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
Annual Report

CONTENTS

CORPORATE PROFILE

ABOUT TARGET

Target Insurance (Holdings) Limited (the "Company") (Stock Code: 6161.HK) listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "HKEx") on 15 January 2015. The Company was honored to receive Hong Kong Economic Journal's Listed Company Award of Excellence 2016.

Target Insurance Company, Limited ("Target"), a wholly-owned subsidiary of the Company, was incorporated in 1977, is one of the largest motor insurance companies in Hong Kong. Target is a trusted partner to the transportation industry and provides high quality and professional insurance services to our customers.

With the focus on motor insurance, Target ranked first in terms of motor insurance gross premium income in 2010, and has maintained the top three ranking consecutively. Target distinguished itself and earned customers' confidence with its convenient and speedy claims procedures, highly efficient and advanced insurance information system, as well as its experienced and professional team in the competitive motor insurance market. Target received various recognitions around Hong Kong, such as RoadShow's Best Loved Motor Insurance Brands Awards 2015 and 2016 and Metro Awards for Banking & Finance Corporations 2016 – Best Motor Insurance Award.

Target have successfully developed new general insurance products in 2017 and provides an all-rounded, professional and quality general insurance products and services to local enterprises and individual clients. Target recruited a team of top-tier experienced professionals from international insurance companies, in order to diversify its general insurance products and enhance its professionalism. We embrace new challenges in the future and target to be the most preferred local general insurance company in Hong Kong.

2016 AWARD LIST

SERVICE EXCELLENCE

Date	Organization	Award
25/10/2016	都市日報、都市盛世 Metro Daily, Metro Prosperity	銀行及金融服務企業獎2016 最佳汽車保險大獎 Metro Awards for Banking & Finance Corporations 2016 Best Motor Insurance Awards
21/11/2016	信報、亞洲公關有限公司 Hong Kong Economic Journal, PR ASIA Consultants Limited	傑出上市公司巡禮 2016 Listed Company Award of Excellence 2016
9/12/2016	路訊通 RoadShow	一路最愛汽車保險品牌大獎 2016 Best Loved Brands Awards 2016

CORPORATE SOCIAL RESPONSIBILITY ("CSR")

Date	Organization	Award
12/5/2016	香港社會服務聯會 The Hong Kong Council of Social Service	商界展關懷 2015/16 Caring Company 2015/16
25/10/2016	民政事務局、家庭議會 Home Affairs Bureau, Family Council	二零一五至二零一六年度家庭友善僱主獎勵計劃 2015/16 Family-Friendly Employers Award Scheme
11/11/2016	世界綠色組織 World Green Organization	綠色辦公室獎勵計劃 2016 Green Office Awards Labelling Scheme 2016
11/11/2016	國際青年商會香港總會 Junior Chamber International Hong Kong	環球愛心企業 2016 Better World Company 2016

2016 LIST OF CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES

Date	Organization	Activity
5/3/2016	東華三院 Tung Wah Group of Hospitals	東華三院友心情網上電台「漫 • 活人生」電車及老爺車巡遊暨Cheer Up城市定向嘉年華 "Radio-I-Care" Tram and Classic Car Parade cum "Cheery Up" City Hunt
6/3/2016	扶輪國際3450地區 Rotary International District 3450	扶輪香港超級馬拉松 2016 Rotary HK Ultramarathon 2016
12/5/2016	香港社會服務聯會 The Hong Kong Council of Social Service	商界展關懷社區伙伴合作展 2016 Caring Company Partnership Expo 2016
3/8/2016	商業電台馬路的事 Commercial Broadcasting – Road Co-op	馬路的事捐血日2016 Road Co-Op Blood Donation Day 2016
9/9/2016	路訊通、救世軍 RoadShow, The Salvation Army	好嘢大行動啟動禮 The Circle of Goodness Campaign Kick-off Ceremony
10/9/2016	東華三院 Tung Wah Group of Hospitals	泰加 • 香港保齡球總會 • 東華三院慈善保齡球大賽 Target • HKTBC • TWGHs Charity Bowling Tournament


Rotary HK Ultramarathon 2016


Road Co-Op Blood Donation Day 2016


The Circle of Goodness Campaign Kick-off Ceremony


Target • HKTBC • TWGHs Charity Bowling Tournament

Date	Organization	Activity
18-29/09/2016	香港保齡球總會 Hong Kong Tenpin Bowling Congress	泰加第二十四屆亞洲保齡球錦標賽 Target 24th Asian Tenpin Bowling Championships, Hong Kong, China
12/10/2016	器官捐贈聯盟 Organ Donation Alliance	器官捐贈聯盟成立暨活動啟動禮 Organ Donation Alliance Kick-off Ceremony
5/11/2016	世界綠色組織 World Green Organization	地球敢「動」日 – 企業敢「動」行環保步行活動 Green WALK Hong Kong – Corporation WALK
22/11/2016	路訊通、救世軍 RoadShow, The Salvation Army	好嘢大行動義工活動 Volunteer services for “The Circle of Goodness” Campaign
25/11/2016	柯尼卡美能達商業系統(香港)有限公司 Konica Minolta Business Solutions (HK) Ltd	「三項鐵人發電賽」 Konica Minolta Power Triathlon
5/12/2016	路訊通、救世軍 RoadShow, The Salvation Army	好嘢大行動慰勞午宴暨頒獎儀式 The Circle of Goodness Campaign Closing Ceremony
5/12/2016	柯尼卡美能達商業系統(香港)有限公司 Konica Minolta Business Solutions (HK) Ltd	「柯尼卡美能達綠色音樂會」 Konica Minolta Green Concert

Target 24th Asian Tenpin Bowling Championships

Green WALK Hong Kong – Corporation WALK

Konica Minolta Power Triathlon

The Circle of Goodness Campaign Closing Ceremony

CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

WAN Kam To
WONG Shiu Hoi Peter
SZETO Wai Sun
YUEN Tak Tim Anthony *MH, JP*

COMPANY SECRETARY

TSE Kam Fai

AUTHORISED REPRESENTATIVES

CHAN Hok Ching
TSE Kam Fai

AUDIT COMMITTEE

WAN Kam To *(Chairman)*
WONG Shiu Hoi Peter
SZETO Wai Sun
YUEN Tak Tim Anthony *MH, JP*

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

RISK COMMITTEE

WONG Shiu Hoi Peter *(Chairman)*
SZETO Wai Sun
MUK Wang Lit Jimmy
CHAN Hok Ching
YUEN Tak Tim Anthony *MH, JP*

