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

2015 Annual Report

TARGET

CONTENTS

ABOUT TARGET

Target Insurance (Holdings) Limited (the "Company") (Stock Code: 6161.HK) listed on the Main Board of the Stock Exchange of Hong Kong Limited on 15 January 2015. Target Insurance Company, Limited ("Target"), 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 taxi, 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 2015, Target was awarded Roadshow Best Loved Brands Awards 2015 – Best Loved Motor Insurance Brand Award.

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
YUEN Tak Tim Anthony *MH,JP*

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
YUEN Tak Tim Anthony *MH,JP*

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
YUEN Tak Tim Anthony *MH,JP*

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

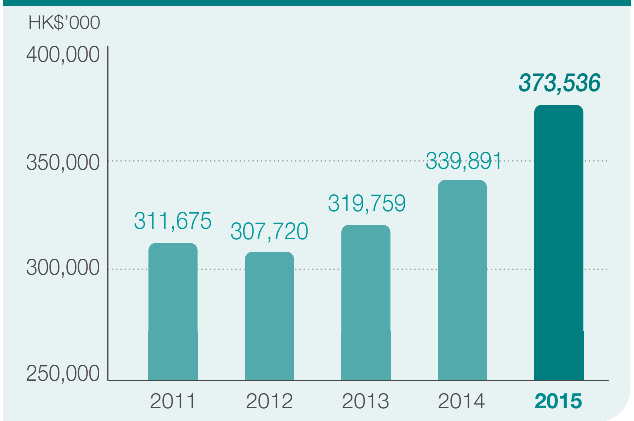
6161

WEBSITE

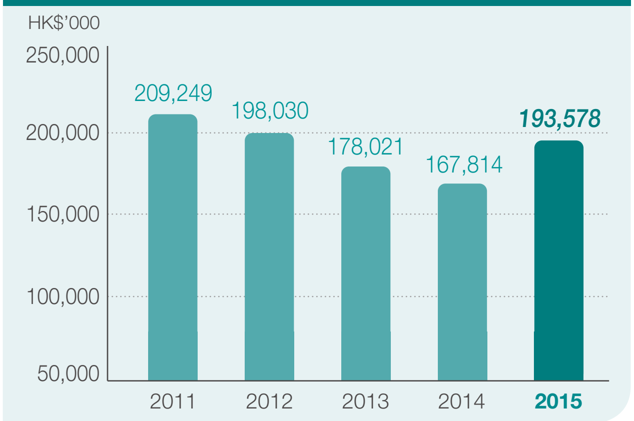
http://www.targetinsholdings.com

FIVE-YEAR FINANCIAL SUMMARY

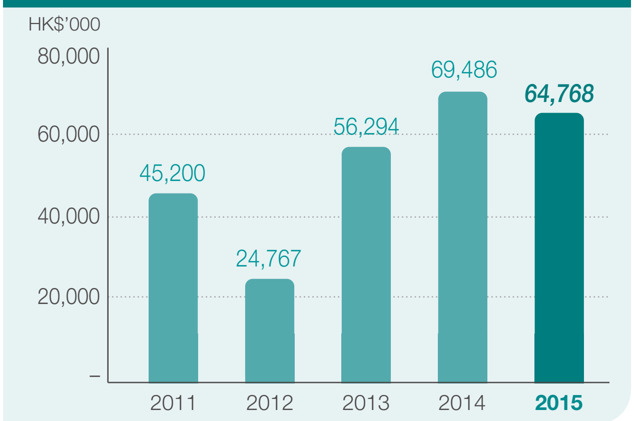
GROSS PREMIUM WRITTEN



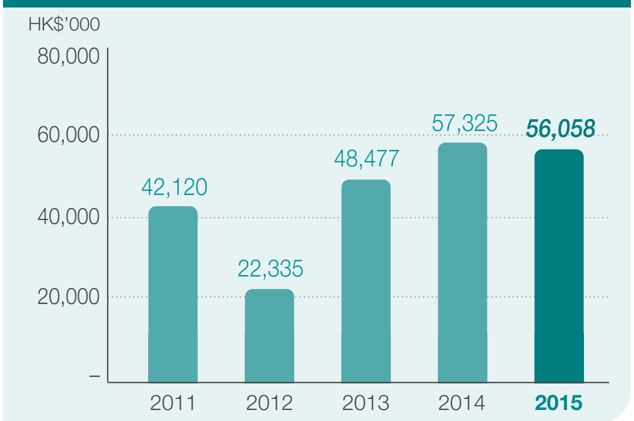
NET CLAIMS INCURRED



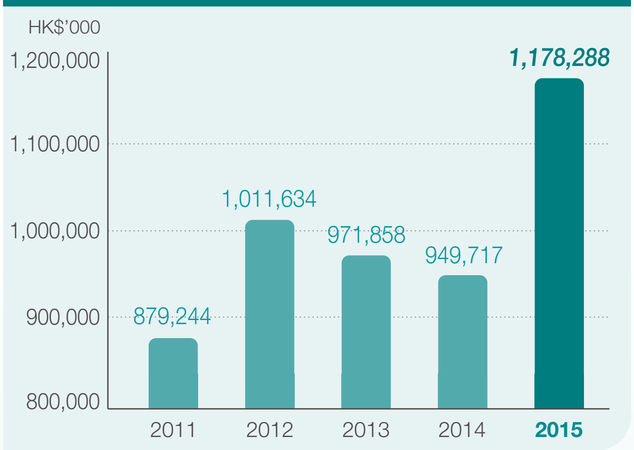
GROSS PROFIT



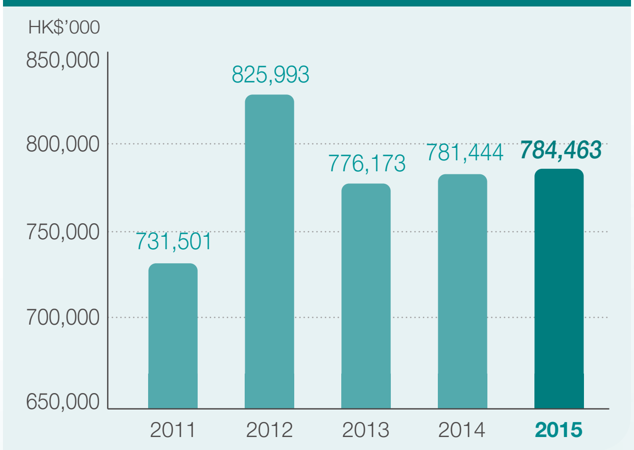
NET PROFIT



TOTAL ASSETS



TOTAL LIABILITIES



CHAIRMAN'S STATEMENT

On behalf of the board of directors (our "Board") of Target Insurance (Holdings) Limited (our "Company", together with its subsidiaries, collectively the "Group"), I am pleased to present this annual report for the year ended 31 December 2015 to our shareholders.

Dr. Cheung Haywood
Chairman

2015 AT A GLANCE

Following the listing of our Company's shares on 15 January 2015, we have continued to grow our business on a step-by-step approach in the volatile and competitive market in Hong Kong. We recognize that in a cyclical business there are periods for growth, and periods for consolidation. We are seeking purely to maintain market position and focus on building capability to support growth when conditions render both profitable and sustainable. 2015 was such a period for our motor insurance business.

With the confidence in our claims management, we have increased the level of risk retained. Our net insurance premium revenue increased by 11.5% at HK$318.3 million and net insurance claims and loss adjustment expenses increased by 15.4% at HK$193.6 million. Our profit for the year mildly decreased by 2.2% at HK$56.1 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 BUSINESS STRATEGY

We anticipate competition in the motor insurance market will intensify. Our aim through this period has been to maximize value rather than volume. Maintaining our books at taxi and public light bus ("PLB") and building our private motor car business by organic growth, whilst slower, requires much less capital than growth by acquisition. By taking incremental steps, we are able to construct, in all important respects, a platform for the future, taking advantage to the degree of our differentiation in areas such as pricing and claims management.

We will take what we do well to new business segments (e.g. private car business) and keep doing what we are doing and do it better next year – to improve our customers' experience, enhance operational efficiency, develop our employees and maintain our close ties with our agents. We will also continue to explore business opportunities to diversify our insurance products and to consider any business opportunities which can leverage our strength and business networks.

CHAIRMAN'S STATEMENT

CORPORATE GOVERNANCE

On 10 July 2015, the Insurance Companies (Amendment) Ordinance 2015 was enacted bringing Hong Kong into a new era of insurance regulation. The Amendment Ordinance establishes a new independent insurance authority ("IIA") and makes some radical changes to insurance regulation in Hong Kong. The new IIA's aim and focus is to promote confidence in the insurance industry and enhance customer protection. It will have stronger and wider investigatory powers, as well as direct regulation of the conduct of insurance intermediaries. Our Company has put in place structures and initiatives to ensure that we have taken all necessary steps to comply with the requirements under the new regime.

OUR BOARD

With its distinctive culture and focus on making our Company a great place to work, we enjoy strong levels of retention amongst employees, management and directors alike. I was delighted to welcome Mr. Yuen Tak Tim Anthony MH, JP to our Board as an independent non-executive director and member of audit committee and risk committee. Mr. Yuen is a seasoned professional in financial and insurance fields for over 35 years. He is a co-opted member of the Insurance Agents Registration Board under Hong Kong Federation of Insurers and brings a wealth of insurance and financial experience to his role with our Company.

REWARD TO SHAREHOLDERS

The Board has resolved to recommend a final dividend of HK5.5 cents per share for the year ended 31 December 2015 (2014: NIL per share). The total dividend amounted to HK$28.5 million for the year ended 31 December 2015.

CORPORATE SOCIAL RESPONSIBILITY

During the year under review, our Company continues to invest in the community. We are the major sponsor of the Rotary Hong Kong Ultramarathon 2015, which is the first ever recognized 50km road race in Hong Kong and is a big challenge for the runners' endurance and pace strategy.

Our effort in corporate social responsibility are well-recognized by the public. We are awarded Touching CSR Award 2014 by the Association of Distinguished Corporation, Caring Company 2015/16 by the Hong Kong Council of Social Service, United Nations Millennium Development Goals "Green Office Award" Autumn 2015 by the World Green Organization.

THANK YOU

To our employees and insurance intermediaries for their commitment and enthusiasm; to our management for their leadership and aspiration; to our shareholders for their support and confidence; but most of all to our customers for their business and choice of our Company in preference to others in the highly competitive markets in which we operate.

Cheung Haywood
Chairman

CHIEF EXECUTIVE'S REVIEW

FINANCIAL RESULTS

Our Group produced a net profit of HK$56.1 million (2014: HK$57.3 million) from net income of HK$339.5 million (2014: HK$308.6 million). Basic EPS was HK10.95 cents (2014: HK15.29 cents). Our EBITDA was HK$65.2 million (2014: HK$70.2 million) (including one-off listing expenses of HK$5.5 million (2014: HK$10.9 million)).

Our results were mainly influenced by:

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

– The increase of level of risk retention in our reinsurance arrangement together with the good control of our insurance claims and loss adjustment expenses.

PERFORMANCE REVIEW

In 2015, our Group continued to focus our business on motor insurance. Insurance for taxi and PLB were still our core business segments. We made investments in building our direct private car business platform.

TAXI

The growth in taxi business continues to be our major source of growth in 2015. The net insurance premium of taxi increased substantially by 20.8% to HK$192.8 million (2014: HK$159.5 million). The net insurance claims and loss adjustment increased by 15.7% to HK$125.9 million (2014: HK$108.8 million), leading the segment result increased by 37.0% to HK$50.8 million (2014: HK$37.1 million).

Our outperformance on net insurance premium of the segment is driven by the market trend of replacement of new taxi starting from late 2013. Although the peak of replacement has lapsed, our customers still preferred comprehensive insurance coverage for their relatively new taxi upon renewal.

During this year, the loss ratio for taxi reduced from 68.2% in 2014 to 65.3% in 2015 due to higher premium rates and higher mix of comprehensive policies.

PLB

We have had a challenging year for our PLB business in 2015. The net insurance premium revenue of PLB mildly increased by 4.4% to HK$84.2 million (2014: HK$80.7 million). The net insurance claims and loss adjustment increased by 71.9% to HK$51.5 million (2014: HK$29.9 million), leading a 40.7% decrease in segment result to HK$26.3 million (2014: HK$44.3 million).

Due to the higher claims frequency, the loss ratio for PLB increased from 37.1% in 2014 to 61.1% in 2015.

OTHER MOTOR VEHICLES

We have experienced a change of mix in other motor vehicles in 2015. Our share in goods carrying vehicles continued to drop due to intense market competition, our initiative of building direct private car business platform had partially made up for the reduction.

The net insurance premium revenue of other motor vehicles slightly decreased by 8.6% to HK$41.3 million (2014: HK$45.1 million). The net insurance claims and loss adjustment decreased by 44.3% to HK$16.2 million (2014: HK$29.0 million), leading a 310.8% increase in segment result to HK$13.8 million (2014: HK$3.4 million).

