



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

2016

Interim Report

TARGET

# CONTENTS

|   |    |
|---|----|
| Corporate Information   | 2  |
| Financial Review  | 3  |
| Business Review   | 8  |
| Other Information   | 11 |
| Independent Auditor's Report on Review of Condensed Interim Financial Information | 17 |
| Condensed Consolidated Income Statement   | 18 |
| Condensed Consolidated Statement of Comprehensive Income                          | 19 |
| Condensed Consolidated Statement of Financial Position                            | 20 |
| Condensed Consolidated Statement of Changes in Equity                             | 21 |
| Condensed Consolidated Statement of Cash Flows                                    | 22 |
| Notes to the Condensed Interim Financial Information                              | 23 |

# 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, J.P.*

## 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, J.P.*

## 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, J.P.*

## AUDITOR

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

## REGISTERED OFFICE, HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS

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

## SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## PRINCIPAL BANKER

Bank of China (Hong Kong) Limited

## STOCK CODE

6161

## WEBSITE

<http://www.targetinsholdings.com>

## FINANCIAL REVIEW

Our Group's general insurance business is operated by Target Insurance Company, Limited ("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 performance indicators of the Group are as follows:

|  | For the six months ended 30 June |                  |          |
|--|----------------------------------|------------------|----------|
|  | 2016<br>HK\$'000                 | 2015<br>HK\$'000 | % Change |
| Gross premium written                                  | 186,664                          | 175,688          | 6.2%     |
| Net premium written                                    | 171,117                          | 159,140          | 7.5%     |
| Net insurance premium revenue                          | 173,533                          | 155,524          | 11.6%    |
| Net insurance claims and loss adjustment expenses      | (125,998)                        | (91,930)         | 37.1%    |
| Acquisition costs and other underwriting expenses, net | (17,710)                         | (16,645)         | 6.4%     |
| Operating profit                                       | 29,825                           | 46,949           | (36.5%)  |
| Investment income                                      | 11,012                           | 12,117           | (9.1%)   |
| Other income   | 465                              | 732              | (36.5%)  |
| Employee benefit expenses                              | (11,742)                         | (11,116)         | 5.6%     |
| Other operating expenses                               | (9,197)                          | (18,315)         | (49.8%)  |
| Profit before tax                                      | 20,363                           | 30,367           | (32.9%)  |
| Profit for the period                                  | 17,706                           | 25,998           | (31.9%)  |
| EBITDA   | 20,501                           | 30,528           | (32.8%)  |
| Basic earnings per share                               | 3.40 cents                       | 5.14 cents       | (33.9%)  |
| Diluted earnings per share                             | 3.38 cents                       | 5.05 cents       | (33.1%)  |

|   | For the six months ended 30 June |       |            |
|---|----------------------------------|-------|------------|
|   | 2016                             | 2015  | Difference |
| Retention ratio <sup>(1)</sup>          | 91.7%                            | 90.6% | 1.1%       |
| Loss ratio <sup>(2)</sup>               | 72.6%                            | 59.1% | 13.5%      |
| Expense ratio <sup>(2) &amp; (3)</sup>  | 22.3%                            | 26.1% | (3.8%)     |
| Combined ratio <sup>(3) &amp; (4)</sup> | 94.9%                            | 85.2% | 9.7%       |
| Investment yield                        | 1.1%                             | 1.2%  | (0.1%)     |

Notes:

- (1) Retention ratio is calculated by dividing net premium written by gross premium written for the respective period.
- (2) Both the loss ratio and expense ratio are based on net insurance premium revenue.
- (3) Both the expense ratio and combined ratio of 2015 are normalized by excluding the one-off listing expenses of HK\$5.5 million.
- (4) The combined ratio is the sum of the loss ratio and the expense ratio.

# FINANCIAL REVIEW

## GROSS PREMIUM WRITTEN

Gross premium written increased by 6.2% to HK\$186.7 million (2015: HK\$175.7 million). During the six months ended 30 June 2016, 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 the premium written. The detailed breakdown of gross premium written is as follows:

|                                     | 2016     |            | 2015     |            | % Change |
|-------------------------------------|----------|------------|----------|------------|----------|
|                                     | HK\$'000 | % of Total | HK\$'000 | % of Total |          |
| Taxi                                | 118,384  | 63.4%      | 107,342  | 61.1%      | 10.3%    |
| Public Light Bus ("PLB")            | 44,991   | 24.1%      | 46,470   | 26.5%      | (3.2%)   |
| Other motor vehicles <sup>(1)</sup> | 23,289   | 12.5%      | 21,876   | 12.5%      | 6.5%     |
|                                     | 186,664  | 100.0%     | 175,688  | 100.0%     | 6.2%     |

Note:

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

## NET INSURANCE CLAIMS AND LOSS RATIO

During the six months ended 30 June 2016, our retention ratio increased to 91.7% (2015: 90.6%). In addition, we note a substantial increase in net insurance claims in taxi and other motor vehicles. As a result, net insurance claims and loss adjustment expenses increased by 37.1% to HK\$126.0 million (2015: HK\$91.9 million). The loss ratio increased to 72.6% (2015: 59.1%). The detailed breakdown of net insurance claims and loss adjustment expenses is as follows:

|                                     | 2016     |          | 2015   | % Change |
|-------------------------------------|----------|----------|--------|----------|
|                                     | HK\$'000 | HK\$'000 |        |          |
| Taxi                                | 86,682   | 64,779   | 33.8%  |          |
| PLB                                 | 23,494   | 21,796   | 7.8%   |          |
| Other motor vehicles <sup>(1)</sup> | 15,822   | 5,355    | 195.5% |          |
|                                     | 125,998  | 91,930   | 37.1%  |          |

Note:

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

# FINANCIAL REVIEW

## UNDERWRITING AND OTHER ADMINISTRATIVE EXPENSES

Our Group managed to control the increment of our acquisition costs and other underwriting expenses at a similar rate than the gross premium written. It increased by 6.4% to HK\$17.7 million (2015: HK\$16.6 million). The employee benefit expenses increased by 5.6% to HK\$11.7 million (2015: HK\$11.1 million). The other operating expenses decreased by 49.8% to HK\$9.2 million (2015: HK\$18.3 million) due to the related expenses arising from the listing of the Company. The underwriting and other administrative expenses are summarized as follows:

|  | For the six months ended 30 June |                  |            |
|--|----------------------------------|------------------|------------|
|  | 2016<br>HK\$'000                 | 2015<br>HK\$'000 | Difference |
| Acquisition costs and other underwriting expenses, net | 17,710                           | 16,645           | 6.4%       |
| Employee benefit expenses                              | 11,742                           | 11,116           | 5.6%       |
| Rental charges   | 2,381                            | 2,213            | 7.6%       |
| Advertising and promotion expenses                     | 2,340                            | 5,482            | (57.3%)    |
| Professional charges                                   | 1,941                            | 1,732            | 12.1%      |
| Entertainment  | 751                              | 1,288            | (41.7%)    |
| Listing expenses                                       | –                                | 5,490            | (100.0%)   |
| Others   | 1,784                            | 2,110            | (15.5%)    |
|  | <b>38,649</b>                    | 46,076           | (16.1%)    |

## INVESTMENT PERFORMANCE

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

|                         | As at          |               |                  |            |          |
|-------------------------|----------------|---------------|------------------|------------|----------|
|                         | 30 June 2016   |               | 31 December 2015 |            | % Change |
|                         | HK\$'000       | % of Total    | HK\$'000         | % of Total |          |
| Equity securities       | 199,497        | 20.0%         | 195,144          | 19.7%      | 2.2%     |
| Debt securities         | 268,711        | 27.0%         | 292,101          | 29.5%      | (8.0%)   |
| Certificates of deposit | 99,463         | 10.0%         | 71,097           | 7.2%       | 39.9%    |
| Cash and bank deposits  | 428,889        | 43.0%         | 432,193          | 43.6%      | (0.8%)   |
|                         | <b>996,560</b> | <b>100.0%</b> | 990,535          | 100.0%     | 0.6%     |