AUDITOR

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

REGISTERED OFFICE, HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS

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

SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKER

Bank of China (Hong Kong) Limited

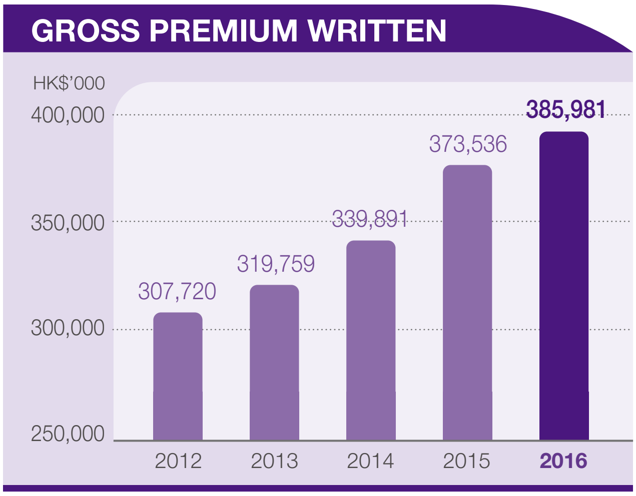
STOCK CODE

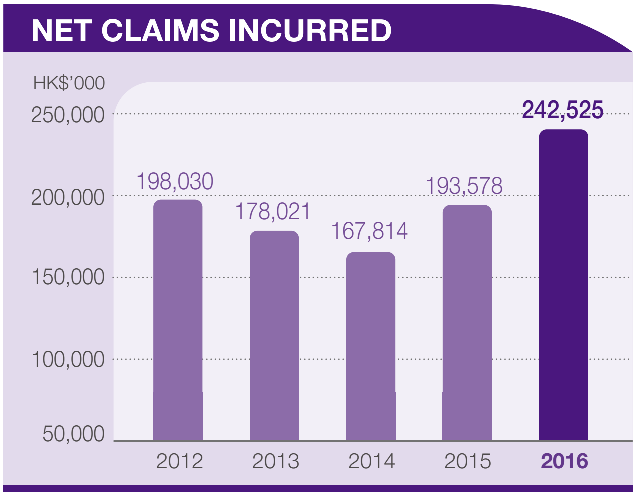
6161

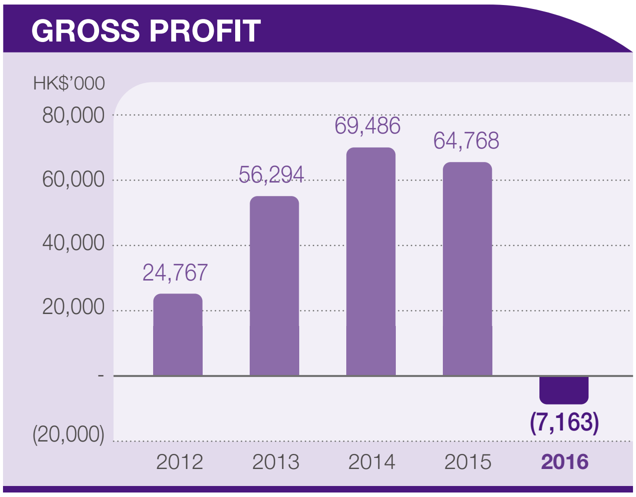
WEBSITE

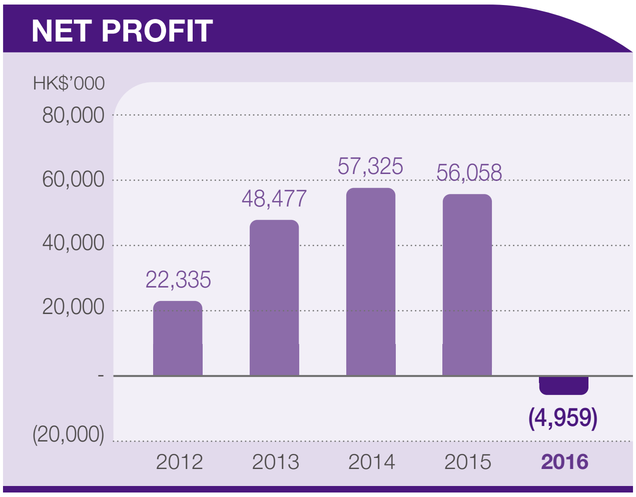
http://www.targetinsholdings.com

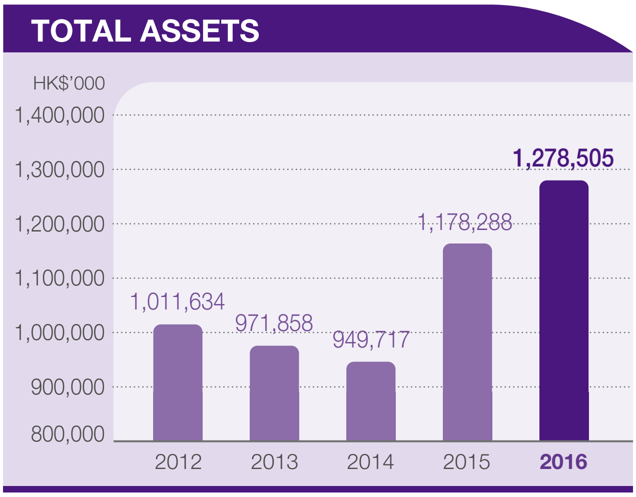
FIVE-YEAR FINANCIAL SUMMARY











CHAIRMAN'S STATEMENT

Dr. Cheung Haywood

Chairman

On behalf of the board of directors (our "Board") of Target Insurance (Holdings) Limited (our "Company", together with its subsidiaries, collectively the "Group"), I am pleased to present this annual report for the year ended 31 December 2016 to our shareholders.

2016 AT A GLANCE

2016 is a year of change for our Group. The Group commenced its journey to diversify our insurance products and obtained the formal authorization in January 2017 to write all classes of general insurance business. We continued our effort on digitalization of motor insurance and extend our online platform to commercial vehicles.

Yet, 2016 presented the toughest market for motor insurance industry in the recent years. Our Group recorded a net loss of HK$5.0 million in 2016. Our net insurance premium revenue increased by 8.5% at HK$345.3 million. Due to the increase in claims frequency, our net insurance claims and loss adjustment expenses increased by 25.3% to HK$242.5 million. Such significant increment brought our combined ratio to 94.0%, which were 9.4% higher than last year.

At the same time, our investment performance was at historic low levels. The main reason is that the Group made a significant impairment loss on its available-for-sale financial assets of HK$52.0 million after the impairment analysis as required by the Hong Kong Accounting Standards. It resulted an investment loss of HK$29.3 million.

It is important for us to focus on making sure that all necessary steps are taken to return the Group to the required level of profitability as soon as possible.

RESETTING OUR BUSINESS OBJECTIVES

With the volatile and competitive motor insurance market in Hong Kong, we have to find strategies to win business from our competitors which are consistent with our business objectives:

- To be a comprehensive general insurer of choice in Hong Kong
- To provide a unique, dynamic, efficient and responsive insurance services to satisfy the needs of customers
- To ensure a stable, competitive and long term returns to our shareholders
- To promote employees' productivity through sustainable packages of remuneration, appropriate training and career development
- To be a socially responsible institution contributing to the well-being of the local community of Hong Kong

STRENGTHENING CORPORATE GOVERNANCE

During the year, Office of Commissioner of Insurance revised the Guidance Note on the Corporate Governance of Authorized Insurers ("GN10"). GN10 is revised to incorporate high level standards that were updated and adopted internationally. Governance structure (including set up of committees), risk management and internal control systems, remuneration matters and servicing of customers are particularly addressed.

We believe risk management is a key part of strategic and business planning, it underpins the setting of limits and authorities and it is embedded in the monitoring and evaluation of performance. This holistic approach to risk management allows all of the risks to which our Group/Target is exposed to are managed in an integrated manner. Such enhancement in corporate governance is in line with the requirement of the Listing Rules of the HKEx. We took steps to put in place structures and initiatives to ensure compliance with these revised requirements and manage our risk exposure.

LOOKING INTO THE FUTURE

With markets remain challenging, we will look to balance short term returns against investment for the future and will focus on three areas:

- Achieving thoughtfully-managed organic growth in general insurance business.
- Continuing our journey on improvements on operational efficiency.
- Building our talent pool and ensuring remuneration is closely linked to performance.