Due to the higher mix of private car business, the loss ratio for other motor vehicles decreased from 64.3% in 2014 to 39.2% in 2015.

INVESTMENTS

As at 31 December 2015, we had cash and deposits of HK$432.2 million (2014: HK$587.5 million) and available-for-sale financial assets of HK$558.3 million (2014: HK$200.5 million).

During the year, we have substantially increased our investment in certificates of deposit, equity and debt securities from HK$66.1 million, HK$8.9 million and HK$125.5 million in 2014 to HK$71.1 million, HK$195.1 million and HK$292.1 million in 2015.

We maintain our primary goal of achieving a return higher than bank deposit. However, the investment income decreased by 11.7% to HK$19.8 million (2014: HK$22.4 million) due to net foreign exchange loss of HK$7.0 million (2014: HK$3.9 million) and impairment loss of available-for-sale financial assets of HK$3.9 million (2014: NIL). The average investment yield of the portfolio (before impairment loss of available-for-sale financial assets) deceased to 2.7% (2014: 2.8%). The investment yield (after impairment loss of available-for-sale financial assets) decreased to 2.2% (2014: 2.8%).

OUTLOOK

MOTOR INSURANCE BUSINESS

Our taxi insurance business will continue to benefit from the trend of replacement of new taxi and their renewal. However, we expect the growth rate will slow down and we will continue our effort on streamlining claims management to maintain the profitability of our business.

We note the trend of higher claims frequency of PLB. There are also increased competition in this segment and price reduction pressure from stakeholders. Proactively managing the established relationship with our insurance intermediaries will be our key measure to maintain our market share in this segment.

Competition in other motor vehicles segments markets continues to be fierce. We note the increasing number of players in this volatile market. We have built a direct private car business platform which enables us to provide instant pricing information to our customers and enhance direct engagement with our customers. It is also a platform for our future as mentioned by our chairman.

OTHER INSURANCE BUSINESS

We remain selectively open to any business opportunities to diversify our insurance products and develop other types of general insurance business.

INVESTMENTS

We have experienced an extremely challenging investment market in 2015 and expect 2016 will be even more challenging. We will continue to cautiously manage our investment portfolio in accordance with our investment policy. We aim to achieve a reasonable investment return while keeping sufficient cash flow to meet the insurance liabilities and maintaining Target solvency requirement.

CHIEF EXECUTIVE'S REVIEW

STRATEGY FOR 2016

For 2016, we will continually hone our focus on four key strategic objectives which are:

INCREASE OUR INSURANCE BUSINESS ON OTHER TYPES OF MOTOR VEHICLES AND PROVIDING HIGH QUALITY SERVICE TO OUR CUSTOMERS

We will continue to direct our effort towards the development of our business on other types of motor vehicles. Recognizing the difficulty to penetrate the market via car dealership and existing agent network, the direct private car business platform enables us to reach out to our customers directly.

We are proactively forming alliances with other business partners to provide all rounded services to our customers and investing to build capacity of our dedicated customer service team to promptly attend to all customers' enquiries and provide a better experience to our customers.

We will continue to monitor the motor insurance market closely and will invest resources to promote other types of motor vehicles as and when appropriate.

STRENGTHENING RELATIONSHIP WITH OUR AGENTS

We anticipate taxi business will continue to grow but at a slower rate. PLB business will become more challenging. Actively managing our relationship with our existing agent network becomes a key to maintain our leading position in these two markets. We will continue to participate in and sponsor activities organized by taxi and PLB industry organizations. We will also continue to support the Commercial Radio "Road Co-Op" campaign as well as to organize social events with our agents.

EXPLORING BUSINESS OPPORTUNITIES TO DIVERSIFY OUR INSURANCE PRODUCTS

Notwithstanding the intense competition in the insurance market, we are in search of attractive business opportunities to enable us to diversify our insurance products. Nonetheless, we will proceed cautiously in assessing the possibility of further expanding our business portfolio on the basis that it can leverage our strengths, existing network and expertise.

ENHANCING OUR CORPORATE IMAGE

We have recently won the Roadshow Best Loved Brands Awards 2015 – Best Loved Motor Insurance Brand. We will continue our promotion through joint business promotion (trade show), traditional media (television, radio, magazines etc.), bus/taxi/minibus body advertisement, billboard, mobile and social media. Last but not least, we will continue to invest in our community and environment.

Muk Wang Lit Jimmy
Chief Executive Officer

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Dr. CHEUNG HAYWOOD ("Dr. Cheung"), aged 63, is an executive Director and chairman of the Board. He is also the chairman and an executive director, and a member of the reinsurance committee of Target. He joined our Group in 2010. He has over 32 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 ("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", now known as 'Huarong International Financial Holdings Limited', 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.

Dr. Cheung obtained a Bachelor Degree in Science with a major in Geology Engineering and Economics from Concordia University, Montreal in 1978. He has also obtained a degree of Executive Master of Business Administrations and a Doctor degree of Business Administrations from the City University of Hong Kong in 2012 and 2014 respectively.

Mr. LAI BING LEUNG ("Mr. Lai"), aged 69, is one of the founders of the Group. Mr. Lai has about 38 years of experience in the motor insurance business. He has been an executive director of Target since 1977. He had also been the chairman of the board of Target until November 2010. In addition to his directorship role of setting objectives and formulating strategies of our Group, Mr. Lai has also been responsible for enhancing our corporate image, liaising with the regulatory authorities, exploring market opportunities and overseeing the claims operation and human resources management of 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 ("Mr. Chiu"), aged 70, is one of the founders of the Group. Mr. Chiu has about 38 years of experience in the motor insurance business. He has been an executive director of Target since 1977 and was the chief executive officer of Target up to October 2014. In addition to his directorship role of setting objectives and formulating strategies of 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 ("Dr. Choi"), aged 47, is an executive Director of the Company. He is also an executive director and the chairman of the investment committee of Target. Dr. Choi possesses about 24 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 four companies, all of which are listed on the Stock Exchange, namely, the deputy chairman and an executive director of HyComm Wireless Limited (now known as 'Qingdao Holdings International 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 (now known as 'Carnival Group International Holdings Limited', Stock Code: 996) from October 2006 to October 2007, an executive director of Media Asia Group Holdings Limited (Stock Code: 8075) from October 2011 to September 2015. Dr. Choi is currently an executive director of Daqing Dairy Holdings Limited (Stock Code: 1007) since January 2016.

Dr. Choi obtained a Bachelor Degree of Business Administration (Magna Cum Laude) majoring in finance from Wichita State University in 1995 and a Degree of Master of Science from University of Illinois at Urbana-Champaign in 1996, both of which are in United States of America. He has also obtained a Doctor degree of Business Administration from the City University of Hong Kong in 2013.

Mr. MUK WANG LIT JIMMY ("Mr. Muk"), aged 61, is an executive Director and chief executive officer of the Company, as well as a member of each of the Nomination Committee and the Risk Committee of the Company. Mr. Muk is also an executive director, the chief executive officer and the compliance officer of Target, and the chairman of the reinsurance committee, a member of each of the underwriting committee and the investment committee of Target. He is responsible for reporting to the Board on Target's compliance matters, and is responsible to monitor Target'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. He joined the Group in 1979. Mr. Muk has over 36 years of experience in motor insurance business. Mr. Muk first joined the insurance industry in 1979 by joining Target in that year as claims supervisor and was responsible for handling and conducting claims and related matters. He was promoted as Claims Manager in 1982 and as assistant general manager in 1986 and was responsible for overseeing all functions and the daily operations of all departments. He was subsequently appointed as the general manager in 1993, taking up further planning, administration, compliance and decision-making responsibilities. He has also been a director of Target since 1983, participating in setting objectives and formulating strategies and corporate governance with his fellow directors.

Mr. Muk obtained a Bachelor of Business (Business Administration) degree with Distinction from Royal Melbourne Institute of Technology in 2003 and a Master of Business Administration degree from University of Ballarat in 2006. Mr. Muk also obtained a Master Degree of Corporate Governance, which is a distance learning course, from the Open University of Hong Kong in 2013. He is a fellow of The Australian and New Zealand Institute of Insurance and Finance ("ANZIIF").

Mr. CHAN HOK CHING ("Mr. Chan"), aged 53, 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. Mr. Chan is an executive director of Target, and chairman of the underwriting committee, a member of each of the investment committee and the reinsurance committee of Target. He is responsible for assisting the chairman in performing his duties in all areas. Mr. Chan has been appointed as an executive director of Target since June 2012. Mr. Chan has over 26 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 ("Mr. Wan"), aged 63, 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 Target, 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 December 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 ("Mr. Wong"), aged 75, 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 Target, 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 41 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 ("Mr. Szeto"), aged 57, 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 Target, 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.

Mr. YUEN TAK TIM ANTHONY *MH, J.P.* **("Mr. Yuen")**, aged 62, was appointed as an independent non-executive Director on 14 April 2015. He is a member of each of the Audit Committee and the Risk Committee, an independent non-executive director and a member of the audit committee of Target. Mr. Yuen is a seasoned professional in financial and insurance fields for over 36 years. Mr. Yuen is a co-opted member of the Insurance Agents Registration Board under Hong Kong Federation of Insurers. He held senior executive positions in a number of major international and local companies. Mr. Yuen is currently (1) an executive director and a responsible officer of a licensed corporation carrying on business in type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO"); and (2) a technical representative of an independent financial planning company holding insurance broking license under Professional Insurance Brokers Association and corporate intermediary license under Mandatory Provident Fund Schemes Authority. He was a non-executive director of a sizable insurance brokers, both in Hong Kong and China from 2003 to 2009 and the managing director of a prestigious local insurance broking and consulting company with general insurance focus from 1988 to 1993.

Mr. Yuen holds a Bachelor degree of Business Administration from The Chinese University of Hong Kong and a Master degree of Business Administration from The University of Hong Kong, and successfully completed the 109th Session of the Advanced Management Program organized by Harvard University. Mr. Yuen is a fellow of The Asia Pacific Financial Services Association, an associate member of The Institute of Financial Accountants, a fellow member of The Society of Registered Financial Planners, a fellow member of The Chartered Institute of Marketing, a chartered member of The Chartered Institute of Logistics & Transport and a fellow member of The Chartered Management Institute.

SENIOR MANAGEMENT

Ms. LAU KA YEE ("Ms. Lau"), aged 36, was appointed as the financial controller of the Group in October 2014. 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 fellow member of HKICPA. She completed the Executive Programme for Accountants: Independent Non-Executive Directors Practices for Accountants held by HKICPA and The Hong Kong Institute of Directors in 2015 and the Diploma in Insolvency held by HKICPA in 2010-2011. She graduated from Chinese University of Hong Kong with a Bachelor of Business Administration degree majoring in Professional Accountancy in 2003. She is a senior associate of ANZIIF.

Ms. OR PIK YUK ("Ms. Or"), aged 54, is the underwriting manager of the Group and a member of the underwriting committee of Target. Ms. Or has over 30 years of experience in insurance industry. Ms. Or worked as a general clerk of the Motor Underwriting Department of Target in January 1980. In 1985, she was promoted as the Hong Kong Branch Motor Department in charge to supervise daily operation. She was then promoted as the Underwriting Supervisor of Target in 1987 and the underwriting manager since 1993. She is also the Responsible Officer of Target Agency Services Limited, a wholly owned subsidiary of the Company.

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 ("Mr. Ngai"), aged 64, is the senior claims manager of the Claims Department of our Group. Mr. Ngai joined Target as an assistant claims manager in September 2006 and was appointed as the claims manager in December 2006 and senior claims manager in January 2012. Prior to joining our Group, Mr. Ngai 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.

COMPANY SECRETARY

Mr. TSE KAM FAI ("Mr. Tse"), aged 52, 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 each of China Metal International Holdings Inc. and Synertone Communication Corporation, both companies are listed on the Main Board of the Stock Exchange, and each of Heng Xin China Holdings Limited and Neo Telemedia Limited, both companies are 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 Target. Target is a Hong Kong incorporated company and is wholly owned by the Company. Target is principally engaged in underwriting motor policies in Hong Kong.

The key financial key performance indicators of the Group is summarized below:

	For the year ended 31 December		
	2015 HK$'000	2014 HK$'000	% Change
Gross premium written	**373,536**	339,891	9.9%
Net premium written	**338,153**	295,059	14.6%
Net insurance premium revenue	**318,255**	285,352	11.5%
Net insurance claims and loss adjustment expenses	**(193,578)**	(167,814)	15.4%
Acquisition costs and other underwriting expenses, net	**(33,806)**	(32,785)	3.1%
Operating profit	**90,871**	84,753	7.2%
Investment income	**19,754**	22,381	(11.7%)
Other income	**1,478**	897	64.8%
Employee benefit expenses	**(21,052)**	(15,650)	34.5%
Other operating expenses	**(26,283)**	(22,895)	14.8%
Profit before tax (1)	**64,768**	69,486	(6.8%)
Profit for the year (1)	**56,058**	57,325	(2.2%)
EBITDA (1)	**65,156**	70,209	(7.2%)
Basic earnings per share (2)	**10.95 cents**	15.29 cents	(28.4%)
Diluted earnings per share (2)	**10.77 cents**	15.27 cents	(29.5%)

	As at 31 December		
	2015	2014	Difference
Retention ratio (3)	**90.5%**	86.8%	3.7%
Loss ratio (4)	**60.8%**	58.8%	2.0%
Expense ratio (4) & (5)	**23.8%**	21.2%	2.6%
Combined ratio (5) & (6)	**84.6%**	80.0%	4.6%
Investment yield	**2.2%**	2.8%	(0.6%)

Notes:

(1) One-off listing expenses of HK$5.5 million is recognized in 2015 (2014: HK$10.9 million).

