIVALENTS

For the purpose of the consolidated statement 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 recognised 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 recognised 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 recognised when the Group's rights to receive payment have been established.

UNDERWRITING RESULTS

The underwriting results are recognised on an annual accounting basis.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

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 recognised when insurance contracts are written. Premiums are recognised 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 commissions 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.

(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 capitalised as DAC. All other costs are recognised 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 recognised 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 recognises that impairment loss in 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.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

INSURANCE CONTRACTS (Continued)

(D) PROVISION FOR UNEXPIRED RISK

At the end of the reporting period, liability adequacy tests are performed to ensure the adequacy of the unexpired insurance 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.

(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 the reporting 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 profit or loss.

Provision is also made for any potential claims incurred but not reported at the end of the reporting 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 reporting period. Claims are not discounted.

PROVISIONS

Provisions are recognised 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 recognised are charged against the related provision in the year in which the expenditures are incurred. Provisions are reviewed at the end of the reporting 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 recognised as a separate asset but only when the reimbursement is virtually certain.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

FOREIGN CURRENCY TRANSLATION

Items included in the financial statements 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-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Foreign exchange gains and losses resulting from the retranslation of non-monetary items carried at fair value are recognised in profit or loss except for those arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the gains or losses are also recognised directly in equity.

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 recognised in profit or loss as an integral part of the net consideration agreed for the use of the leased asset. Contingent rentals are recognised as expenses in the accounting period in which they are incurred.

DIVIDEND DISTRIBUTION

Dividend distribution to the then equity owners of the companies now comprising the Group is recognised as a liability in the Group's financial statement in the period in which the dividends are approved by the then equity owners.

EMPLOYEE BENEFITS

(A) 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 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.

(B) DEFINED CONTRIBUTION PLANS

The obligations for contributions to defined contribution retirement scheme are recognised as an expense in the income statement 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.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

SHARE-BASED PAYMENT TRANSACTIONS

EQUITY-SETTLED TRANSACTIONS

The Group's employees, including directors, receive remuneration in the form of share-based payment transactions, whereby the employees rendered services in exchange for shares or rights over shares of the Company. The cost of such transactions with employees is measured by reference to the fair value of the equity instruments at the grant date. The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a reserve within equity. The fair value is determined using the binomial model, taking into account the terms and conditions of the transactions, other than conditions linked to the price of the shares of the Company ("market conditions").

Equity-settled share-based payment transactions with parties other than employees are measured at fair value of the goods or services received, except where the fair value cannot be reliably estimated, in which case they are measured at the fair value of the equity instruments granted. In all cases, the fair value is measured at the date the Group obtains the goods or the counterparty renders the services.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the year(s) in which the vesting conditions are to be fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("vesting date"). During the vesting period, the number of share options that is expected to vest ultimately is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the review, with a corresponding adjustment to the reserve within equity.

When the share options are exercised, the amount previously recognised in the share option reserve will be transferred to share capital. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained earnings.

TAXATION

The charge for current income tax is based on the results for the year 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 the reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

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 the reporting period. Deferred tax assets are recognised 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. PRINCIPAL 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 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.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

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.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and assumptions concerning the future and judgements are made by the management in the preparation of the financial statements. 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 recognised 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 several 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. The Group believes that the liability for liability claims carried at the end of reporting 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 2014, the carrying amount of insurance receivables after provision for impairment amounted to HK$62,270,000 *(2013: HK$61,663,000)*.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(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 judgement. In making this judgement, 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.

FUTURE CHANGES IN HKFRS

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 January 2015, but have not been early adopted by the Group.

Amendments to HKAS 19 (2011)	Defined Benefit Plans – Employee Contributions [1]
Various HKFRSs	Annual Improvements Project – 2010-2012 Cycle [2]
Various HKFRSs	Annual Improvements Project – 2011-2013 Cycle [2]
Amendments to HKAS 1	Disclosure Initiative [3]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation [3]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants [3]
Amendments to HKAS 27 (2011)	Equity Method in Separate Financial Statements [3]
Amendments to HKAS 28 (2011) and HKFRS 10	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidated Exception [3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations [3]
HKFRS 14	Regulatory Deferral Accounts [3]
Various HKFRSs	Annual Improvements Project – 2012-2014 Cycle [4]
HKFRS 15	Revenue from Contracts with Customers [5]
HKFRS 9 (2014)	Financial Instruments [6]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions
3 Effective for annual periods beginning on or after 1 January 2016
4 Effective for annual periods beginning on or after 1 January 2016, with limited exceptions
5 Effective for annual periods beginning on or after 1 January 2017
6 Effective for annual periods beginning on or after 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 vehicles 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.