## FINANCIAL REVIEW

The investment yield is decreased to 1.1% (2015: 1.2%). The reduction of investment income is mainly driven by the impairment loss of available-for-sale financial assets. The total investment income on a pre-tax basis recognized in the condensed consolidated income statement are as follows:

|   | For the six months ended 30 June |                  |          |
|---|----------------------------------|------------------|----------|
|   | 2016<br>HK\$'000                 | 2015<br>HK\$'000 | % Change |
| Interest income from bank deposits                                | 2,118                            | 4,253            | (50.2%)  |
| Interest income from certificates of deposit                      | 764                              | 1,135            | (32.7%)  |
| Interest income from listed available-for-sale financial assets   | 8,597                            | 2,573            | 234.1%   |
| Interest income from unlisted available-for-sale financial assets | –                                | 1,787            | (100.0%) |
| Dividend income from listed available-for-sale financial assets   | 4,382                            | 2,330            | 88.1%    |
| (Loss)/Gain on disposal of available-for-sale financial assets    | (1,886)                          | 2,259            | (183.5%) |
| Net foreign exchange gains/(losses)                               | 110                              | (2,220)          | 105.0%   |
| Impairment loss for available-for-sale financial assets           | (3,073)                          | –                | n/a      |
|   | <b>11,012</b>                    | 12,117           | (9.1%)   |

### OPERATING PROFIT

Our operating profit decreased by 36.5% to HK\$29.8 million (2015: HK\$46.9 million). Our profit before tax decreased by 32.9% to HK\$20.4 million (2015: HK\$30.4 million) and our profit for the period decreased by 31.9% to HK\$17.7 million (2015: HK\$26.0 million).

|                       | For the six months ended 30 June |                  |          |
|-----------------------|----------------------------------|------------------|----------|
|                       | 2016<br>HK\$'000                 | 2015<br>HK\$'000 | % Change |
| Operating profit      | 29,825                           | 46,949           | (36.5%)  |
| Profit before tax     | 20,363                           | 30,367           | (32.9%)  |
| Profit for the period | 17,706                           | 25,998           | (31.9%)  |

### LIQUIDITY AND FINANCIAL RESOURCES

Our Group's cash and bank deposits as at 30 June 2016 amounted to HK\$428.9 million (31 December 2015: HK\$432.2 million).

### FINANCIAL LEVERAGE

As at 30 June 2016, our Group has no bank overdrafts (31 December 2015: Nil) and any other borrowings (31 December 2015: Nil).

### CAPITAL STRUCTURE

During the period ended 30 June 2016, 2,122,000 pre-IPO share options are exercised (31 December 2015: 500,000 forfeited). Details of the pre-IPO share options were disclosed in the "Interest in Share Options" section of the Directors' Report in 2015 Annual Report and in the paragraph headed "Pre-IPO Share Option Scheme" in the section headed "Other Information" in this report.

# FINANCIAL REVIEW

## ***STAFF AND STAFF REMUNERATION***

As at 30 June 2016, the Group had a total of 46 employees (31 December 2015: 44 employees), an increase of 2 employees. Total remuneration for the six months ended 30 June 2016 amounted to HK\$11.7 million (2015: HK\$11.1 million), an increase of 5.6%.

## ***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 30 June 2016 and 31 December 2015.



# BUSINESS REVIEW

## MOTOR INSURANCE BUSINESS

Our key insurance products compose of third party insurance and comprehensive insurance for motor vehicles. The 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 six months ended 30 June 2016 and 2015:

|                                     | 2016     |            | 2015     |            | % Change |
|-------------------------------------|----------|------------|----------|------------|----------|
|                                     | HK\$'000 | % of Total | HK\$'000 | % of Total |          |
| Taxi                                | 118,384  | 63.4%      | 107,342  | 61.1%      | 10.3%    |
| PLB                                 | 44,991   | 24.1%      | 46,470   | 26.5%      | (3.2%)   |
| Other motor vehicles <sup>(1)</sup> | 23,289   | 12.5%      | 21,876   | 12.5%      | 6.5%     |
|                                     | 186,664  | 100.0%     | 175,688  | 100.0%     | 6.2%     |

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 presented 87.5% of gross premium written for the period ended 30 June 2016 (2015: 87.6%). We continued to strengthen our leading position in motor insurance for taxi, we managed to grow our gross premium written by 10.3% to HK\$118.4 million (2015: HK\$107.3 million) due to the continual increasing trend of comprehensive protection on new taxi. However, we experienced a slight decrease on gross premium written for PLB by 3.2% to HK\$45.0 million (2015: HK\$46.5 million) due to the reduced premium rates from our competitors. Our business in other motor vehicles started to pick up by 6.5% to HK\$23.3 million (2015: HK\$21.9 million) from our direct private car insurance business platform.

# BUSINESS REVIEW

## INVESTMENTS

We invest premiums and other income generated from our insurance business. The carrying value of the investment portfolio as at 30 June 2016 was approximately HK\$ 996.6 million (31 December 2015: HK\$990.5 million).

Our Group's debt portfolio was reduced by 8.0% to HK\$268.7 million (31 December 2015: HK\$292.1 million) due to redemption of Hong Kong Government Bond in June 2016. The debt securities classified by type are as follows:

|                                       | As at                       |                                 |          |
|---------------------------------------|-----------------------------|---------------------------------|----------|
|                                       | 30 June<br>2016<br>HK\$'000 | 31 December<br>2015<br>HK\$'000 | % Change |
| Listed in Hong Kong (Corporate – USD) |                             |                                 |          |
| – Corporate entities (USD)            | 97,352                      | 113,701                         | (14.4%)  |
| – Government (HKD)                    | 60,233                      | 81,235                          | (25.9%)  |
| Listed outside Hong Kong              |                             |                                 |          |
| – Corporate entities (USD)            | 111,126                     | 97,165                          | 14.4%    |
|                                       | <b>268,711</b>              | 292,101                         | (8.0%)   |

Our Group's equity portfolio remained at a similar level at HK\$ 199.5 million (31 December 2015: HK\$195.1 million), an increase by 2.2%. 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                       |                                 |          |
|--------------------------|-----------------------------|---------------------------------|----------|
|                          | 30 June<br>2016<br>HK\$'000 | 31 December<br>2015<br>HK\$'000 | % Change |
| Listed in Hong Kong      | 188,159                     | 181,787                         | 3.5%     |
| Listed outside Hong Kong | 11,338                      | 13,357                          | (15.1%)  |
|                          | <b>199,497</b>              | 195,144                         | 2.2%     |

The certificates of deposit classified by type are as follows:

|                               | As at                       |                                 |          |
|-------------------------------|-----------------------------|---------------------------------|----------|
|                               | 30 June<br>2016<br>HK\$'000 | 31 December<br>2015<br>HK\$'000 | % Change |
| Certificates of deposit (HKD) | 95,000                      | 64,955                          | 46.3%    |
| Certificates of deposit (CNY) | 4,463                       | 6,142                           | (27.3%)  |
|                               | <b>99,463</b>               | 71,097                          | 39.9%    |

# BUSINESS REVIEW

## **SIGNIFICANT EVENTS AFTER 30 JUNE 2016**

As disclosed in the Company's announcements dated 1 August 2016 and 2 August 2016, Target entered into a non-legally binding letter of intent (the "LOI") with a vendor in relation to a possible acquisition of a target whose sole asset comprises commercial properties (the "Possible Acquisition"). The Possible Acquisition, if proceeds, will provide the Company with permanent head office. The LOI has an exclusive period of 30 days. Further announcement(s) in respect of the Possible Acquisition will be made by the Company as and when appropriate.

## **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 30 June 2016, 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. Moreover, we have spent HK\$10.7 million in marketing promotion of our business to the general public. The unutilized net proceeds is approximately HK\$33.6 million.