(2) The weighted average number of shares for the year ended 31 December 2015 is 512,175,000 ordinary shares. The weighted average number of shares for the year ended 31 December 2014 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, 374,999,999 ordinary shares issued as a result of the Reorganization as if the shares were outstanding throughout the year ended 31 December 2014 for the purpose of the calculation of earnings per share.

(3) Retention ratio is calculated by dividing net premium written by gross premium written for the respective period.

(4) Both the loss ratio and expense ratio are based on net insurance premium revenue.

(5) Both the expense ratio and combined ratio are normalized by excluding one-off listing expenses of HK$5.5 million in 2015 (2014: HK$10.9 million).

(6) The combined ratio is the sum of the loss ratio and the expense ratio.

GROSS PREMIUM WRITTEN

Gross premium written increased by 9.9% to HK$373.5 million (2014: HK$339.9 million). During the year ended 31 December 2015, the Company continued to benefit from the replacement cycle of taxi and their renewal, leading to the increase in the number of comprehensive policies and thus premium written. The detailed breakdown of gross premium written is as follows:

	For the year ended 31 December				
	2015 HK$'000	**% of Total**	2014 HK$'000	% of Total	% Change
Taxi	**234,686**	**62.8%**	199,003	58.5%	17.9%
PLB	**92,346**	**24.7%**	93,700	27.6%	(1.4%)
Other motor vehicles [1]	**46,504**	**12.5%**	47,188	13.9%	(1.4%)
	373,536	**100.0%**	339,891	100.0%	9.9%

Note: (1) Other motor vehicles mainly include light goods carrying vehicles, private cars and motorcycles.

NET INSURANCE CLAIMS AND LOSS RATIO

During the year ended 31 December 2015, our retention ratio increased to 90.5% (2014: 86.8%). We therefore carry a slightly higher level of risk. In addition, we note an increase in reported traffic accidents in PLB. As a result, net insurance claims and loss adjustment expenses increased by 15.4% to HK$193.6 million (2014: HK$167.8 million). The loss ratio is slightly increased to 60.8% (2014: 58.8%).

UNDERWRITING AND OTHER ADMINISTRATIVE EXPENSES

Our Group managed to control the increment of our acquisition costs and other underwriting expenses at a much lower rate than the gross premium written. It was increased by 3.1% to HK$33.8 million (2014: HK$32.8 million). The employee benefit expenses increased by 34.5% to HK$21.1 million (2014: HK$15.7 million) due to the increase of staff bonus, pre-IPO share options and resources invested on customer service and business development. The advertising and promotion expenses increased by 459.7% to HK$8.4 million (2014: HK$1.5 million) to promote our brand awareness and new direct private car business platform. The underwriting and other administrative expenses are summarized as follows:

	For the year ended 31 December		
	2015 HK$'000	2014 HK$'000	% Change
Acquisition costs and other underwriting expenses, net	**33,806**	32,785	3.1%
Employee benefit expenses	**21,052**	15,650	34.5%
Listing expenses	**5,490**	10,922	(49.7%)
Advertising and promotion expenses	**8,434**	1,507	459.7%
Rental charges	**4,427**	4,378	1.1%
Professional charges	**2,908**	1,691	72.0%
Entertainment	**1,376**	237	480.6%
Donation	**39**	1,420	(97.3%)
Others	**3,609**	2,740	31.7%
	81,141	71,330	13.8%

INVESTMENT PERFORMANCE

Our Group invests in accordance to our investment policy. The composition of investments is as follows:

	As at 31 December			
	2015 HK$'000	**% of total**	2014 HK$'000	% of total
Equity securities	**195,144**	**19.7%**	8,886	1.1%
Debt securities	**292,101**	**29.5%**	125,518	15.9%
Certificates of deposit	**71,097**	**7.2%**	66,097	8.4%
Cash and bank deposits	**432,193**	**43.6%**	587,516	74.6%
	990,535	**100.0%**	788,017	100.0%

The investment yield (before impairment loss of available-for-sale financial assets) decreased to 2.7% (2014: 2.8%). The investment yield (after impairment loss of available-for-sale financial assets) decreased to 2.2% (2014: 2.8%). The reduction of investment income is driven by the increase of net foreign exchange loss and impairment loss of available-for-sale financial assets. The total investment income on a pre-tax basis recognized in Consolidated Income Statement are as follows:

	For the year ended 31 December		
	2015 HK$'000	2014 HK$'000	% Change
Interest income from bank deposits	**7,061**	9,414	(25.0%)
Interest income from certificates of deposit	**1,838**	794	131.5%
Interest income from listed available-for-sale financial assets	**12,433**	5,826	113.4%
Interest income from unlisted available-for-sale financial assets	**–**	3,008	(100.0%)
Dividend income from listed available-for-sale financial assets	**5,321**	2,089	154.7%
Gain on disposal of available-for-sale financial assets	**3,983**	5,167	(22.9%)
Net foreign exchange loss	**(6,974)**	(3,917)	78.0%
Impairment loss of available-for-sale financial assets	**(3,908)**	–	n/a
	19,754	22,381	(11.7%)

OPERATING PROFIT

Our operating profit increased by 7.2% to HK$90.9 million (2014: HK$84.8 million). Our profit before tax decreased by 6.8% to HK$64.8 million (2014: HK$69.5 million) and our profit for the year decreased by 2.2% to HK$56.1 million (2014: HK$57.3 million).

	For the year ended 31 December		
	2015 HK$'000	2014 HK$'000	% Change
Operating profit	**90,871**	84,753	7.2%
Profit before tax	**64,426**	69,486	(7.3%)
Profit for the year	**55,716**	57,325	(2.8%)

EARNINGS PER SHARE

Our basic earnings per share decreased by 28.4% to HK10.95 cents (2014: HK15.29 cents). Our diluted earnings per share decreased by 29.5% to HK10.76 cents (2014: HK15.27 cents). Such decrease is due to the increase of weighted average number of ordinary shares after the initial public offering (the "IPO") on 15 January 2015. For diluted earnings per share, there is an additional effect of the Company's share option scheme.

LIQUIDITY AND FINANCIAL RESOURCES

Our Group's cash and bank deposits as at 31 December 2015 amounted to HK$432.2 million (2014: HK$587.5 million).

FINANCIAL LEVERAGE

As at 31 December 2015, our Group has no bank overdrafts (2014: Nil) and any other borrowings (2014: Nil).

CAPITAL STRUCTURE

On 15 January 2015, the Company issued 125,000,000 ordinary shares at HK$1.61 each in relation to the IPO. The net proceeds received by the Company from the IPO amounted to approximately HK$186,336,000. Details of the IPO were disclosed in the Prospectus.

The over-allotment option in relation to the IPO of an aggregate of 18,750,000 shares was exercised in full at HK$1.61 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 the over-allotment option amounted approximately HK$27,950,000. Details of the exercise of over-allotment option were more particularly disclosed in the announcement of the Company dated 28 January 2015.

STAFF AND STAFF REMUNERATION

As at 31 December 2015, the Group had a total of 44 employees (2014: 37 employees), an increase of 7 employees. Total remuneration for 2015 amounted to HK$21.1 million (2014: HK$15.7 million), an increase of 34.5%. It is due to the increase of staff bonus, pre-IPO share options and resources invested on customer service and business development. Bonuses are linked to the performance of the Group and the performance of the individual.

CONTINGENT LIABILITIES

Other than those incurred during the normal course of our Group's insurance business, there was neither outstanding litigation nor any other contingent liabilities as at 31 December 2015 and 2014.

The board of directors ("Directors") of the Company is pleased to submit their report together with the audited financial statements of the Group for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The Company is an investment company and the subsidiaries are principally engaged in writing motor insurance in Hong Kong with leading market position on insurance for taxi and PLB. Details of the principal activities of its subsidiaries are set out in note 16 to the financial statements.

BUSINESS REVIEW

MOTOR INSURANCE 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 damage to motor vehicles and (ii) third party legal liabilities.

The following table illustrates the breakdown of our gross premium written by business segments for the years ended 31 December 2015 and 2014:

For the year ended 31 December

	2015 HK$'000	**% of Total**	2014 HK$'000	% of Total	% Change
Taxi	**234,686**	**62.8%**	199,003	58.5%	17.9%
PLB	**92,346**	**24.7%**	93,700	27.6%	(1.4%)
Other motor vehicles [1]	**46,504**	**12.5%**	47,188	13.9%	(1.4%)
	373,536	**100.0%**	339,891	100.0%	9.9%

Note: (1) Other motor vehicles mainly include light goods carrying vehicles, private cars and motorcycles.

Our business on commercial vehicle insurance remained strong. The gross premium written on commercial vehicles presents 87.5% of gross premium written for the year ended 31 December 2015 (2014: 86.1%). We continued to strengthen our leading position in the motor insurance for taxi and PLB in Hong Kong. In such a saturated business segment, we managed to grow our gross premium by 17.9% to HK$234.7 million (2014: HK$199.0 million) for taxi. This was contributed by the continual increasing trend of comprehensive protection on new taxi. Our PLB business remained at a similar level at HK$92.3 million (2014: HK$93.7 million).

On 22 May 2015, our Group launched a new private car insurance platform. Our business in other motor vehicles maintained at a similar level at HK$46.5 million (2014: HK$47.2 million).

INVESTMENTS

We invest premiums and other income generated from our insurance business. The carrying value of the investment portfolio as at 31 December 2015 was approximately HK$990.5 million (2014: HK$788.0 million).

Our Group significantly increased its equity portfolio by 2,096.1% to HK$195.1 million (2014: HK$8.9 million). Over 90% of equity securities invested are listed on the Hong Kong Stock Exchange. The equity securities classified by type are as follows:

	As at 31 December		
	2015 HK$'000	2014 HK$'000	% Change
Listed in Hong Kong	**181,787**	8,197	2,117.7%
Listed outside Hong Kong	**13,357**	689	1,838.6%
	195,144	8,886	2,096.1%

The debt securities classified by type are as follows:

	As at 31 December		
	2015 HK$'000	2014 HK$'000	% Change
Government (HKD)	**81,235**	122,284	(33.6%)
Corporate entities (USD)	**210,866**	3,234	6,420.3%
	292,101	125,518	132.7%

The certificates of deposit classified by type are as follows:

	As at 31 December		
	2015 HK$'000	2014 HK$'000	% Change
Certificates of deposit (HKD)	**64,955**	11,000	490.5%
Certificates of deposit (CNY)	**6,142**	39,610	(84.5%)
Certificates of deposit (USD)	**–**	15,487	(100.0%)
	71,097	66,097	7.6%

USE OF PROCEEDS FROM THE COMPANY'S IPO

The proceeds from the Company's issue of new shares in connection with its listing on the Stock Exchange together with the issue of new shares upon the full exercise of the over-allotment options, after deduction of related expenses, amounted to approximately HK$214.3 million. Up to 31 December 2015, HK$170.0 million was utilized for strengthening the share capital of Target 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. In addition, we have spent HK$8.4 million in marketing promotion of our business to the general public. The unutilized net proceeds is approximately HK$35.9 million.

FINANCIAL KEY PERFORMANCE INDICATORS

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

	For the year ended 31 December		
	2015 HK$'000	2014 HK$'000	% Change
Gross premium written	**373,536**	339,891	9.9%
Net premium written	**338,153**	295,059	14.6%
Net insurance premium revenue	**318,255**	285,352	11.5%
Net insurance claims and loss adjustment expenses	**(193,578)**	(167,814)	15.4%
Acquisition costs and other underwriting expenses, net	**(33,806)**	(32,785)	3.1%
Operating profit	**90,871**	84,753	7.2%
Investment income	**19,754**	22,381	(11.7%)
Other income	**1,478**	897	64.8%
Employee benefit expenses	**(21,052)**	(15,650)	34.5%
Other operating expenses	**(26,283)**	(22,895)	14.8%
Profit before tax (1)	**64,768**	69,486	(6.8%)
Profit for the year (1)	**56,058**	57,325	(2.2%)
EBITDA (1)	**65,156**	70,209	(7.2%)
Basic earnings per share (2)	**10.95 cents**	15.29 cents	(28.4%)
Diluted earnings per share (2)	**10.77 cents**	15.27 cents	(29.5%)

	As at 31 December		
	2015	2014	Difference
Retention ratio (3)	**90.5%**	86.8%	3.7%
Loss ratio (4)	**60.8%**	58.8%	2.0%
Expense ratio (4) & (5)	**23.8%**	21.2%	2.6%
Combined ratio (5) & (6)	**84.6%**	80.0%	4.6%
Investment yield	**2.2%**	2.8%	(0.6%)

Notes:

(1) One-off listing expenses of HK$5.5 million is recognized in 2015 (2014: HK$10.9 million).