GEOGRAPHIC 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 reporting 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 2014

	Taxi HK$'000	PLB HK$'000	Other motor vehicles HK$'000	Consolidated HK$'000
Net insurance premium revenue	159,549	80,655	45,148	285,352
Net insurance claims and loss adjustment expenses	(108,836)	(29,946)	(29,032)	(167,814)
Acquisition costs and other underwriting expenses, net	(13,625)	(6,402)	(12,758)	(32,785)
Segment results	37,088	44,307	3,358	84,753
Unallocated investment income and other income				23,278
Unallocated corporate expenses				(38,545)
Profit before tax				69,486
Income tax expense				(12,161)
Profit for the year				57,325
Assets				
Segment assets	84,268	47,968	22,108	154,344
Unallocated assets				795,373
Total assets				949,717
Liabilities				
Segment liabilities	462,772	203,074	105,706	771,552
Unallocated liabilities				9,892
Total liabilities				781,444
Other information				
Interest income from bank deposits				9,414
Interest income from available-for-sale financial assets				9,628
Dividend income from available-for-sale financial assets				2,089
Gain on disposal of available-for-sale financial assets				5,167
Depreciation				723

3. SEGMENT INFORMATION (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2013

	Taxi HK$'000	PLB HK$'000	Other motor vehicles HK$'000	Consolidated HK$'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 capitalised expenses				1,509
Depreciation				720

4. NET INSURANCE PREMIUM REVENUE

	2014 HK$'000	2013 HK$'000
Gross premium written	**339,891**	319,759
Reinsurance premium ceded	**(44,832)**	(43,903)
Net premium written	**295,059**	275,856
Change in provision for unearned premium	**(9,707)**	(4,141)
Net insurance premium revenue	**285,352**	271,715

5. INVESTMENT INCOME

	2014 HK$'000	2013 HK$'000
Interest income from bank deposits	**9,414**	9,890
Interest income from listed available-for-sale financial assets	**5,826**	2,672
Interest income from unlisted available-for-sale financial assets	**3,802**	4,913
Dividend income from listed available-for-sale financial assets	**2,089**	1,153
Gain on disposal of available-for-sale financial assets	**5,167**	341
Net foreign exchange (loss) gain	**(3,917)**	2,092
Net investment income	**22,381**	21,061

6. OTHER INCOME

	2014 HK$'000	2013 HK$'000
Handling fee income	**871**	820
Others	**26**	43
	897	863

7. NET INSURANCE CLAIMS AND LOSS ADJUSTMENT EXPENSES

	2014 HK$'000	2013 HK$'000
Gross claims paid	**187,418**	219,267
Claims recovered	**(19,371)**	(31,941)
Net claims paid	**168,047**	187,326
Change in provision for gross outstanding claims and incurred but not reported claims ("IBNR")	**(7,870)**	(60,738)
Change in claims recoverable (including IBNR recoveries)	**7,637**	51,433
Change in net outstanding claims	**(233)**	(9,305)
Net insurance claims	**167,814**	178,021

8. ACQUISITION COSTS AND OTHER UNDERWRITING EXPENSES, NET

	2014 HK$'000	2013 HK$'000
Acquisition costs and other underwriting expenses		
Insurance commission	**25,961**	26,512
Other underwriting expenses	**8,127**	7,341
Change in deferred acquisition costs	**42**	281
Acquisition costs and other underwriting expenses, gross	**34,130**	34,134
Commission income		
Insurance commission from reinsurers	**(1,345)**	(1,317)
Acquisition costs and other underwriting expenses, net	**32,785**	32,817

9. PROFIT BEFORE TAX

This is stated after charging:

	2014 HK$'000	2013 HK$'000
Other items		
Employee benefit expenses		
Salaries, bonus and allowances	**15,265**	14,869
Contributions to defined contribution plan	**385**	379
	15,650	15,248
Auditor's remuneration		
Audit services	**1,220**	330
Other services	**1,050**	–
Depreciation	**723**	720
Listing expenses (other than auditor's remuneration) included in operating expenses	**9,872**	–
Loss on disposal of property, plant and equipment	**7**	14
Operating lease payments for premises	**3,818**	2,810
Write-off of capitalised expenses	**–**	1,509

10. DIRECTORS' EMOLUMENTS

Details of directors' emoluments disclosed pursuant to the Listing Rules and section 383 of the Hong Kong Companies Ordinance (Cap. 622), are as follows:

	2014 HK$'000	2013 HK$'000
Directors' fees	**555**	480
Salaries and allowances	**5,005**	4,823
Discretionary bonus	**652**	371
Contributions to defined contribution plan	**51**	45
	6,263	5,719

10. DIRECTORS' EMOLUMENTS (Continued)

The aggregate amounts of emoluments received or receivable by the Company's directors and chief executive are as follows:

YEAR ENDED 31 DECEMBER 2014

	Directors' fees HK$'000	Salaries and allowances HK$'000	Discretionary bonus HK$'000	Contributions to defined contribution plan HK$'000	Total HK$'000
Executive directors					
Cheung Haywood	**80**	**780**	**90**	**17**	**967**
Choi Chiu Fai Stanley	**80**	**–**	**–**	**–**	**80**
Chan Hok Ching	**80**	**1,300**	**186**	**17**	**1,583**
Chiu Sun Ting	**80**	**780**	**90**	**–**	**950**
Lai Bing Leung	**80**	**780**	**90**	**–**	**950**
Muk Wang Lit Jimmy (Chief executive)	**80**	**1,365**	**196**	**17**	**1,658**
Independent non-executive directors					
Wong Shiu Hoi Peter	**25**	**–**	**–**	**–**	**25**
Wan Kam To	**25**	**–**	**–**	**–**	**25**
Szeto Wai Sun	**25**	**–**	**–**	**–**	**25**
	555	**5,005**	**652**	**51**	**6,263**

YEAR ENDED 31 DECEMBER 2013

	Directors' fees HK$'000	Salaries and allowances HK$'000	Discretionary bonus HK$'000	Contributions to defined contribution plan HK$'000	Total 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)

No directors or shadow directors have waived emoluments in respect of the years ended 31 December 2014 and 2013. No emoluments have been paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

No loans, quasi-loans and other dealings were entered into by the Company in favour of a director or a shadow director of the Company, or bodies corporate controlled by such directors, or entities connected with such directors.

No material transactions, arrangements and contracts to which the Company or its subsidiary was a party and in which a director or a shadow director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

11. FIVE HIGHEST PAID INDIVIDUALS' AND SENIOR MANAGEMENT'S EMOLUMENTS

The five individuals whose emoluments were the highest in the Group for the year include five directors *(2013: four)* whose emoluments are reflected in the analysis presented above. Details of the emoluments of the remaining highest paid individuals are as follows:

	2014 HK$'000	2013 HK$'000
Salaries and allowances	–	1,131
Discretionary bonus	–	87
Contributions to defined contribution plan	–	15
	–	1,233

The number of these non-director individuals whose emoluments fell within the following emoluments band is as follows:

	2014	2013
Nil to HK$1,000,000	–	–
HK$1,000,001-HK$1,500,000	–	1
	–	1

No non-director individuals have waived emoluments in respect of the years ended 31 December 2014 and 2013. No emoluments have been paid by the Group to the non-director individuals as an inducement to join or upon joining the Group or as compensation for loss of offices.

11. FIVE HIGHEST PAID INDIVIDUALS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

Details of senior management's emoluments for the year are as follows:

	2014 HK$'000	2013 HK$'000
Salaries and allowances	**1,690**	1,315
Discretionary bonus	**189**	92
Contributions to defined contribution plan	**56**	45
	1,935	1,452

The emoluments of the senior management fell within the following band:

	2014	2013
Nil to HK$1,000,000	**4**	3

12. TAXATION

The Company and its subsidiary are domiciled or operate in Hong Kong and were subject to Hong Kong Profits Tax at a rate of 16.5% on the estimated assessable profits arising in Hong Kong during the years ended 31 December 2014 and 2013.

	2014 HK$'000	2013 HK$'000
Current tax		
Hong Kong Profits tax		
Current year	**10,539**	7,817
Under provision in prior years	**1,622**	–
	12,161	7,817

RECONCILIATION OF TAX EXPENSE

	2014 HK$'000	2013 HK$'000
Profit before tax	**69,486**	56,294
Income tax at applicable tax rate of 16.5% *(2013: 16.5%)*	**11,465**	9,288
Non-deductible expenses	**1,947**	260
Tax exempt revenue	**(2,990)**	(1,822)
Unrecognised temporary differences	**94**	96
Under provision in prior years	**1,622**	–
Others	**23**	(5)
Tax expense for the year	**12,161**	7,817

13. DIVIDENDS

(A) DIVIDENDS PAYABLE TO EQUITY OWNERS OF THE COMPANY ATTRIBUTABLE TO THE YEAR

The Board has resolved not to recommend any final dividend for the year ended 31 December 2014 (2013: Nil).

(B) DIVIDENDS PAYABLE TO THEN EQUITY OWNERS APPROVED AND PAID BEFORE REORGANISATION

	2014 HK$'000	2013 HK$'000
Dividends approved and paid during the year		
Final dividend in respect of previous financial year	**–**	25,000
Interim dividend in respect of current year	**78,000**	15,000
	78,000	40,000

14. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the profit attributable to equity owners of the Company for the year and the weighted average number of ordinary shares in issue.

The weighted average number of shares in issue for the year is based on the assumption that 375,000,000 ordinary shares *(2013: 375,000,000 ordinary shares)* of the Company are in issue and issuable, comprising 1 ordinary share issued upon incorporation of the Company and 374,999,999 ordinary shares issued as a result of the Reorganisation as if the shares were outstanding throughout the years ended 31 December 2014 and 2013 for the purpose of the calculation of earnings per share.