## **FUTURE DEVELOPMENT OF OUR BUSINESS**

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

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

We will continue to direct our effort towards the development on other types of motor vehicles. In addition to the direct private car insurance business platform, we will launch direct business platform for goods carrying vehicles.

We will continue to form alliances with different 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 better experience to our customers.

### **EXPLORE BUSINESS OPPORTUNITIES TO DIVERSIFY OUR INSURANCE PRODUCTS**

Despite the intense competition in the insurance market, we are considering to diversify our insurance products. We will proceed cautiously in assessing the opportunities on the basis that it can leverage our strengths, existing network and expertise.

### **STRENGTHENING RELATIONSHIP WITH OUR AGENTS**

We anticipate taxi business will continue to keep go on but at a slower rate. PLB business will become more challenging. Proactively managing the relationship with our existing agent network becomes a requisite to maintain our leading position in commercial vehicle insurance market. We will continue to participate in and sponsor activities organized by taxi and PLB industry organizations. We also take part in Commercial Radio "Road Co-Op" campaign as well as to organize social events with our agents.

### **ENHANCE OUR CORPORATE IMAGE**

We will continue to promoting our business through joint business promotion (trade shows and concerts) and traditional media (television, radio, magazines etc.), bus/taxi/minibus body advertisement, billboard, mobile and social media.

As part of our commitment to the community and environment, we will continue to support different charity and green events to further enhance our corporate image.

## OTHER INFORMATION

### INTERIM DIVIDEND

The Board of Directors resolved not to declare any interim dividend in respect of the six months ended 30 June 2016 (2015: Nil).

### DIRECTORS' INTERESTS IN SHARES

As at 30 June 2016, 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/<br>short position | Number<br>of ordinary<br>shares/underlying<br>shares held | Approximate<br>percentage of<br>shareholding |
|---|---|----------------------------------|---|--|
| Dr. Cheung Haywood<br>("Dr. Cheung")      | Interest of a controlled<br>corporation | Long position                    | 183,750,000<br>(Note 1)                                   | 35.28%                                       |
| Mr. Lai Bing Leung ("Mr. Lai")            | Interest of a controlled<br>corporation | Long position                    | 56,250,000<br>(Note 2)                                    | 10.80%                                       |
| Mr. Chiu Sun Ting ("Mr. Chiu")            | Interest of a controlled<br>corporation | Long position                    | 56,250,000<br>(Note 3)                                    | 10.80%                                       |
| Dr. Choi Chiu Fai Stanley<br>("Dr. Choi") | Interest of a controlled<br>corporation | Long position                    | 6,125,000<br>(Note 4)                                     | 1.18%  |
| Mr. Muk Wang Lit Jimmy                    | Beneficial owner                        | Long position                    | 2,000,000<br>(Note 5)                                     | 0.38%  |
| Mr. Chan Hok Ching                        | Beneficial owner                        | Long position                    | 1,300,000<br>(Note 5)                                     | 0.25%  |
| Mr. Wong Shiu Hoi Peter                   | Beneficial owner                        | Long position                    | 500,000<br>(Note 5)                                       | 0.10%  |
| Mr. Wan Kam To                            | Beneficial owner                        | Long position                    | 500,000<br>(Note 5)                                       | 0.10%  |
| Mr. Szeto Wai Sun                         | Beneficial owner                        | Long position                    | 500,000<br>(Note 5)                                       | 0.10%  |

## OTHER INFORMATION

### Notes:

- (1) Independent Assets Management Limited (“Independent Assets”) is the 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 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 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 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 Option”.

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 30 June 2016 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.

## INTERESTS 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. Other details of the Pre-IPO Share Option Scheme were set out in the prospectus of the Company dated 31 December 2014.

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.

## OTHER INFORMATION

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

| Name or category of participants | Balance at 1 January 2016 | Exercised during the period | Cancelled during the period | Forfeited during the period | Outstanding as at 30 June 2016 | Exercise price (HK\$) | Exercisable period                |
|----------------------------------|---------------------------|-----------------------------|-----------------------------|-----------------------------|--------------------------------|-----------------------|-----------------------------------|
| <b>Directors</b>                 |                           |                             |                             |                             |                                |                       |                                   |
| Mr. Muk Wang Lit Jimmy           | 2,000,000                 | (360,000)                   | –                           | –                           | 1,640,000                      | 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 |
| <b>Sub-total:</b>                | 4,800,000                 | (360,000)                   | –                           | –                           | 4,440,000                      |                       |                                   |
| Employees                        | 5,090,000                 | (764,000)                   | –                           | –                           | 4,326,000                      | 1.288                 | 15 January 2016 to 6 October 2024 |
| Consultants                      | 3,000,000                 | (998,000)                   | –                           | –                           | 2,002,000                      | 1.288                 | 15 January 2016 to 6 October 2024 |
| <b>Total:</b>                    | 12,890,000                | (2,122,000)                 | –                           | –                           | 10,768,000                     |                       |                                   |

Note:

The vesting period of the options granted under the Pre-IPO Share Option Scheme is as follows:

- one-third vesting after the expiry of 12-month period from and including 15 January 2015;
- additional one-third vesting after the expiry of 24-month period from and including 15 January 2015; and
- 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 date of the listing of the Shares on the Stock Exchange.

## OTHER INFORMATION

### 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.

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 period 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 period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire such rights in any other body corporate.

### SUBSTANTIAL SHAREHOLDERS

As at 30 June 2016, the interests or short positions of every person, other than a Director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, are set out below:

#### *INTEREST IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY*

| <b>Name of shareholder</b>                    | <b>Nature of interest</b>             | <b>Long position/<br/>Short position</b> | <b>Number of<br/>ordinary<br/>shares held</b> | <b>Percentage of<br/>the Company's<br/>issued share<br/>capital</b> |
|---|---------------------------------------|--|---|---|
| Independent Assets (Note 1)                   | Beneficial owner                      | Long position                            | 183,750,000                                   | 35.28%  |
| Convoy Collateral Limited<br>(Note 2)         | Beneficial owner                      | Long position                            | 75,484,000                                    | 14.49%  |
| Convoy Financial Holdings<br>Limited (Note 2) | Interest of controlled<br>corporation | Long position                            | 75,484,000                                    | 14.49%  |
| Champion City (Note 3)                        | Beneficial owner                      | Long position                            | 56,250,000                                    | 10.80%  |
| Generous Rich (Note 4)                        | Beneficial owner                      | Long position                            | 56,250,000                                    | 10.80%  |

## OTHER INFORMATION

### Notes:

- (1) Independent Assets is wholly-owned by Dr. Cheung, the chairman of the Board of Directors 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 30 June 2016.

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (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 during the six months ended 30 June 2016.

### 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 six months ended 30 June 2016.

### CORPORATE GOVERNANCE PRACTICE

The Company has adopted the code provisions set out in the Corporate Governance Code and Corporate Governance Report ("CG Code") as set out in Appendix 14 to the Listing Rules.

During the six months ended 30 June 2016, the Company was in compliance with the relevant code provisions set out in the CG Code.

### DISCLOSURE OF CHANGES OF INFORMATION IN RESPECT OF DIRECTORS PURSUANT TO RULE 13.51B (1) OF THE LISTING RULES

Dr. Choi Chiu Fai Stanley, an executive Director, has been appointed as an independent director of 山西廣和山水文化傳播股份有限公司 (Guanghe Landscape Culture Communication Co., Ltd, Shanxi), a company listed on the Shanghai Stock Exchange, with effect from 22 July 2016.



## OTHER INFORMATION

### 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 were to review and supervise the financial reporting process, risk management and internal control systems 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 unaudited condensed interim financial information of the Group for the six months ended 30 June 2016.