(2) The weighted average number of shares for the year ended 31 December 2015 is 512,175,000 ordinary shares. The weighted average number of shares for the year ended 31 December 2014 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, 374,999,999 ordinary shares issued as a result of the Reorganization as if the shares were outstanding throughout the year ended 31 December 2014 for the purpose of the calculation of earnings per share.

(3) Retention ratio is calculated by dividing net premium written by gross premium written for the respective period.

(4) Both the loss ratio and expense ratio are based on net insurance premium revenue.

(5) Both the expense ratio and combined ratio are normalized by excluding one-off listing expenses of HK$5.5 million in 2015 (2014: HK$10.9 million).

(6) The combined ratio is the sum of the loss ratio and the expense ratio.

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 2015, the gross premiums written by our Group from those insurance policies sold through our agents represented approximately 98.5%of the total gross premium written by our Group respectively (2014: 99.4%).

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 2015 under the record of the Hong Kong Federation of Insurers is 141 (2014: 137).

We believe the establishment of the Independent Insurance Authority on 10 July 2015 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 2015, the gross premium written by us on the insurance policies for taxi and PLB represented approximately 87.5% of the total gross premium written by us (2014: 86.1%).

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 our streamlined claims management brought the loss ratio for taxi 65.3% (2014: 68.2%). However, with the higher frequency of claims, the loss ratio for PLB increased significantly to 61.1% (2014: 37.1%).

(C) DIVERSIFICATION OF 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 Target 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 Target. If any of Target 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 EQUITY SECURITIES, DEBT SECURITIES 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

Our Group did not note any important events since the end of our financial year ended 31 December 2015.

FUTURE DEVELOPMENT OF OUR BUSINESS

For 2016, we will continually hone our focus on four key strategic objectives which are:

INCREASE OUR INSURANCE BUSINESS ON OTHER TYPES OF MOTOR VEHICLES AND PROVIDING HIGH QUALITY SERVICE TO OUR CUSTOMERS

We will continue to direct our effort towards the development of our business on other types of motor vehicles. Recognizing the difficulty to penetrate the market via car dealership and existing agent network, the direct private car business platform enables us to reach out to our customers directly.

We are proactively forming alliances with other business partners to provide all rounded services to our customers and investing to build capacity of our dedicated customer service team to promptly attend to all customers' enquiries and provide a better experience to our customers.

We will continue to monitor the motor insurance market closely and will invest resources to promote other types of motor vehicles as and when appropriate.

STRENGTHENING RELATIONSHIP WITH OUR AGENTS

We anticipate taxi business will continue to grow but at a slower rate. PLB business will become more challenging. Actively managing our relationship with our existing agent network becomes a key to maintain our leading position in these two markets. We will continue to participate in and sponsor activities organized by taxi and PLB industry organizations. We will also continue to support the Commercial Radio "Road Co-Op" campaign as well as to organize social events with our agents.

EXPLORING BUSINESS OPPORTUNITIES TO DIVERSIFY OUR INSURANCE PRODUCTS

Notwithstanding the intense competition in the insurance market, we are in search of attractive business opportunities to enable us to diversify our insurance products. Nonetheless, we will proceed cautiously in assessing the possibility of further expanding our business portfolio on the basis that it can leverage our strengths, existing network and expertise.

ENHANCING OUR CORPORATE IMAGE

We have recently won the Roadshow Best Loved Brands Awards 2015 – Best Loved Motor Insurance Brand. We will continue our promotion through joint business promotion (trade show), traditional media (television, radio, magazines etc.), bus/taxi/minibus body advertisement, billboard, mobile and social media. Last but not least, we will continue to invest in our community and environment.

RESULTS AND APPROPRIATIONS

The Group's profit for the year ended 31 December 2015 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 104.

The Board resolved to recommend to the shareholders of the Company ("Shareholders") at the annual general meeting of the Company to be held on Wednesday, 25 May 2016 ("2016 AGM") a final dividend of HK5.5 cents (2014: Nil) per share for the year ended 31 December 2015 to be paid on Friday, 17 June 2016 to the Shareholders whose names appear on the register of members of the Company on Monday, 6 June 2016.

CLOSURE OF REGISTER OF MEMBERS

For determining the identity of the shareholders to attend and vote at the 2016 AGM, the register of members of the Company will be closed from Tuesday, 24 May 2016 to Wednesday, 25 May 2016, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2016 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 Monday, 23 May 2016.

For determining the entitlement of the Shareholders to the proposed final dividend, the register of members of the Company will be closed from Friday, 3 June 2016 to Monday, 6 June 2016, both days inclusive, during which period no transfers of shares will be registered. In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited for registration not later than 4:30 p.m. on Thursday, 2 June 2016.

SHARE CAPITAL

Details of movements in the Company's share capital for the year ended 31 December 2015 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.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2015.

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

The Company together with its subsidiaries are principally engaged in insurance business in Hong Kong, the companies within the Group 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 and staff resources to ensure ongoing compliance of the same and to maintain cordial working relationships with regulators through effective communication. We set out our compliance with respect to the listing of the shares of the Company and insurance business of Target 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 has been 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.

During 2015, our Group has complied, to the best of our knowledge, with the Listing Rules and SFO.

INSURANCE COMPANIES ORDINANCE (CHAPTER 41, LAWS OF HONG KONG) (THE "ICO") 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. Our Group recognises the importance of compliance with the ICO requirements and the risk of non-compliance with such requirements could lead to the termination of operating licenses.

During 2015, 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.

CHARITABLE DONATIONS

During the year ended 31 December 2015, the Group made charitable donations amounting to approximately HK$38,700.

ENVIRONMENTAL POLICY AND PERFORMANCE

We adopted Green Office Best Practice framework developed by the World Green Organization. We are awarded United Nations Millennium Development Goals "Green Office Award" by the World Green Organization for two consecutive years. We fulfilled more than 25 best practice criteria 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 and green innovation.

DISTRIBUTABLE RESERVES

As at 31 December 2015, the Company's reserves available for distribution to the Shareholders amounted to approximately HK$30,457,000 (31 December 2014: Nil).

DIRECTORS

The Directors of the Company during the year or during the period from the end of the year 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

Independent Non-executive Directors
Mr. Wan Kam To
Mr. Wong Shiu Hoi Peter
Mr. Szeto Wai Sun
Mr. Yuen Tak Tim Anthony *MH, JP* (appointed on 14 April 2015)

According to the Articles and to be in line with the code provisions of the CG Code, all Directors shall retire upon expiration of their term of appointment and at least once in every three years and shall be eligible for re-election. No Director shall retire at the forthcoming 2016 AGM.

The directors of subsidiaries of the Company during the year or during the period from the end of the year to the date of this report were as follows:

TARGET

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

Independent non-executive directors
Mr. Wan Kam To
Mr. Wong Shiu Hoi Peter
Mr. Szeto Wai Sun
Mr. Yuen Tak Tim Anthony *MH, JP* (appointed on 14 April 2015)

TARGET AGENCY SERVICES LIMITED

Mr. Muk Wang Lit Jimmy	(appointed on 4 August 2015)
Mr. Chan Hok Ching	(appointed on 4 August 2015)
Ms. Lau Ka Yee	(appointed on 4 August 2015)
Mr. Rui Yuanqing	(appointed on 4 August 2015 and resigned on 11 November 2015)

TARGET CREDIT LIMITED

Mr. Muk Wang Lit Jimmy	(appointed on 4 August 2015)
Mr. Chan Hok Ching	(appointed on 4 August 2015)
Ms. Lau Ka Yee	(appointed on 4 August 2015)
Mr. Rui Yuanqing	(appointed on 4 August 2015 and resigned on 11 November 2015)

INDEPENDENCE CONFIRMATION

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. 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 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.

Among the independent non-executive Directors, each of Mr. Wong Shiu Hoi Peter, Mr. Wan Kam To and Mr. Szeto Wai Sun has entered into a letter of appointment on 1 November 2014 with the Company for a period of two years commencing from 15 January 2015 subject to the provision of retirement and rotation of Directors under the Articles. Mr. Yuen Tak Tim Anthony has entered into a letter of appointment on 14 April 2015 with the Company for a period of two years commencing from 14 April 2015 subject to the provision of retirement and rotation of Directors under the Articles.

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 31 December 2015, 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%
Mr. Lai Bing Leung	Interest of a controlled corporation	Long position	56,250,000 (Note 2)	10.84%
Mr. Chiu Sun Ting	Interest of a controlled corporation	Long position	56,250,000 (Note 3)	10.84%
Dr. Choi Chiu Fai Stanley	Interest of a controlled corporation	Long position	6,125,000 (Note 4)	1.18%
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 Management Limited ("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. Champion City Holdings Limited ("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.

3. Generous Rich Limited ("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. Allied Connect Limited ("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.

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 31 December 2015 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 maximum number of Shares which may be issued upon the exercise of all options granted under the Pre-IPO Share Option Scheme is 13,390,000 Shares representing approximately 2.58% of the issued Shares as at the date of this report. Other details 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.

Name or category of participants	Balance as at 1 January 2015	Lapsed during the year	Outstanding as at 31 December 2015	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	(500,000)	5,090,000	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	(500,000)	12,890,000		

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 15 January 2015;

(b) additional one-third vesting after the expiry of 24-month period from and including 15 January 2015; and.

(c) remaining vesting after the expiry of 36-month period from and including 15 January 2015.

The Pre-IPO Share Option Scheme ended on 14 January 2015, being the day immediately prior to 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 9.62% 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 and up to the date of this report.

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

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2015, 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:

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%
Convoy Collateral Limited (Note 2)	Beneficial owner	Long position	75,484,000	14.55%
Convoy Financial Holdings Limited (Note 2)	Interest of controlled corporation	Long position	75,484,000	14.55%
Champion City Holdings Limited (Note 3)	Beneficial owner	Long position	56,250,000	10.84%
Generous Rich 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. Convoy Collateral Limited is wholly-owned by Convoy (BVI) Limited, Convoy (BVI) Limited is wholly-owned by Convoy Financial Holdings Limited. Therefore, Convoy Financial Holdings Limited is deemed to be interested in these 75,484,000 Shares pursuant to the SFO.
3. 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.
4. 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.

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 31 December 2015.

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 31 December 2015.

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. Lai, and/or their associates, being private companies controlled by them or their family members.

   For the year ended 31 December 2015, 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 2015, the aggregate amount of commissions paid to Oscar was approximately HK$0.9 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 2015, the aggregate amount of commission paid to Atlantic Ocean was approximately HK$4.1 million.

Annual Cap

The annual cap under the Atlantic Ocean Agreement for the financial year ended 31 December 2015 is HK$6.7 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 as 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 2015, the percentage of gross premium written attributable to the largest customer and the five largest customers of the Group is 2.6% and 6.2% respectively.

During 2015, the largest reinsurer and the five largest reinsurers of the Group accounted for approximately 40.0% 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 for the year ended 31 December 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 terms of reference of the Audit Committee has been revised on 31 December 2015 to be in line with the revised Corporate Governance Code effective for the financial year started from 1 January 2016. The primary duties of the Audit Committee during the year 2015 were to review and supervise the financial reporting process and internal control system of the Group. The Audit Committee comprises four independent non-executive Directors of the Company, namely Mr. Wan Kam To (as chairman), Mr. Wong Shiu Hoi Peter, Mr. Szeto Wai Sun and Mr. Yuen Tak Tim Anthony. The Audit Committee has reviewed the audited financial statements of the Group for the year ended 31 December 2015.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 37 to 45 of the 2015 Annual Report.

AUDITOR

The consolidated financial statements for the year ended 31 December 2015 have been audited by Mazars CPA Limited, who term of appointment shall expire at the conclusion of the 2016 AGM. A resolution will be submitted to the 2016 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, 22 March 2016

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 Listing Rules as its own code of corporate governance. For the year ended 31 December 2015, 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") as set out in Appendix 10 to 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 during the period from 15 January 2015 to 31 December 2015.

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 ten Directors including six executive Directors and four 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
Mr. YUEN Tak Tim Anthony *MH, JP*

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.

CORPORATE GOVERNANCE REPORT

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 four 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 has given an annual confirmation of his independence to the Company for the year ended 31 December 2015, and the Company considers each of them was independent under Rule 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 MEETINGS

During the financial year ended 31 December 2015, the Board held five meetings. All Directors were given an opportunity to include any matters in the agenda for regular Board meetings, and were also given sufficient time to review documents and information relating to matters to be discussed in Board meetings in advance.