CORPORATE SOCIAL RESPONSIBILITY

Through acting responsibly, we believe we can create sustainable value for all our stakeholders. During the year under review, our Company continues to invest in the community, particularly in promoting sports to the local community. We are the major sponsor of Target 24th Asian Tenpin Bowling Championships, Hong Kong, China organized by Hong Kong Tenpin Bowling Congress, co-organizer of Target • HKTBC • TWGHs Charity Bowling Tournament and the diamond sponsor of the Rotary Hong Kong Ultramarathon 2016.

Our effort in corporate social responsibility are well-recognized by the public. We are awarded Caring Company 2016/17 by the Hong Kong Council and Social Services, Green Office Awards 2016 by the World Green Organization, Better World Company 2016 by the Junior Chamber International Hong Kong.

THANK YOU

Our key priorities in 2017 will be developing our footprint for other general insurance business and continuing actions to position our Group for 2018 and beyond, including enhancing efficiency and customer satisfaction. I am convinced that with the strength of lean management, the breadth of talent within our organization and our evolving local brand, we have everything we need for future success. We thank you for your continued support.

Cheung Haywood
Chairman

Hong Kong, 27 March 2017

FINANCIAL RESULTS

Our Group recorded a net loss of HK$5.0 million (2015: net profit of HK$56.1 million) from net income of HK$317.7 million (2015: HK$339.5 million). Basic loss per share was HK0.95 cent (2015: basic earnings per share was HK10.95 cents).

Our results were mainly influenced by the increase in claims frequency which led to a significant increase on our net insurance claims and loss adjustment expenses and an impairment of our available-for-sale financial assets.

PERFORMANCE REVIEW

In 2016, our business continued to focus on motor insurance. Insurance for taxi and PLB were our core business segments while we made investments in building our direct private car and commercial vehicles business platform.

TAXI

The growth in taxi business continues to be our major source of growth in 2016, albeit at a slower rate. We observed that while the market trend of replacement of new taxi was coming to its end, our customers still preferred comprehensive insurance coverage for their relatively new taxi upon renewal. The net insurance premium increased by 15.9% to HK$223.4 million (2015: HK$192.8 million). However, due to the increase in claims frequency, the net insurance claims and loss adjustment expenses increased by 27.5% to HK$160.6 million (2015: HK$125.9 million), leading the segment result decreased by 12.6% to HK$44.4 million (2015: HK$50.8 million). During this year, the loss ratio for taxi increased to 71.9% (2015: 65.3%).

PUBLIC LIGHT BUSES ("PLB")

We have had a competitive year for our PLB business in 2016. Due to the decrease in premium rates for PLB, the net insurance premium revenue reduced by 2.2% to HK$82.4 million (2015: HK$84.2 million). The net insurance claims and loss adjustment expenses decreased by 7.2% to HK$47.8 million (2015: HK$51.5 million). The segment result slightly improved by 7.8% to HK$28.3 million (2015: HK$26.3 million). The loss ratio for PLB reduced to 58.0% (2015: 61.1%).

OTHER MOTOR VEHICLES

The market for other motor vehicles was challenging in 2016. Our share in goods carrying vehicles continued to decrease due to intense market competition. Our direct private car and commercial vehicles business platform had partially made up for the reduction.

The net insurance premium revenue of other motor vehicles mildly decreased by 4.2% to HK$39.5 million (2015: HK$41.3 million). The net insurance claims and loss adjustment expenses increased by 110.9% to HK$34.1 million (2015: HK$16.2 million). The segment result recorded a loss of HK$4.2 million (2015: profit of HK$13.8 million), a 130.2% decrease from 2015.

The loss ratio for other motor vehicles increased from 39.2% to 86.4% due to significant claims development on prior years' claims, increase in claim frequency for goods carrying vehicles and severity for private light buses.

INVESTMENTS

As at 31 December 2016, we had cash and deposits of HK$283.8 million (2015: HK$432.2 million), certificates of deposit of HK$99.2 million (2015: HK$71.1 million) and available-for-sale financial assets of HK$414.8 million (2015: HK$487.2 million). The total value of investment portfolio decreased by 19.5% to HK$797.8 million (2015: HK$990.5 million). The reason for such decrease is that during the year, we have acquired a property as the Group's permanent office premises through a special purpose vehicle whose major assets comprises the property at the consideration of HK$265.8 million.

We maintain our primary goal of achieving a higher return than bank deposit. However, the investment income decreased by 248.4% to a loss of HK$29.3 million (2015: income of HK$19.8 million). The main reason is that we have made a significant impairment loss on available-for-sale financial assets of HK$52.0 million (2015: HK$3.9 million) after the impairment analysis as required by the Hong Kong Accounting Standards.

After the normalization of the impairment loss, the average investment yield of the portfolio decreased to 2.5% in 2016 (2015: 2.7%).

REGULATORY DEVELOPMENT

The transition from the existing regulatory regime to the new regime administered by the Independent Insurance Authority (the "Authority") will enter its second stage – the Authority will take over existing Office of Commissioner of Insurance's statutory functions in 2017. The Authority will commence the collection of levies on insurance policy premiums from the policy holders as its major source of funding as prescribed under the Insurance Companies (Amendment) Ordinance in 2018.

The Authority will take forward necessary changes and updates to existing regulations, guidance notes and guidelines with respect to the regulation of insurance companies for smooth transition from the existing regime to the new regime. It will also work on the development of the two important regulatory tasks, namely, the establishment of the risk-based capital framework and Policyholders' Protection Fund.

OUTLOOK

MOTOR INSURANCE BUSINESS

We note there are increased competition in both taxi and PLB segments, particularly taxi industry as a whole is facing different challenges arising from disruptive technologies. We expect business from these two segments will remain stable. Proactively managing the established relationship with our insurance intermediaries will be our key measure to secure our market share in these segments while strengthening our efforts on claims management to maintain the profitability of our business.

Competition in other motor vehicles segments continue to be fierce with increasing number of players in this saturated market. We have built a direct private car and commercial vehicles business platform which enables us to provide instant pricing information to our customers and enhance direct engagement with our customers. We will also seek business partners to promote our services to targeted customer segments.

OTHER GENERAL INSURANCE BUSINESS

We recruited a team of top-tier experienced professionals from international insurance companies to develop new general insurance products and provide professional and quality services to local enterprises and individual clients. We will explore different distribution channels including consultants from Convoy Financial Solutions Limited, a wholly-owned subsidiary of Convoy Global Holdings Limited (Stock Code: 1019), insurance intermediaries and direct business platform. Our target is to be the most preferred local general insurance company in Hong Kong.

INVESTMENTS

We experienced an extremely challenging investment market in the past two years and expect 2017 will be full of uncertainties. We will continue to cautiously manage our investment portfolio in accordance with our investment policy. We aim to achieve a reasonable investment return while keeping sufficient cash flow to meet the insurance liabilities and meeting Target's solvency requirement.

STRATEGY FOR 2017

For 2017, we will hone our focus on the following strategies:

DEVELOPING OTHER GENERAL INSURANCE PRODUCTS

We will take a progressive approach to develop other general insurance products which suit the needs of local enterprises and individual clients. Notwithstanding the intense competition, we develop other general insurance products which can leverage our strengths, distribution networks and expertise. We will also manage our insurance risk exposures with adequate reinsurance protections.

REBRANDING OUR CORPORATE IMAGE

Expanding from motor insurance business to all general insurance business, Target needs to rebrand itself for its capability to write a comprehensive range of general insurance business in Hong Kong. It is clear from our feasibility study that there is a strong demand for well-planned packaged insurance products to satisfy the insurance needs and services of the Hong Kong market.