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

Hong Kong, 22 August 2016

# INDEPENDENT AUDITOR'S REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION



## MAZARS CPA LIMITED

瑪澤會計師事務所有限公司  
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Website 網址: www.mazars.hk

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

## INTRODUCTION

We have reviewed the condensed interim financial information set out on pages 18 to 38, which comprises the condensed consolidated statement of financial position of Target Insurance (Holdings) Limited (the “Company”) and its subsidiaries (together the “Group”) as of 30 June 2016 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34.

Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

*Certified Public Accountants*  
Hong Kong, 22 August 2016

**Or Ming Chiu**  
Practising Certificate number: P04786

# CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2016

|  |      | <b>For the six months<br/>ended 30 June</b> |                                 |
|--|------|---|---------------------------------|
|  | Note | <b>2016<br/>(Unaudited)<br/>HK\$'000</b>    | 2015<br>(Unaudited)<br>HK\$'000 |
| Net insurance premium revenue                          | 3    | <b>173,533</b>                              | 155,524                         |
| Investment income                                      | 4    | <b>11,012</b>                               | 12,117                          |
| Other income   |      | <b>465</b>                                  | 732                             |
| <b>Net income</b>                                      |      | <b>185,010</b>                              | 168,373                         |
| Net insurance claims and loss adjustment expenses      | 5    | <b>(125,998)</b>                            | (91,930)                        |
| Acquisition costs and other underwriting expenses, net | 6    | <b>(17,710)</b>                             | (16,645)                        |
| Employee benefit expenses                              |      | <b>(11,742)</b>                             | (11,116)                        |
| Other operating expenses                               |      | <b>(9,197)</b>                              | (18,315)                        |
| <b>Expenses</b>  |      | <b>(164,647)</b>                            | (138,006)                       |
| <b>Profit before tax</b>                               | 7    | <b>20,363</b>                               | 30,367                          |
| Income tax expense                                     | 8    | <b>(2,657)</b>                              | (4,369)                         |
| <b>Profit for the period</b>                           |      | <b>17,706</b>                               | 25,998                          |
|  |      | <b>HK cents</b>                             | HK cents                        |
| <b>Earnings per share</b>                              | 10   |   |                                 |
| Basic  |      | <b>3.40</b>                                 | 5.14                            |
| Diluted  |      | <b>3.38</b>                                 | 5.05                            |

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

|   | For the six months ended 30 June |                                 |
|---|----------------------------------|---------------------------------|
|   | 2016<br>(Unaudited)<br>HK\$'000  | 2015<br>(Unaudited)<br>HK\$'000 |
| <b>Profit for the period</b>  | <b>17,706</b>                    | 25,998                          |
| <b>Other comprehensive loss</b>   |                                  |                                 |
| Item that was reclassified or may be reclassified subsequently to profit or loss: |                                  |                                 |
| <i>Available-for-sale financial assets</i>  |                                  |                                 |
| Losses on changes in fair value arising during the period                         | (15,548)                         | (5,708)                         |
| Reclassification of net changes in fair value to profit or loss                   | 4,959                            | (2,259)                         |
| Effect of deferred tax arising from changes in fair value                         | 3,258                            | –                               |
| Net movement in fair value of available-for-sale financial assets                 | (7,331)                          | (7,967)                         |
| <b>Total comprehensive income for the period</b>                                  | <b>10,375</b>                    | 18,031                          |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

|  | Note | At<br>30 June<br>2016<br>(Unaudited)<br>HK\$'000 | At<br>31 December<br>2015<br>(Audited)<br>HK\$'000 |
|--|------|--|--|
| <b>Assets</b>                                      |      |  |  |
| Property, plant and equipment                      |      | 1,410  | 1,109  |
| Available-for-sale financial assets                | 11   | 468,208  | 487,245  |
| Certificates of deposit                            |      | 99,463   | 71,097   |
| Deferred tax assets                                |      | 11,729   | 7,964  |
| Insurance and other receivables                    | 12   | 96,394   | 91,787   |
| Reinsurance assets                                 | 13   | 73,423   | 67,094   |
| Deferred acquisition costs                         |      | 18,043   | 18,338   |
| Tax recoverable                                    |      | –  | 1,461  |
| Statutory deposit                                  |      | 100,000  | 100,000  |
| Time deposits with original maturity over 3 months |      | 80,000   | 108,644  |
| Bank balances and cash                             |      | 248,889  | 223,549  |
| <b>TOTAL ASSETS</b>                                |      | <b>1,197,559</b>                                 | <b>1,178,288</b>                                   |
| <b>Liabilities</b>                                 |      |  |  |
| Insurance liabilities                              | 13   | 804,919  | 764,869  |
| Reinsurance premium payable                        |      | 2,878  | 10,126   |
| Insurance and other payables                       | 14   | 9,448  | 9,468  |
| Tax payable  |      | 1,703  | –  |
| <b>TOTAL LIABILITIES</b>                           |      | <b>818,948</b>                                   | <b>784,463</b>                                     |
| <b>EQUITY</b>                                      |      |  |  |
| Share capital                                      | 15   | 367,375  | 364,286  |
| Other reserves                                     |      | (54,618)   | (47,257)   |
| Retained earnings                                  |      | 65,854   | 76,796   |
| <b>TOTAL EQUITY</b>                                |      | <b>378,611</b>                                   | <b>393,825</b>                                     |
| <b>TOTAL LIABILITIES AND EQUITY</b>                |      | <b>1,197,559</b>                                 | <b>1,178,288</b>                                   |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

|   | Share capital<br>(Unaudited)<br>HK\$'000 | Available-for-sale investment reserve<br>(Unaudited)<br>HK\$'000 | Merger relief reserve<br>(Unaudited)<br>HK\$'000 | Other reserve<br>(Unaudited)<br>HK\$'000 | Share option reserve<br>(Unaudited)<br>HK\$'000 | Retained earnings<br>(Unaudited)<br>HK\$'000 | Total<br>(Unaudited)<br>HK\$'000 |
|---|--|--|--|--|---|--|----------------------------------|
| At 1 January 2015   | 150,000                                  | (2,465)  | 24,936   | (24,936)                                 | –   | 20,738                                       | 168,273                          |
| Profit for the period   | –  | –  | –  | –  | –   | 25,998                                       | 25,998                           |
| Other comprehensive loss  |  |  |  |  |   |  |                                  |
| Net movement in fair value of available-for-sale financial assets | –  | (7,967)  | –  | –  | –   | –  | (7,967)                          |
| <b>Total comprehensive income for the period</b>                  | –  | (7,967)  | –  | –  | –   | 25,998                                       | 18,031                           |
| <b>Transactions with equity owners</b>                            |  |  |  |  |   |  |                                  |
| <i>Contributions and distribution</i>                             |  |  |  |  |   |  |                                  |
| Shares issued by public offering, net of expenses (Note 15)       | 214,286                                  | –  | –  | –  | –   | –  | 214,286                          |
| Equity-settled share-based transaction (Note 16)                  | –  | –  | –  | –  | 635   | –  | 635                              |
|   | 214,286                                  | –  | –  | –  | 635   | –  | 214,921                          |
| At 30 June 2015   | 364,286                                  | (10,432)   | 24,936   | (24,936)                                 | 635   | 46,736                                       | 401,225                          |
| At 1 January 2016   | 364,286                                  | (48,584)   | 24,936   | (24,936)                                 | 1,327   | 76,796                                       | 393,825                          |
| Profit for the period   | –  | –  | –  | –  | –   | 17,706                                       | 17,706                           |
| Other comprehensive loss  |  |  |  |  |   |  |                                  |
| Net movement in fair value of available-for-sale financial assets | –  | (7,331)  | –  | –  | –   | –  | (7,331)                          |
| <b>Total comprehensive income for the period</b>                  | –  | (7,331)  | –  | –  | –   | 17,706                                       | 10,375                           |
| <b>Transactions with equity owners</b>                            |  |  |  |  |   |  |                                  |
| <i>Contributions and distribution</i>                             |  |  |  |  |   |  |                                  |
| Shares issued under share option scheme (Note 15)                 | 3,089                                    | –  | –  | –  | (356)   | –  | 2,733                            |
| 2015 final dividend approved and paid                             | –  | –  | –  | –  | –   | (28,648)                                     | (28,648)                         |
| Equity-settled share-based transaction (Note 16)                  | –  | –  | –  | –  | 326   | –  | 326                              |
|   | 3,089                                    | –  | –  | –  | (30)  | (28,648)                                     | (25,589)                         |
| <b>At 30 June 2016</b>  | <b>367,375</b>                           | <b>(55,915)</b>  | <b>24,936</b>                                    | <b>(24,936)</b>                          | <b>1,297</b>                                    | <b>65,854</b>                                | <b>378,611</b>                   |