(A) BASIC EARNINGS PER SHARE

	2014	2013
Profit attributable to ordinary equity owners (HK$'000)	**57,325**	48,477
Weighted average number of ordinary shares ('000)	**375,000**	375,000
Basic earnings per share (HK cents)	**15.29**	12.93

(B) DILUTED EARNINGS PER SHARE

	2014	2013
Profit attributable to ordinary equity owners (HK$'000)	**57,325**	48,477
Weighted average number of ordinary shares (diluted) ('000)		
Weighted average number of ordinary shares	**375,000**	375,000
Effect of the Company's share option scheme	**302**	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**375,302**	375,000
Diluted earnings per share (HK cents)	**15.27**	12.93

15. 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 2013				
At beginning of year	1,251	868	150	2,269
Additions	34	–	–	34
Disposal	(14)	–	–	(14)
Depreciation	(242)	(403)	(75)	(720)
At the end of the reporting period	1,029	465	75	1,569
Reconciliation of carrying amount – year ended 31 December 2014				
At beginning of year	**1,029**	**465**	**75**	**1,569**
Additions	**58**	**–**	**–**	**58**
Disposal	**(7)**	**–**	**–**	**(7)**
Depreciation	**(245)**	**(403)**	**(75)**	**(723)**
At the end of the reporting period	**835**	**62**	**–**	**897**
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
At 31 December 2014				
Cost	**5,421**	**2,014**	**300**	**7,735**
Accumulated depreciation	**(4,586)**	**(1,952)**	**(300)**	**(6,838)**
	835	**62**	**–**	**897**

16. INVESTMENT IN A SUBSIDIARY

Investment in the subsidiary represents 100% of HK$150,000,000 issued ordinary share capital of Target Insurance Company, Limited, a company incorporated in Hong Kong which engaged in writing of motor insurance business in Hong Kong.

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2014 HK$'000	2013 HK$'000
At fair value		
Equity securities		
Listed in Hong Kong	8,197	47,649
Listed outside Hong Kong	689	614
Listed debt securities		
Bonds listed in Hong Kong	122,284	145,962
Unlisted debt securities		
Bonds and certificates of deposit with fixed maturity dates	69,331	60,817
Bonds without fixed maturity dates	–	17,987
	200,501	273,029

18. INSURANCE AND OTHER RECEIVABLES

	Note	2014 HK$'000	2013 HK$'000
Insurance receivables			
Premium receivables			
From third parties		49,637	47,689
From related parties		655	660
	18(A)	50,292	48,349
Claims receivable from reinsurers and others	18(B)	11,978	13,314
		62,270	61,663
Other receivables			
Deposits, prepayments and other receivables		6,459	5,470
		68,729	67,133

18. INSURANCE AND OTHER RECEIVABLES (Continued)

(A) *PREMIUM RECEIVABLES*

No credit term is given to direct policyholders. The credit period granted to intermediaries range from 10 days to 90 days from the month end date of issuance of invoices. At the end of reporting period, premium receivable from intermediaries are aged as follows:

	2014 HK$'000	2013 HK$'000
Within 30 days	23,932	21,041
31 – 60 days	19,307	18,693
61 – 90 days	7,053	8,615
	50,292	48,349

The premium receivables from related parties are unsecured, interest free and with credit period of 10 days to 90 days. At the end of the reporting period, there was no provision made for non-repayment.

The aging of premium receivables which are past due but not impaired are as follows:

	2014 HK$'000	2013 HK$'000
Balances exceed normal credit period		
Within 30 days	16,970	15,715
31 to 60 days	4,461	4,898
	21,431	20,613

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 related to a wide range of intermediaries for whom there was no recent history of default.

Included in the Group's premium receivables are receivables from intermediaries that were past due at the end of the reporting 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.

(B) *CLAIMS RECEIVABLE FROM REINSURERS AND OTHERS*

Claims receivable 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. Claims receivable from reinsurers and others are aged over 90 days. None of the claims receivable is past due or impaired.

19. INSURANCE LIABILITIES AND REINSURANCE ASSETS

	Note	2014 HK'000	2013 HK$'000
Gross			
Outstanding claims	19(i)	**445,171**	455,217
Claims incurred but not reported ("IBNR")	19(i)	**137,475**	135,299
		582,646	590,516
Provision for unearned premium	19(ii)	**171,480**	161,773
Total gross insurance liabilities		**754,126**	752,289
Recoverable from reinsurers			
Claims reported and loss adjustment expenses	19(i)	**34,360**	42,377
Provision for IBNR recoveries	19(i)	**40,624**	40,244
Total insurance liabilities recoverable		**74,984**	82,621
Net			
Outstanding claims	19(i)	**410,811**	412,840
IBNR	19(i)	**96,851**	95,055
		507,662	507,895
Provision for unearned premium	19(ii)	**171,480**	161,773
Total net insurance liabilities		**679,142**	669,668

(i) Analysis of movements in outstanding claims and IBNR is as follows:

	Insurance contract liabilities HK$'000	**Reinsurers' shares** HK$'000	**Net** HK$'000
At 1 January 2013	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	179,548	(11,734)	167,814
Claims paid	(187,418)	19,371	(168,047)
At 31 December 2014	**582,646**	**(74,984)**	**507,662**

19. INSURANCE LIABILITIES AND REINSURANCE ASSETS (Continued)

(ii) Analysis of movements in provision for unearned premium is as follows:

	Insurance contract liabilities HK$'000	Reinsurers' shares HK$'000	Net HK$'000
At 1 January 2013	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	339,891	(44,832)	295,059
Premium earned	(330,184)	44,832	(285,352)
At 31 December 2014	**171,480**	**–**	**171,480**

20. DEFERRED ACQUISITION COSTS

	2014 HK$'000	2013 HK$'000
At beginning of the year	**17,132**	17,413
Acquisition costs and other underwriting expenses incurred during the year	**32,743**	32,536
Charged to income statement	**(32,785)**	(32,817)
At the end of the reporting period	**17,090**	17,132

21. BANK BALANCES AND CASH AND BANK DEPOSITS

	2014 HK$'000	2013 HK$'000
Bank balances and cash		
Short term time deposits (original maturity within 3 months)	**437,392**	429,747
Cash at banks and in hand	**7,282**	627
	444,674	430,374
Statutory deposit	**100,000**	100,000
Time deposits with original maturity over 3 months	**42,842**	–
	587,516	530,374

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods between 1 month to 3 months depending on the immediate cash requirement of the Group, and earn interest at the prevailing short-term deposit rates.

21. BANK BALANCES AND CASH AND BANK DEPOSITS (Continued)

The Group had a time deposit of HK$100,000,000 *(2013: HK$100,000,000)* at 31 December 2014 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.

The subsidiary has undertaken to maintain fixed deposits of not less than HK$330,000,000 *(2013: HK$330,000,000)* with the banks in Hong Kong pursuant to the instruction given by the Insurance Authority during the reported financial period.

22. INSURANCE AND OTHER PAYABLES

	2014 HK$'000	2013 HK$'000
Insurance payables		
Premium surcharge and other payables	**4,646**	4,274
Other payables		
Accruals and other payables	**6,382**	3,456
	11,028	7,730

23. SHARE CAPITAL

	2014	
	No. of shares	**HK$'000**
Issued and fully paid		
Issue of shares upon incorporation	**1**	**–**
Issue of shares upon Reorganisation	**374,999,999**	**150,000**
At end of the reporting period	**375,000,000**	**150,000**

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.

Pursuant to the Reorganisation completed on 1 December 2014, 374,999,999 ordinary shares of the Company were issued to the then equity owners of the subsidiary of the Company for the acquisition of 100% equity interest in that subsidiary. 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 the Prospectus.

The Company has taken advantage of merger relief under section 196 of the Hong Kong Companies Ordinance in accounting for the acquisition of 100% equity interest in the subsidiary. The share capital of the Company which was issued for the acquisition has been recorded as an amount equals to the subscribed share capital of the subsidiary at time of acquisition.

23. SHARE CAPITAL (Continued)

On 15 January 2015, the Company issued 125,000,000 ordinary shares at HK$1.61 each in relation to the initial public offering. The net proceeds received by the Company from the initial public offering amounted to approximately HK$171,162,000.

On 28 January 2015, the over-allotment option in relation to the initial public offering of an aggregate of 18,750,000 shares was exercised in full at HK$1.61 per share by the Sole Bookrunner, for itself and on behalf of the Placing Underwriters. The net proceeds received by the Company from the exercise of the over-allotment option amounted to approximately HK$28,525,000.

24. SHARE OPTION SCHEME

The Company adopted a pre-IPO share option scheme (the "Scheme") pursuant to a resolution passed on 30 September 2014. The purpose of the Scheme is to recognise and acknowledge the contributions that participants (directors, senior management and other employees) have made or may make to the Group, to provide participants with an opportunity to have a personal stake in the Company with the view to achieve motivating the participants to optimise their performance and efficiency for the benefit of the Group, to attract and retain or otherwise maintain ongoing business relationship with participant, whose contributions are or will be beneficial to the long term growth of the Group. A summary of the principal terms and conditions of the Scheme is set out in Appendix V to the Prospectus.

On 7 October 2014, 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 and the estimated fair value of the options granted on that date is HK$2,251,000.

The fair value of the share options granted is measured at the date of grant, using the binomial option pricing model, taking into account the terms and conditions of the grant. The fair value calculated is inherently subjective and uncertain due to the assumptions made and the limitations of the model used. The following table lists the major assumptions used to measure the fair value per option:

Date of grant	7 October 2014
Share price at the option grant date (HK$)	1.610
Exercise price (HK$)	1.288
Expected stock price volatility (%)	34.976
Expected life of the options (years)	9.998
Risk-free interest rate (%)	1.912
Expected dividend yield	5.556
Early exercise multiple for directors	2.800
Early exercise multiple for senior management	2.800
Early exercise multiple for other employees	2.200
Exit rate for directors (%)	–
Exit rate for senior management (%)	–
Exit rate for other employees (%)	9.052

The expected volatility was determined by using the median historical volatilities of comparable companies.