Name of Director	Number of attendance
Dr. Cheung Haywood	5/5
Mr. Lai Bing Leung	5/5
Mr. Chiu Sun Ting	5/5
Dr. Choi Chiu Fai Stanley	4/5
Mr. Muk Wang Lit Jimmy	5/5
Mr. Chan Hok Ching	5/5
Mr. Wan Kam To	5/5
Mr. Wong Shiu Hoi Peter	5/5
Mr. Szeto Wai Sun	5/5
Mr. Yuen Tak Tim Anthony (Note)	3/3

Note: Mr. Yuen Tak Tim Anthony was appointed as an independent non-executive Director on 14 April 2015 and three Board meetings had been held after his appointment.

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.

GENERAL MEETINGS

During the year ended 31 December 2015, the 2015 AGM was held on 22 May 2015.

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	0/1
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
Mr. Yuen Tak Tim Anthony	1/1

The Board is responsible for maintaining an on-going dialogue with Shareholders and in particular, uses annual general meetings or other general meetings to communicate with them and encourage their participation.

DIRECTORS' CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT

According to the code provision A.6.5 of the CG Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the board remains informed and relevant.

All Directors have participated in continuous professional development by way of receiving in-house briefing, taking part in business-related training/activities and attending seminars relating to their role as a Director of the Company. Each of the Directors has provided a record of training they received for the year ended 31 December 2015 to the Company.

The individual training record of each Director received for the year ended 31 December 2015 is set out below:

Name of Director	Attending or participating in seminars/workshops or working in technical committee relevant to the Group's business/directors' duties
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. Wan Kam To	√
Mr. Wong Shiu Hoi Peter	√
Mr. Szeto Wai Sun	√
Mr. Yuen Tak Tim Anthony	√

NOMINATION COMMITTEE

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 aligned with the code provisions set out in the CG Code, on 23 December 2014. The Nomination Committee 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 terms of reference of the Nomination Committee is currently made available on the Stock Exchange's website and the Company's website.

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.

The Board adopted a board diversity policy (the "Board Diversity Policy") on 24 March 2015 and delegated certain duties under the Policy to the Nomination Committee. The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Company will also take into consideration its own business model and specific needs from time to time in determining the optimum composition of the Board.

During the financial year ended 31 December 2015, the Nomination Committee held only one meeting and considered the nomination of an independent non-executive Director.

Name of Director	Number of attendance
Mr. Szeto Wai Sun *(chairman)*	1/1
Mr. Muk Wang Lit Jimmy	1/1
Mr. Wong Shiu Hoi Peter	1/1

REMUNERATION COMMITTEE

The Company established a Remuneration Committee, with written terms of reference aligned with the code provisions set out in the CG Code, on 23 December 2014. The Remuneration Committee 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 terms of reference of the Remuneration Committee is currently made available on the Stock Exchange's website and the Company's website.

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 2015, the Remuneration Committee held two meetings and have reviewed: (i) the year-end bonus and special bonus to Directors and senior management, (ii) the remuneration of an executive Director, (iii) apportionment of remuneration/salaries to the Company, and (iv) proposed remuneration of an independent non-executive Director.

Name of Director	Number of attendance
Mr. Wong Shiu Hoi Peter *(chairman)*	2/2
Mr. Chan Hok Ching	2/2
Mr. Szeto Wai Sun	2/2

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.

The emolument payable to Directors will depend on their respective contractual terms under employment contracts or service contracts, if any, and will be fixed by the Board with recommendation of the Remuneration Committee, the performance of the Group and the prevailing marketing conditions. Details of the Directors' remuneration and senior management for the year ended 31 December 2015 are set out in notes 10 and 11, respectively, to the financial statements.

AUDIT COMMITTEE

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

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 of the Audit Committee are aligned with the code provisions set out in the CG Code, and is currently made available on the Stock Exchange's website and the Company's website.

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 2015, the Audit Committee held three meetings and reviewed, among others, the 2014 annual results and 2015 interim results of the Group.

Name of Director	Number of attendance
Mr. Wan Kam To *(chairman)*	3/3
Mr. Wong Shiu Hoi Peter	3/3
Mr. Szeto Wai Sun	3/3
Mr. Yuen Tak Tim Anthony (Note)	2/2

Note: Mr. Yuen Tak Tim Anthony was appointed as an independent non-executive Director on 14 April 2015 and two Audit Committee meetings had been held after his appointment.

RISK COMMITTEE

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 is also responsible for the oversight of internal control (other than financial control and reporting system) and risk management systems of the Company. This practice is in line with the revised CG Code requirement under the Listing Rules which applies to accounting period beginning on or after 1 January 2016.

The Risk Committee comprises three independent non-executive Directors and two executive Directors, namely Mr. Wong Shiu Hoi Peter (as chairman), Mr. Szeto Wai Sun, Mr. Yuen Tak Tim Anthony, Mr. Muk Wang Lit Jimmy and Mr. Chan Hok Ching.

During the financial year ended 31 December 2015, the Risk Committee held two meetings and reviewed the risk management policy of the Company and its revised terms of reference.

Name of Director	Number of attendance
Mr. Wong Shiu Hoi Peter *(chairman)*	2/2
Mr. Szeto Wai Sun	2/2
Mr. Yuen Tak Tim Anthony	2/2
Mr. Muk Wang Lit Jimmy	2/2
Mr. Chan Hok Ching	2/2

CORPORATE GOVERNANCE FUNCTIONS

The corporate governance functions were performed by the Board pursuant to the code provisions as set out in the CG Code.

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.

During the year ended 31 December 2015, the Board has reviewed the Company's policies and practices on corporate governance.

AUDITORS' REMUNERATION

For the year ended 31 December 2015, the remuneration paid / payable to the Company's auditors, Mazars CPA Limited ("Mazars"), is set out below:

	Fee paid/payable HK$'000
Services Rendered	
– Audit services (Note 1)	920
– Non-audit services (Note 2)	140
Total	1,060

Notes:

1. The audit services provided by Mazars include the audit of the consolidated financial statements of the Group for the year ended 31 December 2015.

2. The non-audit services provided by Mazars include the review of the interim financial information of the Group for the six months ended 30 June 2015, tax services, report on the continuing connected transactions of the Company for the year ended 31 December 2015 and other related services.

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

During the year ended 31 December 2015, 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.

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 2016 AGM will be voted by poll.

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.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Company's consolidated financial statements for each financial year which give a true and fair view of the state of affairs of the Group and the Company and of the results and cash flows of the Group for that year. In preparing the consolidated financial statements for the year ended 31 December 2015, the Board has selected suitable accounting policies and applied them consistently; made judgments and estimates that are prudent, fair and reasonable and prepared the accounts on a going concern basis.

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

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 2015, 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.

To be in line with the revised CG Code, the internal control systems will be reviewed on an ongoing basis by the Board in order to make it effective.

INDEPENDENT AUDITOR'S REPORT

MAZARS

MAZARS CPA LIMITED
瑪澤會計師事務所有限公司
42nd Floor, Central Plaza
18 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道18號中環廣場42樓
Tel 電話: (852) 2909 5555
Fax 傳真: (852) 2810 0032
Email 電郵: info@mazars.com.hk
Website 網址: www.mazars.cn

To the members 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 subsidiaries (together the "Group") set out on pages 48 to 104, which comprise the consolidated statement of financial position as at 31 December 2015, 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 CONSOLIDATED 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, 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 2015, 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, 22 March 2016

Or Ming Chiu
Practising Certificate number: P04786

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2015

	Note	**2015 HK$'000**	2014 HK$'000
Net insurance premium revenue	4	**318,255**	285,352
Investment income	5	**19,754**	22,381
Other income	6	**1,478**	897
Net income		**339,487**	308,630
Net insurance claims and loss adjustment expenses	7	**(193,578)**	(167,814)
Acquisition costs and other underwriting expenses, net	8	**(33,806)**	(32,785)
Employee benefit expenses		**(21,052)**	(15,650)
Other operating expenses		**(26,283)**	(22,895)
Expenses		**(274,719)**	(239,144)
Profit before tax	9	**64,768**	69,486
Income tax expense	12	**(8,710)**	(12,161)
Profit for the year		**56,058**	57,325
		HK cents	HK cents
Earnings per share	14		
Basic		**10.95**	15.29
Diluted		**10.77**	15.27

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2015

	2015 HK$'000	2014 HK$'000
Profit for the year	**56,058**	57,325
Other comprehensive loss		
Item that was reclassified or may be reclassified subsequently to profit or loss:		
Available-for-sale financial assets		
Losses on changes in fair value arising during the year	**(53,363)**	(1,570)
Reclassification of net changes in fair value to profit or loss	**(75)**	(5,167)
Effect of deferred tax arising from changes in fair value	**7,319**	–
Net movement in fair value of available-for-sale financial assets	**(46,119)**	(6,737)
Total comprehensive income for the year	**9,939**	50,588

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
Assets			
Property, plant and equipment	15	**1,109**	897
Available-for-sale financial assets	17	**487,245**	134,404
Certificates of deposit	17	**71,097**	66,097
Deferred tax assets	18	**7,964**	–
Insurance and other receivables	19	**91,787**	68,729
Reinsurance assets	20	**67,094**	74,984
Deferred acquisition costs	21	**18,338**	17,090
Tax recoverable		**1,461**	–
Statutory deposit	22	**100,000**	100,000
Time deposits with original maturity over 3 months	22	**108,644**	42,842
Bank balances and cash	22	**223,549**	444,674
TOTAL ASSETS		**1,178,288**	949,717
Liabilities			
Insurance liabilities	20	**764,869**	754,126
Reinsurance premium payable		**10,126**	12,780
Insurance and other payables	23	**9,468**	11,028
Tax payable		**–**	3,510
TOTAL LIABILITIES		**784,463**	781,444
EQUITY			
Share capital	24	**364,286**	150,000
Other reserves	26	**(47,257)**	(2,465)
Retained earnings		**76,796**	20,738
		393,825	168,273
TOTAL LIABILITIES AND EQUITY		**1,178,288**	949,717

Approved and authorised for issue by the Board of Directors on 22 March 2016 and signed on its behalf by

Cheung Haywood
Director

Muk Wang Lit Jimmy
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015

	Share capital HK$'000 (Note 24)	Available-for-sale investment reserve HK$'000 (Note 26)	Merger relief reserve HK$'000 (Note 26)	Other reserve HK$'000 (Note 26)	Share option reserve HK$'000 (Note 25)	Retained earnings HK$'000	Total HK$'000
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
Transaction 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
At 1 January 2015	**150,000**	**(2,465)**	**24,936**	**(24,936)**	**–**	**20,738**	**168,273**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**56,058**	**56,058**
Other comprehensive loss							
Net movement in fair value of available-for-sale financial assets	**–**	**(46,119)**	**–**	**–**	**–**	**–**	**(46,119)**
Total comprehensive income for the year	**–**	**(46,119)**	**–**	**–**	**–**	**56,058**	**9,939**
Transactions with equity owners							
Contributions and distribution							
Shares issued by public offering, net of expenses (Note 24)	**214,286**	**–**	**–**	**–**	**–**	**–**	**214,286**
Equity-settled share-based transaction (Note 25)	**–**	**–**	**–**	**–**	**1,327**	**–**	**1,327**
	214,286	**–**	**–**	**–**	**1,327**	**–**	**215,613**
At 31 December 2015	**364,286**	**(48,584)**	**24,936**	**(24,936)**	**1,327**	**76,796**	**393,825**

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
OPERATING ACTIVITIES			
Cash generated from operations	27	**29,871**	57,294
Income tax paid		**(14,326)**	(9,147)
Net cash from operating activities		**15,545**	48,147
INVESTING ACTIVITIES			
Interest received		**21,332**	19,042
Dividend received from available-for-sale financial assets		**5,321**	2,089
Proceeds from disposal of available-for-sale financial assets		**143,929**	169,970
Proceeds from disposal of certificates of deposit		**61,014**	3,157
Purchase of available-for-sale financial assets		**(549,102)**	(39,523)
Purchase of certificates of deposit		**(67,045)**	(62,646)
Purchase of property, plant and equipment		**(603)**	(58)
Maturity of statutory and time deposits with original maturity over 3 months		**210,512**	100,000
Placement of statutory and time deposits with original maturity over 3 months		**(276,314)**	(142,842)
Net cash (used in) from investing activities		**(450,956)**	49,189
FINANCING ACTIVITIES			
Dividends paid		**–**	(78,000)
Net proceeds from public offering		**214,286**	–
Net cash from (used in) financing activities		**214,286**	(78,000)
Net (decrease) increase in cash and cash equivalents		**(221,125)**	19,336
Cash and cash equivalents at beginning of year		**444,674**	425,338
Cash and cash equivalents at end of year, represented by bank balances and cash	22	**223,549**	444,674

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 principal activities of its subsidiaries are detailed in note 16 to the consolidated financial statements.

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 its subsidiaries (together 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 subsidiaries.

BASIS OF PREPARATION

These 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 (the "HKICPA") as if the Reorganisation has been completed throughout the year ended 31 December 2014.

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 year ended 31 December 2014.

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 2014 consolidated financial statements except for the adoption of the following new/revised HKFRSs 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.