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

|  | Note | For the six months ended 30 June |                                 |
|--|------|----------------------------------|---------------------------------|
|  |      | 2016<br>(Unaudited)<br>HK\$'000  | 2015<br>(Unaudited)<br>HK\$'000 |
| <b>OPERATING ACTIVITIES</b>  |      |                                  |                                 |
| Cash generated from operations   | 17   | 32,068                           | 5,747                           |
| Income tax paid  |      | –                                | (351)                           |
| <b>Net cash from operating activities</b>  |      | <b>32,068</b>                    | <b>5,396</b>                    |
| <b>INVESTING ACTIVITIES</b>  |      |                                  |                                 |
| Interest received  |      | 11,479                           | 9,748                           |
| Dividend received from available-for-sale financial assets                                   |      | 4,382                            | 2,330                           |
| Proceeds from disposal of available-for-sale financial assets                                |      | 117,798                          | 78,374                          |
| Proceeds from disposal of certificates of deposit  |      | 1,755                            | 26,745                          |
| Purchase of available-for-sale financial assets  |      | (114,470)                        | (357,418)                       |
| Purchase of certificates of deposit  |      | (29,960)                         | (52,045)                        |
| Purchase of property, plant and equipment  |      | (441)                            | (161)                           |
| Maturity of statutory and time deposits<br>with original maturity over 3 months              |      | 108,644                          | 42,842                          |
| Placement of statutory and time deposits<br>with original maturity over 3 months             |      | (80,000)                         | (108,195)                       |
| <b>Net cash from (used in) investing activities</b>  |      | <b>19,187</b>                    | <b>(357,780)</b>                |
| <b>FINANCING ACTIVITIES</b>  |      |                                  |                                 |
| Dividend paid  |      | (28,648)                         | –                               |
| Issue of shares under share option scheme  |      | 2,733                            | –                               |
| Net proceeds from public offering  |      | –                                | 214,286                         |
| <b>Net cash (used in) from financing activities</b>  |      | <b>(25,915)</b>                  | <b>214,286</b>                  |
| <b>Net increase (decrease) in cash and cash equivalents</b>                                  |      | <b>25,340</b>                    | <b>(138,098)</b>                |
| <b>Cash and cash equivalents at beginning of period</b>                                      |      | <b>223,549</b>                   | <b>444,674</b>                  |
| <b>Cash and cash equivalents at end of period,<br/>represented by bank balances and cash</b> |      | <b>248,889</b>                   | <b>306,576</b>                  |

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2016

## 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The directors are responsible for the preparation of the unaudited condensed interim financial information of Target Insurance (Holdings) Limited (the “Company”) and its subsidiaries (together the “Group”). The condensed interim financial information has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

This condensed interim financial information contains the condensed consolidated financial statements and selected explanatory notes for the six months ended 30 June 2016. This condensed interim financial information thereon does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2015.

### *DISCLOSURES PURSUANT TO SECTION 436 OF THE HONG KONG COMPANIES ORDINANCE (THE “HKCO”)*

The consolidated statement of financial position as at 31 December 2015 that is included in the condensed interim financial information for the six months ended 30 June 2016 as comparative information does not constitute the Company’s specified financial statements for the financial year ended 31 December 2015 as defined in section 436 of the HKCO but is derived therefrom.

The Company has delivered the specified financial statements for that year to the Registrar of Companies.

An auditor’s report has been prepared on the specified financial statements for that year. The auditor’s report

- was not qualified or otherwise modified;
- did not refer to any matter to which the auditor drew attention by way of emphasis without qualifying the report; and
- did not contain a statement under section 406(2) or 407(2) or (3) of the HKCO.

The condensed interim financial information is unaudited, but has been reviewed by the Company’s Audit Committee.



# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2016

## 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

The accounting policies adopted in preparing this condensed interim financial information are consistent with those applied in preparing the Group's annual financial statements for the year ended 31 December 2015. The adoption of the new/revised Hong Kong Financial Reporting Standards ("HKFRSs") that are relevant to the Group and effective from the current period had no significant effects on the results and financial position of the Group for the current and prior periods.

|                               |  |
|-------------------------------|--|
| Amendments to HKAS 1          | Disclosure Initiative  |
| Amendments to HKASs 16 and 38 | Clarification of Acceptable Methods of Depreciation and Amortisation |
| Annual Improvements Project   | 2012-2014 Cycle  |

### *FUTURE CHANGES IN HKFRSs*

The Group has not early adopted any new/revised HKFRSs that have been issued but are not yet effective for the financial year beginning on 1 January 2016. The directors are in the process of assessing the possible impact on the future adoption of these new/revised HKFRSs, but not yet in a position to reasonably estimate their impact on the Group's results and financial statements.

## 2. 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, and are regularly reviewed by the chief operating decision-maker in order to allocate resources to the reportable segments and to assess their performance.

For the purpose of resources allocation and performance assessment, the chief operating decision-maker reviews operating results by types of insurance as follows.

- Taxi
- Public Light Bus ("PLB")
- Other motor vehicles

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2016

## 2. SEGMENT INFORMATION (Continued)

### SEGMENT RESULTS

|  | For the six months ended 30 June 2016 |                                |  |   |
|--|---------------------------------------|--------------------------------|--|---|
|  | Taxi<br>(Unaudited)<br>HK\$'000       | PLB<br>(Unaudited)<br>HK\$'000 | Other<br>motor vehicles<br>(Unaudited)<br>HK\$'000 | Consolidated<br>(Unaudited)<br>HK\$'000 |
| Net insurance premium revenue                          | 110,220                               | 41,853                         | 21,460   | 173,533                                 |
| Net insurance claims and loss adjustment expenses      | (86,682)                              | (23,494)                       | (15,822)   | (125,998)                               |
| Acquisition costs and other underwriting expenses, net | (9,069)                               | (3,215)                        | (5,426)  | (17,710)                                |
| <b>Segment results</b>                                 | <b>14,469</b>                         | <b>15,144</b>                  | <b>212</b>   | <b>29,825</b>                           |
| Unallocated investment income and other income         |                                       |                                |  | 11,477                                  |
| Unallocated corporate expenses                         |                                       |                                |  | (20,939)                                |
| <b>Profit before tax</b>                               |                                       |                                |  | <b>20,363</b>                           |
| Income tax expense                                     |                                       |                                |  | (2,657)                                 |
| <b>Profit for the period</b>                           |                                       |                                |  | <b>17,706</b>                           |

|  | For the six months ended 30 June 2015 |                                |  |   |
|--|---------------------------------------|--------------------------------|--|---|
|  | Taxi<br>(Unaudited)<br>HK\$'000       | PLB<br>(Unaudited)<br>HK\$'000 | Other<br>motor vehicles<br>(Unaudited)<br>HK\$'000 | Consolidated<br>(Unaudited)<br>HK\$'000 |
| Net insurance premium revenue                          | 92,616                                | 42,109                         | 20,799   | 155,524                                 |
| Net insurance claims and loss adjustment expenses      | (64,779)                              | (21,796)                       | (5,355)  | (91,930)                                |
| Acquisition costs and other underwriting expenses, net | (7,671)                               | (3,253)                        | (5,721)  | (16,645)                                |
| <b>Segment results</b>                                 | <b>20,166</b>                         | <b>17,060</b>                  | <b>9,723</b>                                       | <b>46,949</b>                           |
| Unallocated investment income and other income         |                                       |                                |  | 12,849                                  |
| Unallocated corporate expenses                         |                                       |                                |  | (29,431)                                |
| <b>Profit before tax</b>                               |                                       |                                |  | <b>30,367</b>                           |
| Income tax expense                                     |                                       |                                |  | (4,369)                                 |
| <b>Profit for the period</b>                           |                                       |                                |  | <b>25,998</b>                           |