To build the new brand identity, Target plans to launch a wide range of sales and marketing activities through traditional media (magazine, newspaper, television commercial, radio etc), out-of-home media (bus/taxi/PLB body advertisement, MTR station, Billboard etc), online (web banner on our own website or other famous websites such as Yahoo, Google, Newspaper websites, Ad banner networks, YouTube), advertorial (pitch decks, proposal templates, brochures etc) and events/roadshow to launch our new insurance products.

INCREASING OUR MOTOR INSURANCE BUSINESS ON OTHER TYPES OF MOTOR VEHICLES

We will continue to direct our effort towards the development of our business on other types of motor vehicles. Recognizing the difficulty to penetrate into the market, our online business platforms for private cars and commercial vehicles provide a channel for us to reach out to more customers directly.

We are proactively forming alliances with other business partners to provide all rounded services to our customers and extend our reach to our target customers. Our dedicated customer service team can promptly attend to all customers' enquiries and provide a better service experience to our customers.

STRENGTHENING RELATIONSHIP WITH INSURANCE INTERMEDIARIES

Actively managing our relationship with existing agent network and developing new relationship with other insurance intermediaries are the keys to maintain our market position. We will continue to participate in and sponsor activities by industry organizations and media partners.

BUILDING UP INTERNAL CAPACITY

There are three areas in which we will invest in 2017 to build up our internal capacity to prepare for our future:

– **Human Resources:** In addition to the professional team we have recruited, we will continue to search for suitable candidates to join our team to build our capacity to deal with the business needs and regulatory developments.

– **Information Technology:** To handle the collection of levies on insurance policy premiums from policy holders, support the adoption risk-based capital framework, we will continue to upgrade our information technology systems. We will also enhance our cybersecurity practice to ensure protection of customers' data on online business platforms.

– **Permanent Office Premises:** To cope with the expansion of the Group's business, we will relocate to the new permanent office premises acquired last year.

Muk Wang Lit Jimmy
Chief Executive Officer

Hong Kong, 27 March 2017

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Dr. CHEUNG HAYWOOD ("Dr. Cheung"), aged 64, is an executive Director and Chairman of the Board. He is also the chairman and an executive director, and a member of the reinsurance committee of Target. He joined our Group in 2010. He has over 32 years' experience in metals trading, securities and futures brokerage and forex dealings in Hong Kong. Dr. Cheung has extensive business connections in Hong Kong and the PRC. He has served as the President of the Executive and Supervisory Committees of Chinese Gold & Silver Exchange Society ("Society") from June 2010 to December 2014 and January 2017 to present. Since then, he has also become the Chairman of the Supervisory Committee of the Society from January 2015 to December 2016. He is the President of the New Territories General Chamber of Commerce for the year 2012 to 2017.

Dr. Cheung was an executive director of Simsen International Corporation Limited ("Simsen", now known as "Huarong International Financial Holdings Limited", Stock Code: 993), a company listed on the Main Board of the Stock Exchange, from July 1997 to April 2010 and was the controlling shareholder of Simsen from March 2004 to March 2010. He was also appointed as the chairman of Simsen in September 2004. Dr. Cheung resigned from the chairmanship and the directorship of Simsen on 23 April 2010.

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

Mr. LAI BING LEUNG ("Mr. Lai"), aged 70, is one of the founders of the Group. Mr. Lai has about 40 years of experience in the motor insurance business. He has been an executive director of Target since 1977. He had also been the chairman of the board of Target until November 2010. In addition to his directorship role of setting objectives and formulating strategies of our Group, Mr. Lai has also been responsible for enhancing our corporate image, liaising with the regulatory authorities, exploring market opportunities and overseeing the claims operation and human resources management of the Group.

Mr. Lai has also been a director of The Oscar Motors Company Limited since 1991, which is engaged in the business of agents and sale of motorcycles and one of our agents of the sale of our motor insurance policies.

Mr. CHIU SUN TING ("Mr. Chiu"), aged 71, is one of the founders of the Group. Mr. Chiu has about 40 years of experience in the motor insurance business. He has been an executive director of Target since 1977 and was the chief executive officer of Target up to October 2014. In addition to his directorship role of setting objectives and formulating strategies of the Group, Mr. Chiu has also been responsible for enhancing our corporate image, exploring market opportunities, supervising the accounting operation and overseeing the underwriting operation and the investment function of our Group. During the period between 1995 and November 2011, Mr. Chiu was a partner of General Underwriters, which was engaged in the provision of insurance agency services and one of our agents.

Dr. CHOI CHIU FAI STANLEY ("Dr. Choi"), aged 48, is an executive Director of the Company. He is also an executive director and the chairman of the investment committee of Target. Dr. Choi possesses about 25 years of experience in securities, futures, financial derivative products and merger and acquisition projects. Apart from working at senior positions for different financial groups in Hong Kong, Dr. Choi has also served as a member of the senior management of the following four companies, all of which are listed on the Stock Exchange, namely, the deputy chairman and an executive director of HyComm Wireless Limited (now known as "Qingdao Holdings International Limited", Stock Code: 499) from April 2010 to September 2010, an executive director of Simsen from May 2008 to April 2010 and the chief executive officer and an executive director of Cash Retail Management Group Limited (now known as "Carnival Group International Holdings Limited", Stock Code: 996) from October 2006 to October 2007, an executive director of Media Asia Group Holdings Limited (Stock Code: 8075) from October 2011 to September 2015, and an independent director of 山西廣和山水文化傳播股份有限公司(a company listed on the Shanghai Stock Exchange, Stock Code 600234) from July 2016 to September 2016. Dr. Choi is currently an executive director of Daqing Dairy Holdings Limited (Stock Code: 1007) since January 2016.

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

Mr. MUK WANG LIT JIMMY ("Mr. Muk"), aged 62, is an executive Director and the Chief Executive Officer of the Company, as well as a member of each of the Nomination Committee and the Risk Committee of the Company. Mr. Muk is also an executive director, the chief executive officer and the compliance officer of Target, and the chairman of each of the reinsurance committee and the claims settlement committee, a member of each of the underwriting committee and the investment committee of Target. He is responsible for reporting to the Board on Target's compliance matters, and for monitoring Target's compliance with the requirements under the Insurance Companies Ordinance (Chapter 41 of the Laws of Hong Kong) and other requirements as imposed by the Insurance Authority. He joined the Group in 1979. Mr. Muk has over 37 years of experience in motor insurance business. Mr. Muk first joined the insurance industry in 1979 by joining Target in that year as claims supervisor and was responsible for handling and conducting claims and related matters. He was promoted as claims manager in 1982 and as assistant general manager in 1986 and was responsible for overseeing all functions and the daily operations of all departments. He was subsequently appointed as the general manager in 1993, taking up further planning, administration, compliance and decision-making responsibilities. He has also been a director of Target since 1983, participating in setting objectives and formulating strategies and corporate governance with his fellow directors.

Mr. Muk obtained a Bachelor of Business (Business Administration) degree with Distinction from Royal Melbourne Institute of Technology in 2003 and a Master of Business Administration degree from University of Ballarat in 2006. Mr. Muk also obtained a Master of Corporate Governance degree, which is a distance learning course, and a Master of Arts in Applied English Linguistics degree from the Open University of Hong Kong in 2013 and 2016 respectively. He has been a fellow of The Australian and New Zealand Institute of Insurance and Finance ("ANZIIF") since 1995.