ADOPTION OF NEW/REVISED HKFRSs

ANNUAL IMPROVEMENTS PROJECT: 2010-2012 CYCLE

The amendments relevant to the Group include the followings.

(1) HKFRS 2 SHARE-BASED PAYMENT

The amendments add definitions for "performance condition" and "service condition" which were previously part of the definition of "vesting condition" and update the definitions of "vesting condition" and "market condition". It specifies in the definition of performance condition that a vesting condition requires specified performance target(s) to be met. A performance target can be defined not only by reference to the operations (or activities) of the entity or the price (or value) of its equity instruments, but also the operations (activities) of another entity in the same group or the price (or value) of the equity instruments of that entity. Further, the performance target can also be related to the performance of the entity as a whole or a part of it or the group, including a division or an individual employee. The period for achieving the performance target shall not extend beyond the end of the service period but may start before (provided not substantially before the commencement of) the service period. These amendments do not have an impact on the consolidated financial statements of the Group.

(2) HKFRS 3 BUSINESS COMBINATIONS

These amendments delete the reference to "other applicable HKFRSs" in the classification requirements in HKFRS 3 for contingent consideration in a business combination. All non-equity contingent consideration shall be measured at fair value at the end of each reporting period. Changes in the fair value that are not measurement period adjustments shall be recognised in profit or loss. These amendments do not have an impact on the consolidated financial statements of the Group.

(3) HKFRS 8 OPERATING SEGMENTS

HKFRS 8 is updated as follows:

a) Judgements made by management in aggregating two or more operating segments exhibiting similar long-term financial performance and economic characteristics are required to be disclosed. This includes a brief description of the operating segments that have been aggregated and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics.

b) It is clarified that the reconciliation of the total reportable segments' assets to the entity's assets is only required to be disclosed if the segment assets are regularly reported to the chief operating decision maker.

These amendments do not have an impact on the consolidated financial statements of the Group.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

ADOPTION OF NEW/REVISED HKFRSs (Continued)

ANNUAL IMPROVEMENTS PROJECT: 2010-2012 CYCLE (Continued)

(4) *HKFRS 13 FAIR VALUE MEASUREMENT*

The basis for conclusions is amended to clarify that the issuance of HKFRS 13 and the consequential amendments to HKFRS 9 and HKAS 39 did not remove the entity's ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, when the effect of not discounting is immaterial. These amendments do not have an impact on the consolidated financial statements of the Group.

(5) *HKAS 16 PROPERTY, PLANT AND EQUIPMENT*

HKAS 16 originally required the revalued accumulated depreciation to be restated proportionately with the change in the gross carrying amount. However, it is noted that accumulated depreciation would not be restated proportionately to the gross carrying amount in situations in which both the gross carrying amount and the carrying amount are revalued non-proportionately to each other. Consequently, the Standard is amended such that a) the gross carrying amount of the revalued asset should be adjusted in a manner that is consistent with the revaluation of its carrying amount; and b) the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount after taking into account the accumulated impairment losses. These amendments do not have an impact on the consolidated financial statements of the Group.

(6) *HKAS 24 RELATED PARTY DISCLOSURES*

HKAS 24 is amended to clarify that an entity, or any member of a group of which it is a part, providing key management personnel services (the "management entity") to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. The reporting entity shall disclose the amounts incurred for key management personnel services that are provided by the management entity. However, the compensation paid or payable by the management entity to its employees or directors is not required to be disclosed. These amendments do not have an impact on the consolidated financial statements of the Group.

ANNUAL IMPROVEMENTS PROJECT – 2011-2013 CYCLE

The amendments relevant to the Group include the followings.

(1) *HKFRS 3 BUSINESS COMBINATIONS*

HKFRS 3 is amended to exclude from its scope the accounting for the formation of all types of joint arrangements in the financial statements of the joint arrangements themselves. These amendments do not have an impact on the consolidated financial statements of the Group.

(2) *HKFRS 13 FAIR VALUE MEASUREMENT*

These amendments clarify that all contracts within the scope of HKAS 39 or HKFRS 9 are included in the scope of the exception as set out in HKFRS 13 for measuring the fair value of a group of financial assets and financial liabilities on a net basis, even if those contracts do not meet the definitions of financial assets or financial liabilities in HKAS 32. These amendments do not have an impact on the consolidated financial statements of the Group.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

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 subsidiaries 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 which is presented within these notes, 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 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.

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.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

FINANCIAL INSTRUMENTS

RECOGNITION AND DERECOGNITION

Financial assets and financial liabilities are recognised when and only 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) it transfers substantially all the risks and rewards of ownership of the financial asset, or (b) it 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 and 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 direct attributable to the acquisition or issue of the financial assets or financial liabilities.

(1) LOANS AND RECEIVABLES

Loans and receivables including insurance and other receivables 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) AVAILABLE-FOR-SALE FINANCIAL ASSETS AND CERTIFICATES OF DEPOSIT

Available-for-sale financial assets and certificates of deposit 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.

(3) 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.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

FINANCIAL INSTRUMENTS (Continued)

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.

For equity instruments, a significant or prolonged decline in the fair value of an equity instrument is an objective evidence of impairment. In conducting an impairment analysis, the Group considers quantitative and qualitative evidence. The Group generally considers a decline of 50% or more as significant and a period of 12 months or longer to be prolonged.

IMPAIRMENT OF NON-FINANCIAL ASSETS

At the end of the reporting period, the Group reviews internal and external sources of information to assess whether there is any indication that its property, plant and equipment and other assets may be impaired or 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 fair value less costs of disposal 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.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

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 bases:

Premiums on insurance policies are recognised as revenue on the basis set out below in Insurance contracts section.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

Interest income from financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

UNDERWRITING RESULTS

The underwriting results are recognised on an annual accounting basis.

INSURANCE CONTRACTS

Insurance contracts are defined as those contracts that transfer significant insurance risk at the inception of the contracts, or those where at the inception of the contract there is a scenario with commercial substance where the level of insurance risk may be significant. Insurance risk is significant if, and only if, an insured event could cause the Group to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance.

(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 to estimate the 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.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

INSURANCE CONTRACTS (Continued)

(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.

(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.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

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.

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"). 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 subsidiaries.

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.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

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.

(B) DEFINED CONTRIBUTION PLANS

The obligations for contributions to defined contribution retirement scheme are recognised as an expense in profit or loss as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior the contributions are vested fully in those employees. The assets of the scheme are held separately from those of the Group in an independently administered fund.

(C) LONG SERVICE PAYMENTS

The Group's net obligation in respect of long service payments under the Employment Ordinance is the amounts of future benefit that employees have earned in return for their services in the current and prior periods. The obligation is calculated using the projected unit credit method and discounted to its present value and after deducting the fair value of any related assets, including those retirement scheme benefits.

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 date at which the entity and another party (including an employee) agree to a share-based payment arrangement, being when the entity and the counterparty have a shared understanding of the terms and conditions of the arrangement ("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 any market conditions and non-vesting 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 period in which the vesting conditions are to be fulfilled, ending on the date on which the entitlement of relevant employees to the award is no longer conditional on the satisfaction of any non-market vesting conditions ("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.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

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 consolidated 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.

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).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

RELATED PARTIES (Continued)

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependants of that person or that person's spouse or domestic partner.

SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Company's executive directors, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the chief operating decision-makers that make strategic decisions.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and assumptions concerning the future and judgements are made by the management in the preparation of the consolidated 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.

(1) KEY SOURCES OF ESTIMATION UNCERTAINTY

(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.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(1) KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(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 2015, the carrying amount of insurance receivables after provision for impairment amounted to HK$82,489,000 *(2014: HK$62,270,000)*.

(D) DEFERRED TAX ASSETS

As at the end of the reporting period, a deferred tax asset of HK$7,964,000 *(2014: Nil)* in relation to temporary deductible differences has been recognised in the consolidated statement of financial position. The recognition of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than the original estimate, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss or other comprehensive income in the period in which such a reversal takes place. Significant management judgment is required to estimate the amount and timing of future taxable profit or taxable temporary differences so as to determine, together with the tax planning strategies, the amounts of deferred income tax assets to be recognised.

(2) CRITICAL JUDGEMENTS MADE IN APPLYING ACCOUNTING POLICIES

(A) IMPAIRMENT OF AVAILABLE-FOR-SALE FINANCIAL ASSETS

The Group determines that available-for-sale financial equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of whether a decline in fair value 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.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

FUTURE CHANGES IN HKFRSs

The following are standards and amendments to existing standards that have been published and are relevant and mandatory for the Group's accounting periods beginning on or after 1 January 2016, but have not been early adopted by the Group.

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

[1] Effective for annual periods beginning on or after 1 January 2016
[2] Effective for annual periods beginning on or after 1 January 2018
[3] The effective date of the amendments which was originally intended to be effective for annual periods beginning on or after 1 January 2016 has been deferred/removed

The directors are in the process of assessing the possible impact on the future adoption of these new/revised HKFRSs, but are 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 2015

	Taxi HK$'000	PLB HK$'000	Other motor vehicles HK$'000	Consolidated HK$'000
Net insurance premium revenue	192,770	84,232	41,253	318,255
Net insurance claims and loss adjustment expenses	(125,924)	(51,476)	(16,178)	(193,578)
Acquisition costs and other underwriting expenses, net	(16,024)	(6,501)	(11,281)	(33,806)
Segment results	50,822	26,255	13,794	90,871
Unallocated investment income and other income				21,232
Unallocated corporate expenses				(47,335)
Profit before tax				64,768
Income tax expense				(8,710)
Profit for the year				56,058
Assets				
Segment assets	96,218	53,550	18,153	167,921
Unallocated assets				1,010,367
Total assets				1,178,288
Liabilities				
Segment liabilities	474,843	212,969	92,661	780,473
Unallocated liabilities				3,990
Total liabilities				784,463
Other information				
Interest income from bank deposits				7,061
Interest income from available-for-sale financial assets				12,433
Interest income from certificates of deposit				1,838
Dividend income from available-for-sale financial assets				5,321
Gain on disposal of available-for-sale financial assets				3,983
Depreciation				388

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				8,834
Interest income from certificates of deposit				794
Dividend income from available-for-sale financial assets				2,089
Gain on disposal of available-for-sale financial assets				5,167
Depreciation				723

4. NET INSURANCE PREMIUM REVENUE

	2015 HK$'000	2014 HK$'000
Gross premium written	**373,536**	339,891
Reinsurance premium ceded	**(35,383)**	(44,832)
Net premium written	**338,153**	295,059
Change in provision for unearned premium	**(19,898)**	(9,707)
Net insurance premium revenue	**318,255**	285,352

5. INVESTMENT INCOME

	2015 HK$'000	2014 HK$'000
Interest income from bank deposits	**7,061**	9,414
Interest income from certificates of deposit	**1,838**	794
Interest income from listed available-for-sale financial assets	**12,433**	5,826
Interest income from unlisted available-for-sale financial assets	**–**	3,008
Dividend income from listed available-for-sale financial assets	**5,321**	2,089
Gain on disposal of available-for-sale financial assets	**3,983**	5,167
Net foreign exchange loss	**(6,974)**	(3,917)
Impairment loss of available-for-sale financial assets	**(3,908)**	–
Net investment income	**19,754**	22,381

6. OTHER INCOME

	2015 HK$'000	2014 HK$'000
Handling fee income	**1,293**	871
Others	**185**	26
	1,478	897

7. NET INSURANCE CLAIMS AND LOSS ADJUSTMENT EXPENSES

	2015 HK$'000	2014 HK$'000
Gross claims paid	227,121	187,418
Claims recovered	(32,278)	(19,371)
Net claims paid	194,843	168,047
Change in provision for gross outstanding claims and incurred but not reported claims ("IBNR")	(9,155)	(7,870)
Change in claims recoverable (including IBNR recoveries)	7,890	7,637
Change in net outstanding claims	(1,265)	(233)
Net insurance claims	193,578	167,814

8. ACQUISITION COSTS AND OTHER UNDERWRITING EXPENSES, NET

	2015 HK$'000	2014 HK$'000
Acquisition costs and other underwriting expenses		
Insurance commission	27,020	25,961
Other underwriting expenses	9,189	8,127
Change in deferred acquisition costs	(1,248)	42
Acquisition costs and other underwriting expenses, gross	34,961	34,130
Commission income		
Insurance commission from reinsurers	(1,155)	(1,345)
Acquisition costs and other underwriting expenses, net	33,806	32,785

9. PROFIT BEFORE TAX

This is stated after charging:

	2015 HK$'000	2014 HK$'000
Other items		
Employee benefit expenses (including directors' emoluments)		
Salaries, bonus and allowances	19,219	15,265
Equity-settled share-based payments	1,327	–
Contributions to defined contribution plan	506	385
	21,052	15,650
Auditor's remuneration		
Audit services	920	1,220
Other services	140	1,050
Depreciation	388	723
Listing expenses (other than auditor's remuneration) included in operating expenses	5,490	9,872
Loss on disposal of property, plant and equipment	3	7
Operating lease payments for premises	3,818	3,818

10. INFORMATION ABOUT THE BENEFITS OF DIRECTORS

A) *DIRECTORS' REMUNERATIONS*

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

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

YEAR ENDED 31 DECEMBER 2015

	Directors' fees HK$'000	Salaries and allowances HK$'000	Discretionary bonus HK$'000	Equity-settled share-based payments HK$'000	Contributions to defined contribution plan HK$'000	Total HK$'000
Executive directors						
Cheung Haywood	80	780	–	–	18	878
Choi Chiu Fai Stanley	80	650	–	–	15	745
Chan Hok Ching	80	1,300	500	147	18	2,045
Chiu Sun Ting	80	780	–	–	–	860
Lai Bing Leung	80	780	–	–	–	860
Muk Wang Lit Jimmy *(Chief executive)*	80	1,365	528	226	18	2,217
Independent non-executive directors						
Wong Shiu Hoi Peter	150	–	–	57	–	207
Wan Kam To	150	–	–	57	–	207
Szeto Wai Sun	150	–	–	57	–	207
Yuen Tak Tim Anthony	128	–	–	–	–	128
	1,058	5,655	1,028	544	69	8,354

10. INFORMATION ABOUT THE BENEFITS OF DIRECTORS (Continued)

A) *DIRECTORS' REMUNERATIONS* (Continued)

YEAR ENDED 31 DECEMBER 2014

	Directors' fees HK$'000	Salaries and allowances HK$'000	Discretionary bonus HK$'000	Equity-settled share-based payments HK$'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

No directors or shadow director have waived emoluments in respect of the years ended 31 December 2015 and 2014. 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.