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2016

## 2. SEGMENT INFORMATION (Continued)

### SEGMENT ASSETS AND LIABILITIES

|                         | At 30 June 2016                 |                                |  | Consolidated<br>(Unaudited)<br>HK\$'000 |
|-------------------------|---------------------------------|--------------------------------|--|---|
|                         | Taxi<br>(Unaudited)<br>HK\$'000 | PLB<br>(Unaudited)<br>HK\$'000 | Other<br>motor vehicles<br>(Unaudited)<br>HK\$'000 |   |
| <b>Assets</b>           |                                 |                                |  |   |
| Segment assets          | 99,464                          | 58,273                         | 19,412   | 177,149                                 |
| Unallocated assets      |                                 |                                |  | 1,020,410                               |
| Total assets            |                                 |                                |  | 1,197,559                               |
| <b>Liabilities</b>      |                                 |                                |  |   |
| Segment liabilities     | 505,336                         | 213,198                        | 95,081   | 813,615                                 |
| Unallocated liabilities |                                 |                                |  | 5,333                                   |
| Total liabilities       |                                 |                                |  | 818,948                                 |

|                         | At 31 December 2015           |                              |  | Consolidated<br>(Audited)<br>HK\$'000 |
|-------------------------|-------------------------------|------------------------------|--|---------------------------------------|
|                         | Taxi<br>(Audited)<br>HK\$'000 | PLB<br>(Audited)<br>HK\$'000 | Other<br>motor vehicles<br>(Audited)<br>HK\$'000 |                                       |
| <b>Assets</b>           |                               |                              |  |                                       |
| Segment assets          | 96,218                        | 53,550                       | 18,153   | 167,921                               |
| Unallocated assets      |                               |                              |  | 1,010,367                             |
| Total assets            |                               |                              |  | 1,178,288                             |
| <b>Liabilities</b>      |                               |                              |  |                                       |
| Segment liabilities     | 474,843                       | 212,969                      | 92,661   | 780,473                               |
| Unallocated liabilities |                               |                              |  | 3,990                                 |
| Total liabilities       |                               |                              |  | 784,463                               |

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2016

## 3. NET INSURANCE PREMIUM REVENUE

|  | For the six months ended 30 June |                                 |
|--|----------------------------------|---------------------------------|
|  | 2016<br>(Unaudited)<br>HK\$'000  | 2015<br>(Unaudited)<br>HK\$'000 |
| Gross premium written                    | 186,664                          | 175,688                         |
| Reinsurance premium ceded                | (15,547)                         | (16,548)                        |
| Net premium written                      | 171,117                          | 159,140                         |
| Change in provision for unearned premium | 2,416                            | (3,616)                         |
| <b>Net insurance premium revenue</b>     | <b>173,533</b>                   | <b>155,524</b>                  |

## 4. INVESTMENT INCOME

|   | For the six months ended 30 June |                                 |
|---|----------------------------------|---------------------------------|
|   | 2016<br>(Unaudited)<br>HK\$'000  | 2015<br>(Unaudited)<br>HK\$'000 |
| Interest income from bank deposits                                | 2,118                            | 4,253                           |
| Interest income from certificates of deposit                      | 764                              | 1,135                           |
| Interest income from listed available-for-sale financial assets   | 8,597                            | 2,573                           |
| Interest income from unlisted available-for-sale financial assets | –                                | 1,787                           |
| Dividend income from listed available-for-sale financial assets   | 4,382                            | 2,330                           |
| (Loss)/Gain on disposal of available-for-sale financial assets    | (1,886)                          | 2,259                           |
| Net foreign exchange gains/(losses)                               | 110                              | (2,220)                         |
| Impairment loss of available-for-sale financial assets            | (3,073)                          | –                               |
| <b>Net investment income</b>                                      | <b>11,012</b>                    | <b>12,117</b>                   |

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2016

## 5. NET INSURANCE CLAIMS AND LOSS ADJUSTMENT EXPENSES

|   | For the six months<br>ended 30 June |                                 |
|---|-------------------------------------|---------------------------------|
|   | 2016<br>(Unaudited)<br>HK\$'000     | 2015<br>(Unaudited)<br>HK\$'000 |
| Gross claims paid   | 104,427                             | 114,812                         |
| Claims recovered  | (14,566)                            | (16,691)                        |
| Net claims paid   | 89,861                              | 98,121                          |
| Change in provision for gross outstanding claims and<br>incurred but not reported claims ("IBNR") | 42,466                              | (20,588)                        |
| Change in claims recoverable (including IBNR recoveries)  | (6,329)                             | 14,397                          |
| Change in net outstanding claims  | 36,137                              | (6,191)                         |
| <b>Net insurance claims</b>   | <b>125,998</b>                      | <b>91,930</b>                   |

## 6. ACQUISITION COSTS AND OTHER UNDERWRITING EXPENSES, NET

|   | For the six months<br>ended 30 June |                                 |
|---|-------------------------------------|---------------------------------|
|   | 2016<br>(Unaudited)<br>HK\$'000     | 2015<br>(Unaudited)<br>HK\$'000 |
| <b>Acquisition costs and other underwriting expenses</b>      |                                     |                                 |
| Insurance commission  | 13,286                              | 13,167                          |
| Other underwriting expenses                                   | 4,605                               | 4,369                           |
| Change in deferred acquisition costs                          | 295                                 | (389)                           |
| Acquisition costs and other underwriting expenses, gross      | 18,186                              | 17,147                          |
| <b>Commission income</b>                                      |                                     |                                 |
| Insurance commission from reinsurers                          | (476)                               | (502)                           |
| <b>Acquisition costs and other underwriting expenses, net</b> | <b>17,710</b>                       | <b>16,645</b>                   |

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2016

## 7. PROFIT BEFORE TAX

This is stated after charging:

|  | For the six months ended 30 June |                                 |
|--|----------------------------------|---------------------------------|
|  | 2016<br>(Unaudited)<br>HK\$'000  | 2015<br>(Unaudited)<br>HK\$'000 |
| <b>Other items</b>   |                                  |                                 |
| Employee benefit expenses (including directors' emoluments)                            |                                  |                                 |
| Salaries, bonus and allowances   | 11,126                           | 10,240                          |
| Equity-settled share-based payment expenses  | 326                              | 635                             |
| Contributions to defined contribution plan   | 290                              | 241                             |
|  | 11,742                           | 11,116                          |
| Auditor's remuneration   | 775                              | 690                             |
| Depreciation   | 138                              | 161                             |
| Listing expenses (other than auditor's remuneration)<br>included in operating expenses | –                                | 5,490                           |
| Loss on disposal of property, plant and equipment                                      | 2                                | 1                               |
| Operating lease payments for premises  | 1,909                            | 1,909                           |

## 8. TAXATION

The Company and its subsidiaries are domiciled and 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 six months ended 30 June 2016 and 2015.

|  | For the six months ended 30 June |                                 |
|--|----------------------------------|---------------------------------|
|  | 2016<br>(Unaudited)<br>HK\$'000  | 2015<br>(Unaudited)<br>HK\$'000 |
| <b>Current tax</b>                               |                                  |                                 |
| Hong Kong Profits Tax                            |                                  |                                 |
| Current period                                   | 3,164                            | 4,369                           |
| <b>Deferred taxation</b>                         |                                  |                                 |
| Origination and reversal of temporary difference | (507)                            | –                               |
| <b>Tax expenses for the period</b>               | <b>2,657</b>                     | <b>4,369</b>                    |

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2016

## 9. DIVIDEND

The Board of Directors resolved not to declare any interim dividend for the six months ended 30 June 2016 (2015: Nil).