Mr. CHAN HOK CHING ("Mr. Chan"), aged 54, is an executive Director of the Company. He joined the Group in July 2010 as the assistant to chairman. Mr. Chan is also a member of each of the Remuneration Committee and the Risk Committee of the Company. Mr. Chan is an executive director of Target, and chairman of the underwriting committee, a member of each of the investment committee, the reinsurance committee and claims settlement committee of Target. He is responsible for assisting the chairman in performing his duties in all areas. Mr. Chan has been appointed as an executive director of Target since June 2012. Mr. Chan has over 27 years' experience in banking and financial industry. Mr. Chan has been the general manager of Simsen from May 2002 to January 2006. He has also been an executive director and acting managing director of the said company from January 2006 to April 2010. Mr. Chan has been elected as an executive director of the New Territories General Chamber of Commerce for the year 2012 to 2017.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. WAN KAM TO ("Mr. Wan"), aged 64, was appointed as an independent non-executive Director on 1 November 2014. Mr. Wan is also an independent non-executive director and the chairman of the audit committee of Target, and the chairman of the Audit Committee of the Company. He has been awarded the Higher Diploma in Accountancy by Hong Kong Polytechnic (now known as Hong Kong Polytechnic University) in 1975. Mr. Wan is a fellow member of the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the Association of Chartered Certified Accountants. Mr. Wan was a former partner of PricewaterhouseCoopers Hong Kong & China, and has been a practising accountant in Hong Kong for over 30 years with extensive experience in auditing, finance, advisory and management. Mr. Wan was a non-executive director of Taikang Life Insurance Company Limited during the period between November 2009 and March 2011. Mr. Wan also serves or has served as an independent non-executive director/independent director of the following listed companies:

Company	Stock code	Which stock exchange the company is listed	Duration
China Resources Land Limited	1109	Stock Exchange	March 2009 to present
China World Trade Center Co., Ltd	600007	Shanghai Stock Exchange	November 2016 to present
Dalian Port (PDA) Company Limited	2880 601880	Stock Exchange Shanghai Stock Exchange	June 2011 to present
Fairwood Holdings Limited	52	Stock Exchange	September 2009 to present
Harbin Bank Co., Ltd.	6138	Stock Exchange	October 2013 to present
Huaneng Renewables Corporation Limited	958	Stock Exchange	August 2010 to present
Kerry Logistics Network Limited	636	Stock Exchange	November 2013 to present
KFM Kingdom Holdings Limited	3816	Stock Exchange	September 2012 to present
Mindray Medical International Limited	MR	New York Stock Exchange	September 2008 to December 2014
RDA Microelectronics, Inc.	RDA	NASDAQ	November 2010 to July 2014
Shanghai Pharmaceuticals Holding Co., Ltd.	2607 601607	Stock Exchange Shanghai Stock Exchange	June 2013 to present
S. Culture International Holdings Limited	1255	Stock Exchange	May 2013 to present

Mr. WONG SHIU HOI PETER ("Mr. Wong"), aged 76, was appointed as an independent non-executive Director on 1 November 2014. Mr. Wong is also an independent non-executive director and a member of each of the audit committee and the investment committee of Target, the chairman of each of the Remuneration Committee and the Risk Committee, and a member of the Audit Committee and the Nomination Committee of the Company. Mr. Wong obtained a Master of Business Administration Degree from the University of Macau (formerly known as the University of East Asia, Macau) in 1986. Mr. Wong possesses over 42 years of experience in the financial services industry. He is the past chairman of the Hong Kong Institute of Directors and was an executive director, deputy chairman and chief executive of Haitong International Securities Group Limited. He is a former member of the Standing Committee of Company Law Reform, Listing Committee of the Stock Exchange and Financial Services Advisory Committee of the Hong Kong Trade Development Council. He was an overseas business advisor of Haitong Securities Company Limited. Mr. Wong also serves as an independent non-executive director of the following listed companies:

Company	Stock code	Which stock exchange the company is listed	Duration
Agile Property Holdings Limited	3383	Stock Exchange	June 2014 to present
High Fashion International Limited	608	Stock Exchange	July 2004 to present
Tianjin Development Holdings Limited	882	Stock Exchange	December 2012 to present

Mr. SZETO WAI SUN ("Mr. Szeto"), aged 58, was appointed as an independent non-executive Director on 1 November 2014. Mr. Szeto is also an independent non-executive director and a member of the audit committee of Target, the chairman of the Nomination Committee, a member of each of the Audit Committee, the Remuneration Committee and the Risk Committee of the Company. Mr. Szeto graduated from The University of Hong Kong with a Degree of Bachelor of Laws in 1982, and obtained the Postgraduate Certificate in Laws from the same university in 1983. He was admitted as a solicitor in Hong Kong in 1985 and has worked in a number of law firms in Hong Kong including Messrs Chan & Co., Y.T. and Messrs Cheung & Co., Edmund before founding Messrs Sun Lawyers (formerly known as Messrs W.S Szeto & Lee) and becoming a partner of that firm in 2003. He also joined Messrs Patrick Chan & Co. as a partner in July 2014. Mr. Szeto has completed a course of Professional Certificate in Chinese Civil & Commercial Law, which was jointly organised by Tsinghua University of the PRC and the School of Professional and Continuing Education of The University of Hong Kong in 2002. He has also been an independent non-executive director of Bright Smart Securities & Commodities Group Limited (Stock code: 1428) since August 2010.

Mr. YUEN TAK TIM ANTHONY *MH, J.P.* **("Mr. Yuen")**, aged 63, was appointed as an independent non-executive Director on 14 April 2015. He is a member of each of the Audit Committee and the Risk Committee, an independent non-executive director and a member of the audit committee of Target. Mr. Yuen is a seasoned professional in financial and insurance fields for over 37 years. Mr. Yuen is a co-opted member of the Insurance Agents Registration Board under Hong Kong Federation of Insurers. He held senior executive positions in a number of major international and local companies. Mr. Yuen is currently (1) an executive director and a responsible officer of a licensed corporation carrying on business in type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO"); and (2) a technical representative of an independent financial planning company holding insurance broking license under Professional Insurance Brokers Association and corporate intermediary license under Mandatory Provident Fund Schemes Authority. He was a non-executive director of a sizable insurance brokers, both in Hong Kong and China from 2003 to 2009 and the managing director of a prestigious local insurance broking and consulting company with general insurance focus from 1988 to 1993.

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

SENIOR MANAGEMENT

Ms. LAU KA YEE ("Ms. Lau"), aged 37, is the Chief Financial Officer of the Group. She is also a member of the claims settlement committee of Target. Ms. Lau was appointed as the financial controller of the Group in October 2014. Ms. Lau has over 10 years of experience in accounting industry specializing in general insurance industry. Prior to joining the Group, Ms. Lau had worked as a senior manager of PricewaterhouseCoopers' advisory services. Ms. Lau is a fellow member of HKICPA. She completed the Executive Programme for Accountants: Independent Non-Executive Directors Practices for Accountants held by HKICPA and The Hong Kong Institute of Directors in 2015 and the Diploma in Insolvency held by HKICPA in 2010-2011. She graduated from Chinese University of Hong Kong with a Bachelor of Business Administration degree majoring in Professional Accountancy in 2003. She is a senior associate of ANZIIF.