24. SHARE OPTION SCHEME (Continued)

Movements of share options granted and remained outstanding at the end of the reporting period are:

Type	Date of grant	Exercise period	Exercise price per share HK$	Fair value per share HK$	Number of share option: Beginning of year '000	Granted '000	Exercised '000	End of year '000
Directors	7 October 2014	15 January 2016 – 6 October 2024	1.288	0.169	–	4,800	–	4,800
Senior management	7 October 2014	15 January 2016 – 6 October 2024	1.288	0.169	–	1,644	–	1,644
Other employees	7 October 2014	15 January 2016 – 6 October 2024	1.288	0.167	–	6,946	–	6,946

No share options were vested and no share-based payment was recognised during the year.

25. 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 available-for-sale financial assets, net of deferred tax.

SHARE OPTION RESERVE

Share option reserve represents the share based payments relating to the share options granted under the Group's share option scheme, which are dealt with in accordance with the accounting policies adopted for share-based payment transactions.

MERGER RELIEF RESERVE

Merger relief reserve represents the excess of the cost of investment in a subsidiary as recorded in the statement of financial position of the Company over the amount credited to share capital, which equals to the subscribed share capital of the subsidiary acquired by the Company through the Reorganisation. The reserve is unrealised but can be used in distribution of bonus issues. The reserve will become realised when the investment in the subsidiary is sold or impaired.

OTHER RESERVE

Other reserve is a reserve arose on consolidation of financial statements of the companies in the Group. It represents the difference between the subscribed share capital of the subsidiary and the cost of investment in the subsidiary as recorded in the statement of financial position of the Company. The reserve will be reclassified to profit or loss on de-recognition of the investment in the subsidiary.

DISTRIBUTABLE RESERVES

The subsidiary's distributable reserves, including retained earnings, amounted to HK$32,525,000 *(2013: HK$41,413,000)*. The Company had no distributable reserves as at 31 December 2014.

26. CASH GENERATED FROM OPERATIONS

	2014 HK$'000	2013 HK$'000
Profit before tax	**69,486**	56,294
Depreciation	**723**	720
Loss on disposal of property, plant and equipment	**7**	14
Gain on disposal of available-for-sale financial assets	**(5,167)**	(341)
Dividend income from available-for-sale financial assets	**(2,089)**	(1,153)
Interest income from available-for-sale financial assets	**(9,628)**	(7,585)
Interest income from bank deposits	**(9,414)**	(9,890)
Write-off of capitalised expenses	**–**	1,509
Changes in working capital:		
Insurance and other receivables	**(1,596)**	(6,143)
Reinsurance assets	**7,637**	51,433
Deferred acquisition costs	**42**	281
Insurance liabilities	**1,837**	(56,597)
Reinsurance premium payables	**2,158**	1,557
Insurance and other payables	**3,298**	(312)
Cash generated from operations	**57,294**	29,787

27. OPERATING LEASE COMMITMENTS

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:

	2014 HK$'000	2013 HK$'000
Within one year	**3,818**	3,818
In the second to fifth years inclusive	**2,227**	6,045
	6,045	9,863

28. RELATED PARTY TRANSACTIONS

In addition to the transactions information disclosed elsewhere in these financial statements, during the year, the Group had the following transactions with related parties:

Related party relationship	Nature of transaction	2014 HK$'000	2013 HK$'000
The Oscar Motors Company Limited, a company controlled by Lai Bing Leung, a director of the Company	Commission paid (ii)	**847**	841

(i) Key management personnel have been identified as directors and senior management and the corresponding compensation are disclosed in Note 10 and Note 11 respectively.

(ii) This related party transaction also constitutes connected transaction and continuing connected transaction as defined in Chapter 14A of the Listing Rules, however they are exempt from the disclosure requirements in Chapter 14A of the Listing Rules.

29. INSURANCE AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

INSURANCE RISK

The Group, through it 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 because 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.

29. INSURANCE AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

INSURANCE RISK (Continued)

(I) FREQUENCY AND SEVERITY OF CLAIMS (Continued)

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.

The concentration of insurance risk before and after reinsurance in relation to the type of motor vehicle 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 vehicle insurance contracts:

Year ended 31 December		**Type of risk**			
		Taxi	**PLB**	**Other motor vehicles**	**Consolidated**
		HK$'000	HK$'000	HK$'000	HK$'000
2014	Gross	**349,844**	**152,472**	**80,330**	**582,646**
	Net	**309,968**	**125,009**	**72,685**	**507,662**
2013	Gross	346,182	168,808	75,526	590,516
	Net	304,726	136,674	66,495	507,895

(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 term. 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 the reporting 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.