B) *LOANS, QUASI-LOANS AND OTHER DEALINGS IN FAVOUR OF DIRECTORS*

There are no loans, quasi-loans and other dealings 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 were entered into or subsisted during the year *(2014: Nil)*.

10. INFORMATION ABOUT THE BENEFITS OF DIRECTORS (Continued)

C) *DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS*

After consideration, the directors are of the opinion that the following transactions, arrangements and contracts, which are entered into by the Company and in which a director of the Company or a connected entity of the director had a material interest, whether directly or indirectly, are significant in relation to the Group's business and subsisted at the end of the year or at any time during the year:

YEAR ENDED 31 DECEMBER 2015

Contractual parties in addition to the Company	**Name of director who has equity interest in the contractual parties**	**Nature of transactions**	**HK$'000**
The Oscar Motors Company Limited	Lai Bing Leung	Agency commission paid	**901**
Head & Shoulders Securities Limited	Choi Chiu Fai Stanley	Brokerage paid	**22**

YEAR ENDED 31 DECEMBER 2014

Contractual parties in addition to the Company	Name of director who has equity interest in the contractual parties	Nature of transactions	HK$'000
The Oscar Motors Company Limited	Lai Bing Leung	Agency commission paid	847

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 four directors *(2014: five)* whose emoluments are reflected in the analysis presented above. Details of the emoluments of the remaining highest paid individual are as follows:

	2015 HK$'000	2014 HK$'000
Salaries and allowances	**1,132**	–
Discretionary bonus	**120**	–
Equity-settled share-based payments	**23**	–
Contributions to defined contribution plan	**18**	–
	1,293	–

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

(Continued)

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

	2015	2014
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 2015 and 2014. 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.

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

	2015 HK$'000	2014 HK$'000
Salaries and allowances	2,640	1,690
Discretionary bonus	430	189
Equity-settled share-based payments	112	–
Contributions to defined contribution plan	72	56
	3,254	1,935

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

	2015	2014
Nil to HK$1,000,000	3	4
HK$1,000,001-HK$1,500,000	1	–
	4	4

12. TAXATION

The Company and its subsidiaries 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 2015 and 2014.

	2015 HK$'000	2014 HK$'000
Current tax		
Hong Kong Profits Tax		
Current year	**9,227**	10,539
Under provision in prior years	**128**	1,622
	9,355	12,161
Deferred taxation		
Origination and reversal of temporary difference	**(645)**	–
	8,710	12,161

RECONCILIATION OF TAX EXPENSE

	2015 HK$'000	2014 HK$'000
Profit before tax	**64,768**	69,486
Income tax at applicable tax rate of 16.5% *(2014: 16.5%)*	**10,687**	11,465
Non-deductible expenses	**1,098**	1,947
Tax exempt revenue	**(2,906)**	(2,990)
Unrecognised temporary differences	**34**	94
Under provision in prior years	**128**	1,622
Others	**(331)**	23
Tax expense for the year	**8,710**	12,161

13. DIVIDENDS

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

	2015 HK$'000	2014 HK$'000
Dividends attributable to the year		
Final dividend proposed after the end of the reporting period of HK5.5 cents per share *(2014: Nil per share)*	**28,531**	–

13. DIVIDENDS (Continued)

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

	2015 HK$'000	2014 HK$'000
Dividends approved and paid during the year		
Interim dividend in respect of current year	–	78,000

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 2014 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 Reorganisation as if the shares were outstanding throughout the year ended 31 December 2014 for the purpose of the calculation of earnings per share.

(A) BASIC EARNINGS PER SHARE

	2015	2014
Profit attributable to ordinary equity owners (HK$'000)	56,058	57,325
Weighted average number of ordinary shares ('000)	512,175	375,000
Basic earnings per share (HK cents)	10.95	15.29

(B) DILUTED EARNINGS PER SHARE

	2015	2014
Profit attributable to ordinary equity owners (HK$'000)	56,058	57,325
Weighted average number of ordinary shares (diluted) ('000)		
Weighted average number of ordinary shares	512,175	375,000
Effect of the Company's share option scheme	8,391	302
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	520,566	375,302
Diluted earnings per share (HK cents)	10.77	15.27

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 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
Reconciliation of carrying amount – year ended 31 December 2015				
At beginning of year	**835**	**62**	**–**	**897**
Additions	**549**	**54**	**–**	**603**
Disposal	**(3)**	**–**	**–**	**(3)**
Depreciation	**(319)**	**(69)**	**–**	**(388)**
At the end of the reporting period	**1,062**	**47**	**–**	**1,109**
At 31 December 2014				
Cost	5,421	2,014	300	7,735
Accumulated depreciation	(4,586)	(1,952)	(300)	(6,838)
	835	62	–	897
At 31 December 2015				
Cost	**5,954**	**2,068**	**300**	**8,322**
Accumulated depreciation	**(4,892)**	**(2,021)**	**(300)**	**(7,213)**
	1,062	**47**	**–**	**1,109**

16. INVESTMENT IN SUBSIDIARIES

Details of the subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Principal place of business and place of incorporation	Issued capital	Percentage of equity held by the Company Direct	Percentage of equity held by the Company Indirect	Principal activities
Target Insurance Company, Limited ("Target")	Hong Kong	Ordinary shares of HK$320,000,000	100	–	Writing of motor insurance business
Target Agency Services Limited	Hong Kong	Ordinary shares of HK$1	100	–	Not yet commenced business
Target Credit Limited	Hong Kong	Ordinary shares of HK$1	100	–	Not yet commenced business

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS AND CERTIFICATES OF DEPOSIT

	2015 HK$'000	2014 HK$'000
At fair value		
Equity securities		
Listed in Hong Kong	**181,787**	8,197
Listed outside Hong Kong	**13,357**	689
Listed debt securities		
Bonds listed in Hong Kong	**194,936**	122,284
Bonds listed outside Hong Kong	**97,165**	–
Unlisted debt securities		
Bonds with fixed maturity dates	**–**	3,234
	487,245	134,404
Certificates of deposit	**71,097**	66,097
	558,342	200,501

18. DEFERRED TAXATION

The movement for the year in the Group's net deferred tax position is as follows:

	2015 HK$'000	2014 HK$'000
At beginning of year	**–**	–
Credit to profit or loss	**645**	–
Credit to other comprehensive income	**7,319**	–
At end of the reporting period	**7,964**	–

The recognised deferred tax assets at the end of the reporting period represent the tax benefit attached to losses on the changes in fair value of available-for-sale financial assets.

19. INSURANCE AND OTHER RECEIVABLES

	Note	**2015 HK$'000**	2014 HK$'000
Insurance receivables			
Premium receivables			
From third parties		**54,881**	49,637
From related parties		**708**	655
	19(A)	**55,589**	50,292
Claims receivable from reinsurers and others	19(B)	**26,900**	11,978
		82,489	62,270
Other receivables			
Deposits, prepayments and other receivables		**9,298**	6,459
		91,787	68,729

19. INSURANCE AND OTHER RECEIVABLES (Continued)

(A) PREMIUM RECEIVABLES

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

	2015 HK$'000	2014 HK$'000
Within 30 days	28,146	23,932
31 – 60 days	20,881	19,307
61 – 90 days	6,562	7,053
	55,589	50,292

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:

	2015 HK$'000	2014 HK$'000
Balances exceed normal credit period		
Within 30 days	19,053	16,970
31 to 60 days	4,523	4,461
	23,576	21,431

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 judgement 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.

20. INSURANCE LIABILITIES AND REINSURANCE ASSETS

	Note	2015 HK'000	2014 HK$'000
Gross			
Outstanding claims		**431,439**	445,171
Claims incurred but not reported ("IBNR")		**142,052**	137,475
	20(i)	**573,491**	582,646
Provision for unearned premium	20(ii)	**191,378**	171,480
Total gross insurance liabilities		**764,869**	754,126
Recoverable from reinsurers			
Claims reported and loss adjustment expenses		**27,103**	34,360
Provision for IBNR recoveries		**39,991**	40,624
Total insurance liabilities recoverable	20(i)	**67,094**	74,984
Net			
Outstanding claims		**404,336**	410,811
IBNR		**102,061**	96,851
	20(i)	**506,397**	507,662
Provision for unearned premium	20(ii)	**191,378**	171,480
Total net insurance liabilities		**697,775**	679,142

(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 2014	590,516	(82,621)	507,895
Provision 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
Provision incurred	217,966	(24,388)	193,578
Claims paid	(227,121)	32,278	(194,843)
At 31 December 2015	**573,491**	**(67,094)**	**506,397**

20. 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 2014	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
Premium written	373,536	(35,383)	338,153
Premium earned	(353,638)	35,383	(318,255)
At 31 December 2015	**191,378**	**–**	**191,378**

21. DEFERRED ACQUISITION COSTS

	2015 HK$'000	2014 HK$'000
At beginning of the year	**17,090**	17,132
Acquisition costs and other underwriting expenses incurred during the year	**35,054**	32,743
Charged to income statement	**(33,806)**	(32,785)
At the end of the reporting period	**18,338**	17,090

22. BANK BALANCES AND CASH AND BANK DEPOSITS

	2015 HK$'000	2014 HK$'000
Bank balances and cash		
Short term time deposits (original maturity within 3 months)	**153,844**	437,392
Cash at banks and in hand	**69,705**	7,282
	223,549	444,674
Statutory deposit	**100,000**	100,000
Time deposits with original maturity over 3 months	**108,644**	42,842
	432,193	587,516

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

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.

The Group had a time deposit of HK$100,000,000 *(2014: HK$100,000,000)* at 31 December 2015 with a licensed bank in Hong Kong held in the name of "Insurance Authority account Target Insurance Company, Limited" as a statutory deposit pursuant to the instruction given by the Insurance Authority under sections 35(1) and 35A of the Hong Kong Insurance Companies Ordinance. The time deposit can only be released with approval from the Insurance Authority.

Target has undertaken to maintain fixed deposits, including statutory deposit, of not less than HK$330,000,000 *(2014: HK$330,000,000)* with the banks in Hong Kong pursuant to the instruction given by the Insurance Authority.

23. INSURANCE AND OTHER PAYABLES

	2015 HK$'000	2014 HK$'000
Insurance payables		
Premium surcharge and other payables	**5,478**	4,646
Other payables		
Accruals and other payables	**3,990**	6,382
	9,468	11,028

24. SHARE CAPITAL

	2015		2014	
	No. of shares	**HK$**	No. of shares	HK$
Issued and fully paid				
At beginning of the year	**375,000,000**	**150,000**	–	–
Issue of shares upon incorporation	**–**	**–**	1	–
Issue of shares upon Reorganisation	**–**	**–**	374,999,999	150,000
Issue of shares by public offering	**143,750,000**	**214,286**	–	–
At end of the reporting period	**518,750,000**	**364,286**	375,000,000	150,000

The shares of the Company were listed on The Stock Exchange of Hong Kong Limited on 15 January 2015, with a total number of 500,000,000 shares, among which 125,000,000 shares (25% of the total number of shares of the Company) were issued to the public at HK$1.61 per share. The net proceeds, after deducting listing expenses of HK$14,914,000, received by the Company from the public offering were approximately HK$186,336,000.

On 28 January 2015, an aggregate of 18,750,000 shares were issued by the Company at HK$1.61 per share upon the exercise of over-allotment option in full. The additional net proceeds, after deducting listing expenses of HK$2,238,000, received by the Company in connection with the issuance of over-allotment shares were approximately HK$27,950,000.

25. 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 the "Interest in Share Options" section of the Directors' Report.