Mr. LEUNG CHI HUNG ("Mr. Leung"), aged 50, was appointed as the head of business development and underwriting of the Group in September 2016. He is also a member of the underwriting committee of Target. Mr. Leung has over 23 years of experience in general insurance industry. Prior to joining our Group, Mr. Leung worked in several international general insurance companies as sales and distribution management before he relocated to Hong Kong from Canada where he was being a commercial lines underwriter for 5 years. Mr. Leung graduated from University of Toronto with a Bachelor of Arts degree majoring in Environmental & Resources Management and Urban Geography. He is a fellow of ANZIIF.

Ms. CHAN LAN FONG LUCY ("Ms. Chan"), aged 60, was appointed as the senior claims manager of the Claims Department of the Group in March 2017. Prior to joining the Group, Ms. Chan has over 30 years' experience working on claims management for general insurance companies and reinsurance company. Ms. Chan was awarded the Diploma in Business Studies by Hong Kong Polytechnic (now known as Hong Kong Polytechnic University). She is a fellow member of the Insurance Institute of Canada and an associate member of the Chartered Insurance Institute.

COMPANY SECRETARY

Mr. TSE KAM FAI ("Mr. Tse"), aged 53, was appointed as the company secretary of the Company in August 2014. Mr. Tse is a fellow member of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. He is also a member of The Hong Kong Institute of Directors. Mr. Tse has more than 20 years of experience in handling listed company secretarial and compliance related matters. Mr. Tse is currently the company secretary of China Metal International Holdings Inc., SH Group (Holdings) Limited and Synertone Communication Corporation, companies listed on the Main Board of the Stock Exchange, and Heng Xin China Holdings Limited and Neo Telemedia Limited, both companies are listed on the Growth Enterprise Market of the Stock Exchange. He is also an executive director of a local professional firm providing regulatory compliance, corporate governance and corporate secretarial services to listed and unlisted corporations.

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

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

	For the year ended 31 December		
	2016 HK$'000	2015 HK$'000	% Change
Gross Premium written	**385,981**	373,536	3.3%
Net premium written	**349,872**	338,153	3.5%
Net insurance premium revenue	**345,329**	318,255	8.5%
Net insurance claims and loss adjustment expenses	**(242,525)**	(193,578)	25.3%
Acquisition costs and other underwriting expenses, net	**(34,268)**	(33,806)	1.4%
Operating profit	**68,536**	90,871	(24.6%)
Investment (loss)/income	**(29,308)**	19,754	(248.4%)
Other income	**1,681**	1,478	13.7%
Employee benefit expenses	**(22,529)**	(21,052)	7.0%
Other operating expenses	**(25,543)**	(26,283)	(2.8%)
(Loss)/Profit before tax (1)	**(7,163)**	64,768	(111.1%)
(Loss)/Profit for the year (1)	**(4,959)**	56,058	(108.8%)
EBITDA (1)	**(6,610)**	65,156	(110.1%)
Basic (Loss)/Earnings per share (2)	**(0.95 cent)**	10.95 cents	(108.7%)
Diluted (Loss)/ Earnings per share (2)	**(0.95 cent)**	10.77 cents	(108.8%)

	As at 31 December		
	2016	2015	Difference
Retention ratio (3)	**90.6%**	90.5%	0.1%
Loss ratio (4)	**70.2%**	60.8%	9.4%
Expense ratio (4) & (5)	**23.8%**	23.8%	–
Combined ratio (5) & (6)	**94.0%**	84.6%	9.4%
Investment yield (7)	**2.5%**	2.7%	(0.2%)

Notes:

(1) There is no one-off listing expenses recognized in 2016 (2015: HK$5.5 million).

(2) The weighted average of ordinary shares for the year ended 31 December 2016 is 520,462,000 ordinary shares (2015: 512,750,000 ordinary shares). The weighted average number of ordinary shares for the purpose of calculating diluted (Loss)/ Earnings per share is 520,462,000 ordinary shares (2015: 520,566,000 ordinary shares).

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

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

(5) There is no normalization of one-off listing expenses for both the expense ratio and the combined ratio in 2016 (2015: HK$5.5 million).

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

(7) The investment yield is normalized by excluding the impairment loss of available-for-sale financial assets of HK$52.0 million in 2016 (2015: HK$3.9 million).

GROSS PREMIUM WRITTEN

Gross premium written increased by 3.3% to HK$386.0 million (2015: HK$373.5 million). During the year ended 31 December 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 thus gross premium written. The detailed breakdown of gross premium written is as follows:

	For the year ended 31 December				
	2016 HK$'000	**% of Total**	2015 HK$'000	% of Total	% Change
Taxi	**246,832**	**64.0%**	234,686	62.8%	5.2%
PLB	**87,033**	**22.5%**	92,346	24.7%	(5.8%)
Other motor vehicles (1)	**52,116**	**13.5%**	46,504	12.5%	12.1%
	385,981	**100.0%**	373,536	100.0%	3.3%

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

NET INSURANCE PREMIUM REVENUE

During the year ended 31 December 2016, our retention ratio remained stable at 90.6% (2015: 90.5%). While our retention level in our reinsurance protection remained the same, we arranged additional protection for other motor vehicles to manage the risks of writing new types of motor vehicles.

	For the year ended 31 December				
	2016 HK$'000	**% of Total**	2015 HK$'000	% of Total	% Change
Taxi	**223,417**	**64.7%**	192,770	60.5%	15.9%
PLB	**82,408**	**23.9%**	84,232	26.5%	(2.2%)
Other motor vehicles (1)	**39,504**	**11.4%**	41,253	13.0%	(4.2%)
	345,329	**100.0%**	318,255	100.0%	8.5%

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

NET INSURANCE CLAIM AND LOSS RATIO

With the increase in claims frequency, net insurance claims and loss adjustment expenses increased significantly by 25.3% to HK$242.5 million (2015: HK$193.6 million). The loss ratio is increased to 70.2% (2015: 60.8%).

UNDERWRITING AND OTHER ADMINISTRATIVE EXPENSES

Our Group managed to control the underwriting and other administrative expenses with a mild increment of 1.5% to HK$82.3 million (2015: HK$81.1 million). Our net acquisition costs and other underwriting expenses increased by 1.4% to HK$34.3 million (2015: HK$33.8 million). The employee benefit expenses increased by 7.0% to HK$22.5 million (2015: HK$21.1 million) due to the annual salary adjustment and resources invested on business development. Professional charges increased significantly by 163.3% to HK$7.7 million (2015: HK$2.9 million) due to the professional fees associated with the application for full authorization of general insurance business and the acquisition of our permanent office premises. We rented additional office space in preparation for the other general insurance business, which causing the rental charges increased by 22.4% to HK$5.4 million (2015: HK$4.4 million). The underwriting and other administration expenses are summarized as follows:

	For the year ended 31 December		
	2016 HK$'000	2015 HK$'000	% Change
Acquisition costs and other underwriting expenses, net	**34,268**	33,806	1.4%
Employee benefit expenses	**22,529**	21,052	7.0%
Professional charges	**7,657**	2,908	163.3%
Advertising and promotional expenses	**7,067**	8,434	(16.2%)
Rental charges	**5,418**	4,427	22.4%
Entertainment	**937**	1,376	(31.9%)
Donation	**539**	39	1,282.1%
Listing expenses	**–**	5,490	(100%)
Others	**3,925**	3,609	8.8%
	82,340	81,141	1.5%

INVESTMENT PERFORMANCE

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

	2016 HK$'000	**% of Total**	2015 HK$'000	% of Total
Equity securities	**162,704**	**20.4%**	195,144	19.7%
Debt securities	**252,081**	**31.6%**	292,101	29.5%
Certificates of deposit	**99,212**	**12.4%**	71,097	7.2%
Cash and bank deposits	**283,795**	**35.6%**	432,193	43.6%
	797,792	**100.0%**	990,535	100.0%

The comparison of acquisition costs and the fair value of the investment portfolio is as below. Our Group determines that an available-for-sale equity investment is impaired when there has been a significant or prolonged decline in the fair value below its acquisition cost. Our Group generally considers a decline of 50% or more as significant and a period of 12 months or longer to be prolonged. Therefore, we have made a significant impairment loss on available-for-sale financial assets of HK$52.0 million (2015: HK$3.9 million) after the impairment analysis as required by the Hong Kong Accounting Standards.