29. INSURANCE AND FINANCIAL 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 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 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 reporting period. In this context, the outstanding claim liabilities include a risk margin.

The key factors considered in the sensitivity analysis of the claim liabilities include:

- an increase or decrease of 5% in the assumed ultimate loss ratio for each line of business in the accident years 2014 *(2013: 5%)*; and
- an increase or decrease of 5% 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.

The sensitivity of net claims liability to changes in the following factors is:

	2014 HK$'000	2013 HK$'000
Increase (decrease) in net outstanding claims and decrease (increase) in profit after tax and equity		
– as a result of 5% increase in ultimate loss ratio	**15,999**	15,670
– as a result of 5% decrease in ultimate loss ratio	**(15,884)**	(15,547)

29. INSURANCE AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

INSURANCE RISK (Continued)

(III) SENSITIVITY ANALYSIS (Continued)

	2014 HK$'000	2013 HK$'000
Increase (decrease) in net outstanding claims and decrease (increase) in profit after tax and equity		
– as a result of 5% increase in risk margin	**18,610**	18,543
– as a result of 5% decrease in risk margin	**(18,553)**	(18,543)

(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 reporting period, together with cumulative claim payments as at the end of current reporting period.

Gross insurance claims – 2014

	2010 HK$'000	**2011** HK$'000	**2012** HK$'000	**2013** HK$'000	**2014** HK$'000	**Total** HK$'000
Underwriting Year	185,776	229,003	229,810	210,080	206,337	
One year later	216,408	262,675	229,172	215,374		
Two years later	195,404	245,714	223,600			
Three years later	171,817	229,682				
Four years later	167,257					
Current estimate of cumulative gross claims	167,257	229,682	223,600	215,374	206,337	1,042,250
Cumulative gross payments to date	(151,909)	(180,420)	(120,375)	(67,575)	(8,651)	(528,930)
Sub-total	15,348	49,262	103,225	147,799	197,686	513,320
Gross insurance claims in respect of years prior to 2010						6,329
Unallocated loss adjustment expenses and risk margin						62,997
Total gross general insurance claims liability						582,646

29. INSURANCE AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

INSURANCE RISK (Continued)

(IV) LOSS DEVELOPMENT TRIANGLE (Continued)

Net insurance claims – 2014

	2010 HK$'000	**2011** HK$'000	**2012** HK$'000	**2013** HK$'000	**2014** HK$'000	**Total** HK$'000
Underwriting Year	152,527	188,807	193,324	192,238	188,778	
One year later	163,023	209,578	195,443	193,254		
Two years later	154,951	209,934	194,740			
Three years later	140,048	194,235				
Four years later	138,251					
Current estimate of cumulative net claims	138,251	194,235	194,740	193,254	188,778	909,258
Cumulative net payments to date	(129,457)	(160,825)	(107,545)	(56,918)	(5,699)	(460,444)
Sub-total	8,794	33,410	87,195	136,336	183,079	448,814
Net insurance claims in respect of years prior to 2010						3,339
Unallocated loss adjustment expenses and risk margin						55,509
Total net general insurance claims liability						507,662

29. INSURANCE AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

INSURANCE RISK (Continued)

(IV) LOSS DEVELOPMENT TRIANGLE (Continued)

Gross insurance claims – 2013

	2009 HK$'000	2010 HK$'000	2011 HK$'000	2012 HK$'000	2013 HK$'000	Total HK$'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

29. INSURANCE AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

INSURANCE RISK (Continued)

(IV) LOSS DEVELOPMENT TRIANGLE (Continued)

Net insurance claims – 2013

	2009 HK$'000	2010 HK$'000	2011 HK$'000	2012 HK$'000	2013 HK$'000	Total HK$'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

The prior year net reserve estimates decreased by HK$17,183,000 *(2013: decreased by HK$16,132,000)* for the year ended 31 December 2014. This is primarily attributable to 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 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.

29. INSURANCE AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

FINANCIAL RISK (Continued)

(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 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 approximately HK$10,025,000 *(2013: HK$13,651,000)* as a result of changes in fair value of available-for-sale investments.

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 the reporting 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 consolidated statement of financial position approximate their fair values, and there is no significant interest rate risk exposure in relation to these instruments.

(III) FOREIGN CURRENCY RISK

The Group's foreign currency exposures arise mainly from the exchange rate movements of United States Dollar ("USD"), Australian Dollar ("AUD") 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 is closely pegged with USD, the currency risk in this respect is considered not significant.

The carrying amounts of the Group's foreign currency denominated financial assets and financial liabilities denominated in AUD and RMB are as follows.

	As at 31 December	
	2014 HK$'000	2013 HK$'000
Bank balances and cash	**94,223**	100,200
Available-for-sale financial assets	**39,610**	30,317
Overall net exposure	**133,833**	130,517

29. INSURANCE AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

FINANCIAL RISK (Continued)

(III) FOREIGN CURRENCY RISK (Continued)

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 reporting period.