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
Exercise price (HK$)	80% of the IPO price
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

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

Details of share options forfeited during the year and subsisted at 31 December 2015 are as follows.

					Number of share option			
Type	**Date of grant**	**Exercise period**	**Exercise price per share** HK$	**Fair value per share** HK$	**Beginning of year** '000	**Granted** '000	**Forfeited** '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	–	(410)	1,234
Other employees	7 October 2014	15 January 2016 – 6 October 2024	1.288	0.167	6,946	–	(90)	6,856

25. SHARE OPTION SCHEME (Continued)

Details of share options granted during the year and subsisted at 31 December 2014 are as follows.

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	Forfeited '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

26. 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 Target 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 Target 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 Target 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 Target and the cost of investment in Target 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 Target.

DISTRIBUTABLE RESERVES

At 31 December 2015, the aggregate amount of reserves available for distribution to equity shareholders of the Company, including retained earnings and available-for-sale investment reserves, as calculated under the provisions of Part 6 of the Hong Kong Companies Ordinance, was HK$30,457,000 *(2014: Nil)*. After the end of the reporting period the directors proposed a final dividend of HK5.5 cents per ordinary share *(2014: Nil)*, amounting to HK$28,531,000 *(2014: Nil)* as disclosed in Note 13. This dividend has not been recognised as a liability at the end of the reporting period.

27. CASH GENERATED FROM OPERATIONS

	2015 HK$'000	2014 HK$'000
Profit before tax	**64,768**	69,486
Depreciation	**388**	723
Impairment loss of available-for-sale financial assets	**3,908**	–
Loss on disposal of property, plant and equipment	**3**	7
Gain on disposal of available-for-sale financial assets	**(3,983)**	(5,167)
Dividend income from available-for-sale financial assets	**(5,321)**	(2,089)
Interest income from available-for-sale financial assets and certificates of deposit	**(14,271)**	(9,628)
Interest income from bank deposits	**(7,061)**	(9,414)
Equity-settled share-based payments	**1,327**	–
Changes in working capital:		
Insurance and other receivables	**(23,058)**	(1,596)
Reinsurance assets	**7,890**	7,637
Deferred acquisition costs	**(1,248)**	42
Insurance liabilities	**10,743**	1,837
Reinsurance premium payables	**(2,654)**	2,158
Insurance and other payables	**(1,560)**	3,298
Cash generated from operations	**29,871**	57,294

28. 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:

	2015 HK$'000	2014 HK$'000
Within one year	**2,227**	3,818
In the second to fifth years inclusive	**–**	2,227
	2,227	6,045

29. RELATED PARTY TRANSACTIONS

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

Related party relationship	Nature of transaction	2015 HK$'000	2014 HK$'000
The Oscar Motors Company Limited, a company controlled by Lai Bing Leung, a director of the Company	Commission paid (ii)	**901**	847
Head & Shoulders Securities Limited, a company controlled by Choi Chiu Fai Stanley, a director of the Company	Brokerage paid (ii)	**22**	–

(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) These related party transactions also constitute connected transactions and continuing connected transactions as defined in Chapter 14A of the Listing Rules, however they are exempt from the disclosure requirements in Chapter 14A of the Listing Rules.

30. INSURANCE AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

INSURANCE RISK

The Group, through Target, 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.

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

INSURANCE RISK (Continued)

(I) FREQUENCY AND SEVERITY OF CLAIMS

The frequency and severity of claims can be affected by several factors, such as:

- Occurrence risk – the possibility that the number of insured events will differ from those expected.
- Severity risk – the possibility that the cost of the events will differ from those expected.
- Development risk – the possibility that changes may occur in the amount of an insurer's obligation at the end of the contract period.

The Group manages these risks through adequate reinsurance arrangements and claims monitoring programmes. The Group also enforces a policy of actively managing and promptly pursuing of claims, in order to reduce its exposure to unpredictable future developments that can adversely impact the Group. The Group's insurance contracts are protected by excess of loss reinsurance arrangements with pre-determined retention limits. The reinsurance arrangements spread insured risk to a certain extent and reduce the effect of potential losses to the Group. However, the Group's direct insurance liabilities to the policyholders are not eliminated because of credit risk associated with the failure of reinsurance companies to fulfil their responsibilities.

The Group solely offered insurance contracts to the Hong Kong market and all insurance risk with reference to the carrying amount of the insurance liabilities arising from insurance contracts is in Hong Kong.

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
2015	**Gross**	**342,780**	**164,031**	**66,680**	**573,491**
	Net	**309,903**	**134,626**	**61,868**	**506,397**
2014	Gross	349,844	152,472	80,330	582,646
	Net	309,968	125,009	72,685	507,662

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

INSURANCE RISK (Continued)

(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.

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.

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

INSURANCE RISK (Continued)

(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 2015 *(2014: 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:

	2015 **HK$'000**	2014 HK$'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	**17,987**	15,999
– as a result of 5% decrease in ultimate loss ratio	**(17,912)**	(15,884)

	2015 **HK$'000**	2014 HK$'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	**18,938**	18,610
– as a result of 5% decrease in risk margin	**(18,938)**	(18,553)

(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.

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

INSURANCE RISK (Continued)

(IV) LOSS DEVELOPMENT TRIANGLE (Continued)

Gross insurance claims – 2015

	2011 HK$'000	2012 HK$'000	2013 HK$'000	2014 HK$'000	2015 HK$'000	Total HK$'000
Underwriting Year	229,003	229,810	210,080	206,337	228,168	
One year later	262,675	229,172	215,374	216,196		
Two years later	245,714	223,600	216,329			
Three years later	229,682	202,219				
Four years later	230,530					
Current estimate of cumulative gross claims	230,530	202,219	216,329	216,196	228,168	1,093,442
Cumulative gross payments to date	(210,564)	(163,114)	(139,206)	(63,827)	(13,898)	(590,609)
Sub-total	19,966	39,105	77,123	152,369	214,270	502,833
Gross insurance claims in respect of years prior to 2011						8,774
Unallocated loss adjustment expenses and risk margin						61,884
Total gross general insurance claims liability						573,491

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

INSURANCE RISK (Continued)

(IV) LOSS DEVELOPMENT TRIANGLE (Continued)

Net insurance claims – 2015

	2011 HK$'000	**2012** HK$'000	**2013** HK$'000	**2014** HK$'000	**2015** HK$'000	**Total** HK$'000
Underwriting Year	188,807	193,324	192,238	188,778	212,121	
One year later	209,578	195,443	193,254	187,018		
Two years later	209,934	194,740	195,010			
Three years later	194,235	173,175				
Four years later	197,999					
Current estimate of cumulative net claims	197,999	173,175	195,010	187,018	212,121	965,323
Cumulative net payments to date	(183,789)	(146,478)	(125,829)	(53,115)	(9,993)	(519,204)
Sub-total	14,210	26,697	69,181	133,903	202,128	446,119
Net insurance claims in respect of years prior to 2011						4,828
Unallocated loss adjustment expenses and risk margin						55,450
Total net general insurance claims liability						506,397

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

INSURANCE RISK (Continued)

(IV) LOSS DEVELOPMENT TRIANGLE (Continued)

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

30. 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

The prior year net reserve estimates decreased by HK$17,805,000 *(2014: decreased by HK$17,183,000)* for the year ended 31 December 2015. 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, insurance payables, bank balances and time deposits. 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.

30. 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 and certificates of deposit. 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 2015, if there had been a 5% increase/decrease in market value of the equity and debt securities and certificates of deposit while all other variables were held constant, the available-for-sale financial assets reserve would be increased/decreased by approximately HK$27,917,000 *(2014: HK$10,025,000)* 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. The Group mainly invests in time deposits with banks and available-for-sale assets with fixed interest rate, thus, 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"), Singapore Dollar ("SGD") 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.

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

FINANCIAL RISK (Continued)

(III) FOREIGN CURRENCY RISK (Continued)

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

	As at 31 December	
	2015 **HK$'000**	2014 HK$'000
Time deposits with original maturity over 3 months	**23,645**	–
Bank balances and cash	**30,444**	94,223
Available-for-sale financial assets	**18,852**	39,610
Overall net exposure	**72,941**	133,833

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, SGD and RMB had weakened/strengthened by 5% against HKD, the Group's net profit for the reporting period would have been approximately HK$3,648,000 *(2014: HK$6,692,000)* 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 40% *(2014: 46%)* of the insurance receivables were due from the Group's five largest intermediaries at 31 December 2015.

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

FINANCIAL RISK (Continued)

(IV) CREDIT RISK (Continued)

According to the Group's investment policy, to reduce the credit risk associated with the investment in debt securities, the Group diversifies the risk by investing mainly in debt securities with international credit ratings not lower than B1 (Moody's), B+ (Standard & Poor's) or B+ (Fitch). For debt securities with lower credit rating, 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. Investments in unrated debt securities are restricted to a maximum amount of HK$40 million. In addition, unrated debt securities are reviewed and monitored by the management on an ongoing basis to minimise the default risk of the counterparties.

Certificates of deposit are issued by banks with sound credit ratings. Given their high credit ratings, the management does not expect any of these banks will fail to meet their obligations.

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.

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.

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

FINANCIAL RISK (Continued)

(V) LIQUIDITY RISK (Continued)

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 2015				
Debt securities and certificates of deposit	**97,992**	**104,206**	**161,000**	**363,198**
Bank balances and cash	**223,549**	**–**	**–**	**223,549**
Statutory deposits	**100,000**	**–**	**–**	**100,000**
Time deposits	**108,644**	**–**	**–**	**108,644**
	530,185	**104,206**	**161,000**	**795,391**
Year ended 31 December 2014				
Debt securities and certificates of deposit	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

30. 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 2015				
Outstanding claims and IBNR	**207,253**	**352,916**	**13,322**	**573,491**
Reinsurance premium payables	**10,126**	**–**	**–**	**10,126**
Insurance and other payables	**9,468**	**–**	**–**	**9,468**
	226,847	**352,916**	**13,322**	**593,085**
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

31. 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 Target 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 2015 and 2014.

Target 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 Target to maintain such a surplus of an amount not less than 200% of the Minimum Solvency Margin. Target 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.

Target fully complied with the external imposed solvency margin requirements during the reported financial period.

32. 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 2015 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 and certificates of deposit 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	
Assets measured at fair value	**2015 HK$'000**	2014 HK$'000
Level 1		
Available-for-sale financial assets		
Listed equity securities	**195,144**	8,886
Listed debt securities	**292,101**	122,284
	487,245	131,170
Level 2		
Available-for-sale financial assets		
Unlisted debt securities	**–**	3,234
Certificates of deposit	**71,097**	66,097
	71,097	69,331

During the year ended of 31 December 2015, there were no transfers between Level 1 and Level 2 fair value measurements *(2014: Nil)*, and no transfers into and out of Level 3 fair value measurements *(2014: Nil)*.

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2015 HK$'000	2014 HK$'000
Assets			
Investment in subsidiaries		**346,263**	174,936
Available-for-sale financial assets		**8,031**	–
Other receivables		**12**	2,893
Bank balances and cash		**66,894**	–
TOTAL ASSETS		**421,200**	177,829
Liabilities			
Other payables		**194**	14,680
TOTAL LIABILITIES		**194**	14,680
EQUITY			
Share capital	24	**364,286**	150,000
Available-for-sale investment reserve	33(A)	**(702)**	–
Share option reserve	33(A)	**1,327**	–
Merger relief reserve	33(A)	**24,936**	24,936
Retained earnings	33(A)	**31,159**	(11,787)
TOTAL EQUITY		**421,006**	163,147
TOTAL LIABILITIES AND EQUITY		**421,200**	177,829

Approved and authorised for issue by the Board of Directors on 22 March 2016 and signed on its behalf by

Cheung Haywood
Director

Muk Wang Lit Jimmy
Director

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

(A) RESERVES

	Available-for-sale investment reserve HK$'000 (Note 26)	**Merger relief reserve** HK$'000 (Note 26)	**Share option reserve** HK$'000 (Note 25)	**Retained earnings** HK$'000	**Total** HK$'000
At 1 January 2014	–	–	–	–	–
Loss for the year and total comprehensive loss for the year	–	–	–	(11,787)	(11,787)
Transaction with equity owners:					
Contributions and distribution					
Share issued for reorganisation	–	24,936	–	–	24,936
At 31 December 2014	–	24,936	–	(11,787)	13,149
At 1 January 2015	**–**	**24,936**	**–**	**(11,787)**	**13,149**
Profit for the year	**–**	**–**	**–**	**42,946**	**42,946**
Other comprehensive loss					
Net movement in fair value of available-for-sale financial assets	**(702)**	**–**	**–**	**–**	**(702)**
Total comprehensive income for the year	**(702)**	**–**	**–**	**42,946**	**42,244**
Transactions with equity owners					
Contributions and distribution					
Equity-settled share-based transaction	**–**	**–**	**1,327**	**–**	**1,327**
At 31 December 2015	**(702)**	**24,936**	**1,327**	**31,159**	**56,720**