## 10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is as follows:

### (A) BASIC EARNINGS PER SHARE

|  | For the six months ended 30 June |                     |
|--|----------------------------------|---------------------|
|  | 2016<br>(Unaudited)              | 2015<br>(Unaudited) |
| Profit attributable to ordinary equity owners (HK\$'000) | 17,706                           | 25,998              |
| Weighted average number of ordinary shares ('000)        | 520,048                          | 505,490             |
| Basic earnings per share (HK cents)                      | 3.40                             | 5.14                |

### (B) DILUTED EARNINGS PER SHARE

|  | For the six months ended 30 June |                     |
|--|----------------------------------|---------------------|
|  | 2016<br>(Unaudited)              | 2015<br>(Unaudited) |
| Profit attributable to ordinary equity owners (HK\$'000)   | 17,706                           | 25,998              |
| <i>Weighted average number of ordinary shares (diluted) ('000)</i>                                   |                                  |                     |
| Weighted average number of ordinary shares   | 520,048                          | 505,490             |
| Effect of the Company's share option scheme  | 3,926                            | 9,260               |
| Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share | 523,974                          | 514,750             |
| Diluted earnings per share (HK cents)  | 3.38                             | 5.05                |

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2016

## 11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

|                                | At<br>30 June<br>2016<br>(Unaudited)<br>HK\$'000 | At<br>31 December<br>2015<br>(Audited)<br>HK\$'000 |
|--------------------------------|--|--|
| <b>At fair value</b>           |  |  |
| Equity securities              |  |  |
| Listed in Hong Kong            | 188,159  | 181,787  |
| Listed outside Hong Kong       | 11,338   | 13,357   |
| Listed debt securities         |  |  |
| Bonds listed in Hong Kong      | 157,585  | 194,936  |
| Bonds listed outside Hong Kong | 111,126  | 97,165   |
|                                | <b>468,208</b>                                   | 487,245  |

## 12. INSURANCE AND OTHER RECEIVABLES

|  | Note  | At<br>30 June<br>2016<br>(Unaudited)<br>HK\$'000 | At<br>31 December<br>2015<br>(Audited)<br>HK\$'000 |
|--|-------|--|--|
| <b>Insurance receivables</b>                 |       |  |  |
| Premium receivables                          |       |  |  |
| From third parties                           |       | 57,065   | 54,881   |
| From related parties                         |       | 756  | 708  |
|  | 12(A) | <b>57,821</b>                                    | 55,589   |
| Claims receivable from reinsurers and others | 12(B) | <b>27,862</b>                                    | 26,900   |
|  |       | <b>85,683</b>                                    | 82,489   |
| <b>Other receivables</b>                     |       |  |  |
| Deposits, prepayments and other receivables  |       | <b>10,711</b>                                    | 9,298  |
|  |       | <b>96,394</b>                                    | 91,787   |



# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2016

## 12. INSURANCE AND OTHER RECEIVABLES (Continued)

### 12(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 the reporting period, premium receivables from intermediaries, based on the invoice date, are aged as follows:

|                | At<br>30 June<br>2016<br>(Unaudited)<br>HK\$'000 | At<br>31 December<br>2015<br>(Audited)<br>HK\$'000 |
|----------------|--|--|
| Within 30 days | 28,799   | 28,146   |
| 31 – 60 days   | 21,617   | 20,881   |
| 61 – 90 days   | 7,405  | 6,562  |
|                | <b>57,821</b>                                    | 55,589   |

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

|                                      | At<br>30 June<br>2016<br>(Unaudited)<br>HK\$'000 | At<br>31 December<br>2015<br>(Audited)<br>HK\$'000 |
|--------------------------------------|--|--|
| Balances exceed normal credit period |  |  |
| Within 30 days                       | 19,453   | 19,053   |
| 31 to 60 days                        | 5,374  | 4,523  |
|                                      | <b>24,827</b>                                    | 23,576   |

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.

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2016

## 12. INSURANCE AND OTHER RECEIVABLES (Continued)

### 12(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.

## 13. INSURANCE LIABILITIES AND REINSURANCE ASSETS

|  | At<br>30 June<br>2016<br>(Unaudited)<br>HK\$'000 | At<br>31 December<br>2015<br>(Audited)<br>HK\$'000 |
|--|--|--|
| <b>Gross</b>                                   |  |  |
| Outstanding claims                             | 470,770  | 431,439  |
| IBNR   | 145,187  | 142,052  |
|  | <b>615,957</b>                                   | 573,491  |
| Provision for unearned premium                 | 188,962  | 191,378  |
| <b>Total gross insurance liabilities</b>       | <b>804,919</b>                                   | 764,869  |
| <b>Recoverable from reinsurers</b>             |  |  |
| Claims reported and loss adjustment expenses   | 32,583   | 27,103   |
| Provision for IBNR recoveries                  | 40,840   | 39,991   |
| <b>Total insurance liabilities recoverable</b> | <b>73,423</b>                                    | 67,094   |
| <b>Net</b>                                     |  |  |
| Outstanding claims                             | 438,187  | 404,336  |
| IBNR   | 104,347  | 102,061  |
|  | <b>542,534</b>                                   | 506,397  |
| Provision for unearned premium                 | 188,962  | 191,378  |
| <b>Total net insurance liabilities</b>         | <b>731,496</b>                                   | 697,775  |

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2016

## 14. INSURANCE AND OTHER PAYABLES

|                                      | At<br>30 June<br>2016<br>(Unaudited)<br>HK\$'000 | At<br>31 December<br>2015<br>(Audited)<br>HK\$'000 |
|--------------------------------------|--|--|
| <b>Insurance payables</b>            |  |  |
| Premium surcharge and other payables | 5,818  | 5,478  |
| <b>Other payables</b>                |  |  |
| Accruals and other payables          | 3,630  | 3,990  |
|                                      | <b>9,448</b>                                     | <b>9,468</b>                                       |

## 15. SHARE CAPITAL

|   | At 30 June 2016<br>(Unaudited) |                | At 31 December 2015<br>(Audited) |                |
|---|--------------------------------|----------------|----------------------------------|----------------|
|   | No. of<br>shares               | HK\$'000       | No. of<br>shares                 | HK\$'000       |
| Issued and fully paid                                     |                                |                |                                  |                |
| At beginning of the period/year                           | 518,750,000                    | 364,286        | 375,000,000                      | 150,000        |
| Issue of shares by public offering<br>(Note 15(A))        | –                              | –              | 143,750,000                      | 214,286        |
| Issue of shares under share<br>option scheme (Note 15(B)) | 2,122,000                      | 3,089          | –                                | –              |
| <b>At end of the reporting period</b>                     | <b>520,872,000</b>             | <b>367,375</b> | <b>518,750,000</b>               | <b>364,286</b> |

### 15(A) ISSUE OF SHARES BY PUBLIC OFFERING

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.

### 15(B) ISSUE OF SHARES UNDER SHARE OPTION SCHEME

During the six months ended 30 June 2016, 2,122,000 options were exercised to subscribe for 2,122,000 ordinary shares of the Company at a consideration of HK\$2,733,000, of which HK\$2,733,000 was credited to share capital. In addition, HK\$356,000 has been transferred from the share option reserve to share capital.