If AUD and RMB had weakened/strengthened by 5% against HKD, the Group's net profit for the reporting period would have been approximately HK$6,692,000 *(2013: HK$6,526,000)* lower/higher respectively.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting 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 46% *(2013: 50%)* of the insurance receivables were due from the Group's five largest intermediaries at 31 December 2014.

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 statements, 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.

29. INSURANCE AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

FINANCIAL RISK (Continued)

(V) **LIQUIDITY RISK** (Continued)

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.

The maturity profile of the Group's bank balances and debt securities at the end of the reporting period based on original maturity are summarised below:

	Less than 1 year or on demand HK$'000	**1-5 years** HK$'000	**Over 5 years** HK$'000	**Total** HK$'000
Year ended 31 December 2014				
Debt securities	**104,154**	**79,458**	**8,003**	**191,615**
Bank balances and cash	**444,674**	**–**	**––**	**444,674**
Statutory deposits	**100,000**	**–**	**–**	**100,000**
Time deposits	**42,842**	**–**	**–**	**42,842**
	691,670	**79,458**	**8,003**	**779,131**
Year ended 31 December 2013				
Debt securities	42,804	164,607	17,355	224,766
Bank balances and cash	430,374	–	–	430,374
Statutory deposits	100,000	–	–	100,000
	573,178	164,607	17,355	755,140

29. INSURANCE AND FINANCIAL 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 the reporting period based on contractual undiscounted payments are summarised below:

	Less than 1 year or on demand HK$'000	1-5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Year ended 31 December 2014				
Outstanding claims and IBNR	**212,440**	**359,151**	**11,055**	**582,646**
Reinsurance premium payables	**12,780**	**–**	**–**	**12,780**
Insurance and other payables	**11,028**	**–**	**–**	**11,028**
	236,248	**359,151**	**11,055**	**606,454**
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

30. 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 years ended 31 December 2014 and 2013.

The 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 with the ICO (the "Minimum Solvency Margin"). The Insurance Authority ("IA") has also required the 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 adjusted under the ICO and the relevant amount applicable to its Hong Kong insurance business. The subsidiary fully complied with the external imposed solvency margin requirements during the reported financial period.

31. FAIR VALUE MEASUREMENT

The following presents the assets and liabilities measured at fair value or required to disclose their fair value in these financial statements on a recurring basis at 31 December 2014 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 values of the listed equity and debt securities are determined based on the quoted market bid prices available on the Stock Exchange or relevant stock exchanges. The fair values of the unlisted 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.

	As at 31 December	
	2014 HK$'000	2013 HK$'000
Level 1		
Available-for-sale financial assets		
Listed equity securities	**8,886**	48,263
Listed debt securities	**122,284**	145,962
	131,170	194,225
Level 2		
Available-for-sale financial assets		
Unlisted debt securities	**69,331**	78,804

During the year ended of 31 December 2014, 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.

32. EVENTS AFTER THE REPORTING PERIOD

(A) INITIAL PUBLIC OFFER

On 15 January 2015, the Company issued 125,000,000 ordinary shares at HK$1.61 each in relation to the initial public offering. The net proceeds received by the Company from the initial public offering amounted to approximately HK$171,162,000. Details of the initial public offer were disclosed in the Prospectus.

(B) INVESTMENT IN A SUBSIDIARY

The Company further subscribed for 1,400,000 ordinary shares of its subsidiary in cash of HK$100 each at a total consideration of HK$140,000,000 on 26 January 2015.

32. EVENTS AFTER THE REPORTING PERIOD (Continued)

(C) OVER-ALLOTMENT OPTION

The over-allotment option in relation to the initial public offering of an aggregate of 18,750,000 shares was exercised in full at HK$1.61 per share by the Sole Bookrunner, for itself and on behalf of the Placing Underwriters, on 28 January 2015. Details of the exercise of the over-allotment option were more particularly disclosed in the announcement of the Company dated 28 January 2015.

33. STATEMENT OF FINANCIAL POSITION

	Note	2014 HK$'000
Assets		
Investment in a subsidiary		**174,936**
Other receivables		**2,893**
TOTAL ASSETS		**177,829**
Liabilities		
Other payables		**14,680**
TOTAL LIABILITIES		**14,680**
EQUITY		
Share capital	23	**150,000**
Merger relief reserve	25	**24,936**
Accumulated losses	33(A)	**(11,787)**
TOTAL EQUITY		**163,149**
TOTAL LIABILITIES AND EQUITY		**177,829**

(A) ACCUMULATED LOSSES

	2014 HK$'000
At beginning of the year	**–**
Loss for the period	**(11,787)**
At the end of the reporting period	**(11,787)**

Approved and authorised for issue by the Board of Directors on 24 March 2015

Cheung Haywood
Director

Chiu Sun Ting
Director