	Acquisition costs HK$'000	**Fair value HK$'000**	**Difference HK$'000**	**% Change**
Equity securities	214,907	162,704	(52,203)	(24.3%)
Debt securities	258,697	252,081	(6,616)	(2.6%)
Certificates of deposit	99,964	99,212	(752)	(0.8%)
Cash and bank deposits	283,795	283,795	–	–
	857,363	797,792	(59,571)	(6.9%)

The investment yield (before impairment loss of available-for-sale financial assets) decreased to 2.5% (2015: 2.7%). The decrease in investment yield was driven by the low interest rate earned from certificates of deposits and cash and bank deposits and the loss on disposal of available-for-sale financial investment during 2016. The total investment income recognized in Consolidated Income Statement are as follows:

	2016 HK$'000	**% of Total**	2015 HK$'000	% of Total	% Change
Dividend income from equity securities	**6,253**	**27.6%**	5,321	22.5%	17.5%
Interest income from debt securities	**16,778**	**74.1%**	12,433	52.6%	34.9%
Interest income from certificates of deposit	**1,550**	**6.8%**	1,838	7.8%	(15.7%)
Interest income from cash and bank deposits	**3,993**	**17.6%**	7,061	29.8%	(43.4%)
(Loss)/Gain on disposal of available-for-sale financial assets	**(4,728)**	**(20.9%)**	3,983	16.8%	(218.7%)
Net foreign exchange gain loss	**(1,173)**	**(5.2%)**	(6,974)	(29.5%)	(83.2%)
	22,673	**100.0%**	23,662	100.0%	(4.2%)
Impairment loss of available-for-sale financial assets	**(51,981)**		(3,908)		
Net investment income	**(29,308)**		19,754		
					Difference
Investment yield (before impairment loss of available-for-sale financial assets)	**2.5%**		2.7%		(0.2%)

OPERATING PROFIT

Our operating profit decreased by 24.6% to HK$68.5 million (2015: HK$90.9 million). We recorded a loss before tax at HK$7.2 million (2015: profit of HK$64.8 million), representing a decrease of 111.1% from the prior year. Our loss for the year was HK$5.0 million (2015: profit of HK$56.1 million), representing a decrease of 108.8% from the prior year.

	For the year ended 31 December		
	2016 **HK$'000**	2015 HK$'000	% Change
Operating profit	**68,536**	90,871	(24.6%)
(Loss)/Profit before tax	**(7,163)**	64,768	(111.1%)
(Loss)/Profit for the year	**(4,959)**	56,058	(108.8%)

LOSS PER SHARE

Our basic loss per share was HK0.95 cent (2015: basic earnings of HK10.95 cents), representing a decrease by 108.7% from the prior year. Our diluted loss per share was HK0.95 cent (2015: diluted earnings of HK10.77 cents), representing a decrease of 108.8% from the prior year. For diluted loss per share, there was an additional effect of the Company's share option scheme in 2015 only.

LIQUIDITY AND FINANCIAL RESOURCES

Our Group's cash and bank deposits as at 31 December 2016 amounted to HK$283.8 million (2015: HK$432.2 million).

FINANCIAL LEVERAGE

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

CAPITAL STRUCTURE

(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. Details of the IPO were disclosed in the prospectus of the Company dated 31 December 2014 (the "Prospectus").

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. Details of the exercise of over-allotment option were more particularly disclosed in the announcement of the Company dated 28 January 2015.

(B) ISSUE OF SHARES UNDER SHARE OPTION SCHEME

During the year ended 31 December 2016, 2,122,000 options were exercised to subscribe for 2,122,000 ordinary shares of the Company at a total consideration of HK$2,733,000 which was credited to share capital. In addition, HK$356,000 has been transferred from the share option reserve to share capital.

STAFF AND STAFF REMUNERATION

As at 31 December 2016, the Group had a total of 49 employees (2015: 44 employees), an increase of 5 employees. Total remuneration for 2016 amounted to HK$22.5 million (2015: HK$21.1 million), an increase of 7.0%. It is mainly due to the annual salary adjustment and human resources invested in business development. Bonuses are linked to the performance of the Group and the performance of the individuals.

CONTINGENT LIABILITIES

Other than those incurred during the normal course of our Group's insurance business, there was neither outstanding litigation nor any other contingent liabilities as at 31 December 2016 and 2015.

The board of directors ("Directors") of the Company is pleased to submit their report together with the audited financial statements of the Group for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

MOTOR INSURANCE BUSINESS

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

The following table illustrates the breakdown of our gross premium written by business segments for the years ended 31 December 2016 and 2015.

	For the year ended 31 December				
	2016 HK$'000	**% of Total**	2015 HK$'000	% of Total	% Change
Taxi	**246,832**	**64.0%**	234,686	62.8%	5.2%
PLB	**87,033**	**22.5%**	92,346	24.7%	(5.8%)
Other motor vehicles [(1)]	**52,116**	**13.5%**	46,504	12.5%	12.1%
	385,981	**100.0%**	373,536	100.0%	3.3%

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

Our business on taxi and PLB motor insurance was stable. The gross premium written on taxi and PLB motor insurance presented 86.5% of gross premium written for the year ended 31 December 2016 (2015: 87.5%). These two business segments were saturated and we managed to achieve a mild growth of gross premium written by 5.2% to HK$246.8 million (2015: HK$234.7 million) for taxi. Our PLB motor insurance further reduced by 5.8% to HK$87.0 million (2015: HK$92.3 million) due to market competition, which led to a reduction of the premium rates.

Our business on other motor vehicles was mainly driven by our online business platform. The gross premium written increased by 12.1% to HK$52.1 million (2015: HK$46.5 million).

INVESTMENTS

We invest premiums and other income generated from our insurance business. The total value of investment portfolio decreased by 19.5% to HK$797.8 million (2015: HK$990.5 million). The reason for such decrease is that during the year, we have acquired a property as the Group's permanent office premises through a special purpose vehicle whose major assets comprises the property at the consideration of HK$265.8 million.

Our Group reduced our investment in equity securities by 16.6% to HK$162.7 million (2015: HK$195.1 million). More than 99% of equity securities invested are listed on the HKEx. The equity securities classified by type are as follows:

	For the year ended 31 December		
	2016 HK$'000	2015 HK$'000	% Change
Listed in Hong Kong	**161,969**	181,787	(10.9%)
Listed outside Hong Kong	**735**	13,357	(94.5%)
	162,704	195,144	(16.6%)

Our Group reduced our investment in debt securities by 13.7% to HK$252.1 million (2015: HK$292.1 million). The debt securities classified by type are as follows:

	For the year ended 31 December		
	2016 HK$'000	2015 HK$'000	% Change
Listed in Hong Kong	**127,117**	194,936	(34.8%)
Listed outside Hong Kong	**119,208**	97,165	22.7%
Unlisted with fixed maturity dates	**5,756**	–	n/a
	252,081	292,101	(13.7%)

Our Group increased our investment in certificates of deposit by 39.5% to HK$99.2 million (2015: HK$71.1 million). The certificates of deposit classified by type are as follows:

	For the year ended 31 December		
	2016 HK$'000	2015 HK$'000	% Change
Certificates of deposit (HKD)	**94,955**	64,955	46.2%
Certificates of deposit (CNY)	**4,257**	6,142	(30.7%)
	99,212	71,097	39.5%

ACQUISITION OF PERMANENT OFFICE PREMISES THROUGH ACQUISITION OF A SUBSIDIARY

In August 2016, the Group entered into an agreement with an independent third party to acquire 100% equity interest in Chartered Properties Limited ("CPL") as disclosed in the Company's announcement dated 29 August 2016.