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2016

## 16. 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 in 2015 Annual 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                                | 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 exercised during the period and subsisted at 30 June 2016 are as follows.

| Type                    | Date of grant  | Exercise period                     | Exercise price per share<br>HK\$ | Fair value per share<br>HK\$ | Number of share option      |                   |                   | End of period<br>‘000 |
|-------------------------|----------------|-------------------------------------|----------------------------------|------------------------------|-----------------------------|-------------------|-------------------|-----------------------|
|                         |                |                                     |                                  |                              | Beginning of period<br>‘000 | Exercised<br>‘000 | Forfeited<br>‘000 |                       |
| Directors:              |                |                                     |                                  |                              |                             |                   |                   |                       |
| Mr. Muk Wang Lit Jimmy  | 7 October 2014 | 15 January 2016 –<br>6 October 2024 | 1.288                            | 0.169                        | 2,000                       | (360)             | –                 | 1,640                 |
| Mr. Chan Hok Ching      | 7 October 2014 | 15 January 2016 –<br>6 October 2024 | 1.288                            | 0.169                        | 1,300                       | –                 | –                 | 1,300                 |
| Mr. Wong Shiu Hoi Peter | 7 October 2014 | 15 January 2016 –<br>6 October 2024 | 1.288                            | 0.169                        | 500                         | –                 | –                 | 500                   |
| Mr. Wan Kam To          | 7 October 2014 | 15 January 2016 –<br>6 October 2024 | 1.288                            | 0.169                        | 500                         | –                 | –                 | 500                   |
| Mr. Szeto Wai Sun       | 7 October 2014 | 15 January 2016 –<br>6 October 2024 | 1.288                            | 0.169                        | 500                         | –                 | –                 | 500                   |
| Senior management       | 7 October 2014 | 15 January 2016 –<br>6 October 2024 | 1.288                            | 0.169                        | 1,234                       | (340)             | –                 | 894                   |
| Other employees         | 7 October 2014 | 15 January 2016 –<br>6 October 2024 | 1.288                            | 0.167                        | 6,856                       | (1,422)           | –                 | 5,434                 |

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2016

## 16. SHARE OPTION SCHEME (Continued)

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

| Type                    | Date of grant  | Exercise period                     | Exercise price per share<br>HK\$ | Fair value per share<br>HK\$ | Number of share option    |                   |                   | End of year<br>'000 |
|-------------------------|----------------|-------------------------------------|----------------------------------|------------------------------|---------------------------|-------------------|-------------------|---------------------|
|                         |                |                                     |                                  |                              | Beginning of year<br>'000 | Exercised<br>'000 | Forfeited<br>'000 |                     |
| Directors:              |                |                                     |                                  |                              |                           |                   |                   |                     |
| Mr. Muk Wang Lit Jimmy  | 7 October 2014 | 15 January 2016 –<br>6 October 2024 | 1.288                            | 0.169                        | 2,000                     | –                 | –                 | 2,000               |
| Mr. Chan Hok Ching      | 7 October 2014 | 15 January 2016 –<br>6 October 2024 | 1.288                            | 0.169                        | 1,300                     | –                 | –                 | 1,300               |
| Mr. Wong Shiu Hoi Peter | 7 October 2014 | 15 January 2016 –<br>6 October 2024 | 1.288                            | 0.169                        | 500                       | –                 | –                 | 500                 |
| Mr. Wan Kam To          | 7 October 2014 | 15 January 2016 –<br>6 October 2024 | 1.288                            | 0.169                        | 500                       | –                 | –                 | 500                 |
| Mr. Szeto Wai Sun       | 7 October 2014 | 15 January 2016 –<br>6 October 2024 | 1.288                            | 0.169                        | 500                       | –                 | –                 | 500                 |
| Senior management       | 7 October 2014 | 15 January 2016 –<br>6 October 2024 | 1.288                            | 0.169                        | 1,644                     | –                 | (410)             | 1,234               |
| Other employees         | 7 October 2014 | 15 January 2016 –<br>6 October 2024 | 1.288                            | 0.167                        | 6,946                     | –                 | (90)              | 6,856               |

## 17. CASH GENERATED FROM OPERATIONS

|  | For the six months ended 30 June |                                 |
|--|----------------------------------|---------------------------------|
|  | 2016<br>(Unaudited)<br>HK\$'000  | 2015<br>(Unaudited)<br>HK\$'000 |
| Profit before tax  | 20,363                           | 30,367                          |
| Depreciation   | 138                              | 161                             |
| Impairment loss of available-for-sale financial assets                               | 3,073                            | –                               |
| Loss on disposal of property, plant and equipment                                    | 2                                | 1                               |
| Loss/(Gain) on disposal of available-for-sale financial assets                       | 1,886                            | (2,259)                         |
| Dividend income from available-for-sale financial assets                             | (4,382)                          | (2,330)                         |
| Interest income from available-for-sale financial assets and certificates of deposit | (9,361)                          | (4,492)                         |
| Interest income from bank deposits   | (2,118)                          | (5,256)                         |
| Equity-settled share-based payments  | 326                              | 635                             |
| Changes in working capital:  |                                  |                                 |
| Insurance and other receivables  | (4,607)                          | (13,032)                        |
| Reinsurance assets   | (6,329)                          | 14,397                          |
| Deferred acquisition costs   | 295                              | (389)                           |
| Insurance liabilities  | 40,050                           | (16,972)                        |
| Reinsurance premium payables   | (7,248)                          | (8,784)                         |
| Insurance and other payables   | (20)                             | 13,700                          |
| <b>Cash generated from operations</b>  | <b>32,068</b>                    | <b>5,747</b>                    |

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2016

## 18. 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:

|  | At<br>30 June<br>2016<br>(Unaudited)<br>HK\$'000 | At<br>31 December<br>2015<br>(Audited)<br>HK\$'000 |
|--|--|--|
| Within one year                        | 4,363  | 2,227  |
| In the second to fifth years inclusive | 368  | –  |
|  | <b>4,731</b>                                     | 2,227  |

## 19. RELATED PARTY TRANSACTIONS

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

|   |                              | For the six months<br>ended 30 June |                                 |
|---|------------------------------|-------------------------------------|---------------------------------|
|   |                              | 2016<br>(Unaudited)<br>HK\$'000     | 2015<br>(Unaudited)<br>HK\$'000 |
| Related party relationship  | Nature of transaction        |                                     |                                 |
| Key management personnel,<br>excluding directors  | Short-term employee benefits | 1,445                               | 2,063                           |
|   | Post-employment benefits     | 27                                  | 45                              |
|   |                              | <b>1,472</b>                        | 2,108                           |
| The Oscar Motors<br>Company Limited,<br>a company controlled by<br>Lai Bing Leung,<br>a director of the Company           | Commission paid              | 445                                 | 447                             |
| Head & Shoulders<br>Securities Limited,<br>a company controlled by<br>Choi Chiu Fai Stanley,<br>a director of the Company | Brokerage paid               | 21                                  | –                               |

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2016

## 20. FAIR VALUE MEASUREMENT

The following presents the assets and liabilities measured at fair value or required to disclose their fair value in these condensed consolidated financial statements on a recurring basis 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 of Hong Kong Limited or relevant stock exchanges. The fair values of the 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.

|                                      | At<br>30 June<br>2016<br>(Unaudited)<br>HK\$'000 | At<br>31 December<br>2015<br>(Audited)<br>HK\$'000 |
|--------------------------------------|--|--|
| <b>Assets measured at fair value</b> |  |  |
| <b>Level 1</b>                       |  |  |
| Available-for-sale financial assets  |  |  |
| Listed equity securities             | 199,497  | 195,144  |
| Listed debt securities               | 268,711  | 292,101  |
|                                      | 468,208  | 487,245  |
| <b>Level 2</b>                       |  |  |
| Available-for-sale financial assets  |  |  |
| Certificates of deposit              | 99,463   | 71,097   |

During the six months ended 30 June 2016 and 2015, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

## 21. EVENT AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, a subsidiary of the Company has entered into a non-legally binding letter of intent with a vendor in relation to a possible acquisition of the entire issued share capital of a company incorporated in Hong Kong, which is primarily engaged in the investment holding of commercial properties in Hong Kong, at a consideration of HK\$263,000,000.

## 22. APPROVAL OF CONDENSED INTERIM FINANCIAL INFORMATION

The condensed interim financial information was approved by the Board of Directors on 22 August 2016.