The principal activity of CPL is property investment. It owns the entire interest in commercial properties with gross floor area of approximately 15,451 square feet and two car parking spaces in Hong Kong which valued at HK$265.8 million. The acquisition of CPL represented an opportunity for the Group to acquire a permanent office premises and hence to reduce ongoing rental expenses for the Group's head office and to avoid the possible increase in rents for the current head office upon the expiry of its existing tenancy agreements.

USE OF PROCEEDS FROM THE COMPANY'S IPO

The proceeds from the Company's issue of new shares in connection with its listing on the Stock Exchange together with the issue of new shares upon the full exercise of the over-allotment options, after deduction of related expenses, amounted to approximately HK$214.3 million. Up to 31 December 2016, HK$186.5 million was utilized for strengthening the share capital of Target to enhance its solvency position and meeting statutory requirements for diversification of our motor insurance products to other types of vehicles and other general insurance business, we have spent HK$12.0 million in marketing and promotion of our business to the general public and HK$15.8 million as general working capital. There is no unutilized net proceeds as at 31 December 2016.

FINANCIAL KEY PERFORMANCE INDICATORS

Financial key performance indicators are as follows. Please refer to "Financial Review" section for detailed discussion.

	For the year ended 31 December		
	2016 HK$'000	2015 HK$'000	% Change
Gross Premium written	**385,981**	373,536	3.3%
Net premium written	**349,872**	338,153	3.5%
Net insurance premium revenue	**345,329**	318,255	8.5%
Net insurance claims and loss adjustment expenses	**(242,525)**	(193,578)	25.3%
Acquisition costs and other underwriting expenses, net	**(34,268)**	(33,806)	1.4%
Operating profit	**68,536**	90,871	(24.6%)
Investment (loss)/income	**(29,308)**	19,754	(248.4%)
Other income	**1,681**	1,478	13.7%
Employee benefit expenses	**(22,529)**	(21,052)	7.0%
Other operating expenses	**(25,543)**	(26,283)	(2.8%)
(Loss)/Profit before tax (1)	**(7,163)**	64,768	(111.1%)
(Loss)/Profit for the year (1)	**(4,959)**	56,058	(108.8%)
EBITDA (1)	**(6,610)**	65,156	(110.1%)
Basic (Loss)/Earnings per share (2)	**(0.95 cent)**	10.95 cents	(108.7%)
Diluted (Loss)/Earnings per share (2)	**(0.95 cent)**	10.77 cents	(108.8%)

	As at 31 December		
	2016	2015	Difference
Retention ratio [3]	90.6%	90.5%	0.1%
Loss ratio [4]	70.2%	60.8%	9.4%
Expense ratio [4] & [5]	23.8%	23.8%	–
Combined ratio [5] & [6]	94.0%	84.6%	9.4%
Investment yield [7]	2.5%	2.7%	(0.2%)

Notes:

(1) There is no one-off listing expenses recognized in 2016 (2015: HK$5.5 million).

(2) The weighted average of ordinary shares for the year ended 31 December 2016 is 520,462,000 ordinary shares (2015: 512,750,000 ordinary shares). The weighted average number of ordinary shares for the purpose of calculating diluted (loss)/earnings per share is 520,462,000 ordinary shares (2015: 520,566,000 ordinary shares).

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

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

(5) There is no normalization of one-off listing expenses for both the expense ratio and the combined ratio in 2016 (2015: HK$5.5 million).

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

(7) The investment yield is normalized by excluding the impairment loss of available-for-sale financial assets of HK$52.0 million in 2016 (2015: HK$3.9 million).

PRINCIPAL RISKS AND UNCERTAINTIES

The Group has established internal controls to manage risk in the key areas of exposure relevant to its business. The Risk Committee has a risk management framework to identify significant areas of business risk and to effectively and expeditiously manage those risks. Systems are designed to provide reasonable assurance that the assets of the Group are safeguarded, insurance risk exposure is within desired limits, reinsurance protections are adequate and counter-parties are subject to security assessment.

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

We have traditionally been relying on our agents, most of which are motor trading/management companies and insurance agents, to sell our insurance products. During the year ended 31 December 2016, the gross premiums written by our Group from those insurance policies sold through our agents represented approximately 96.9% of the total gross premium written by our Group respectively (2015: 98.5%).

We maintain close relationships with these agents through effective communications, competitive commissions and prices for our insurance products. The total number of agents appointed by us as at 31 December 2016 under the record of the Hong Kong Federation of Insurers is 147 (2015: 141).

We expect the Authority will take over the regulations of insurance intermediaries (including agents) from the three Self-Regulatory Organizations and implement the required statutory licensing regime in one to two years time. It will modernize the insurance industry regulatory infrastructure and provide better protection for policyholders.

(B) RELIANCE ON INSURANCE PRODUCTS OFFERED TO TAXI AND PLB IN HONG KONG

Majority of our business is derived from our comprehensive and third party insurance products offered to taxi and PLB in Hong Kong. The numbers of taxi and PLB in Hong Kong have remained almost static during the past five years at around 18,100 and 4,345 respectively. During the year ended 31 December 2016, the gross premium written by us on the insurance policies for taxi and PLB represented approximately 86.5% of the total gross premium written by us (2015: 87.5%).

Our underwriting results are affected by the number and level of seriousness of the claims involving our customers and the market loss which are in turn affected by the number and types of traffic accidents happened in Hong Kong. Taxi and PLB ranked high on the traffic accident rates in Hong Kong. During this year, with the higher frequency of claims, the loss ratio for taxi increased to 71.9% (2015: 65.3%). The loss ratio for PLB reduced to 58.0% (2015: 61.1%).

We have built a direct private car and commercial vehicles business platform which enables us to provide instant pricing information to our customers and enhance direct engagement with our customers. We will also seek business partners to promote our services to targeted customer segments.

(C) DIVERSIFICATION OF OUR INSURANCE PRODUCTS

In order to reduce our reliance on motor vehicles insurance, we will diversify our insurance business into other general insurance business. Our Directors understand that the market for some of those insurance products is competitive, which poses downward pressure on the premium rates. Being a new player in the market of those insurance products, our Group may only be able to charge a relatively lower insurance premium rate for such products in comparison with the existing players. The loss ratio for those new insurance businesses may also be higher than that of motor vehicles insurance. Further, it is also possible that there are some other risks which we are not aware of at this stage.

At the initial stage, we will arrange additional reinsurance protection for new other general insurance products to manage the associated risks.

(D) HIGHLY REGULATED INSURANCE INDUSTRY

The insurance industry in Hong Kong is highly regulated. Companies carrying on insurance business in or from Hong Kong must obtain authorization from the Insurance Authority. Authorization will only be granted to insurers meeting certain requirements under the Insurance Companies Ordinance (Chapter 41, the Laws of Hong Kong) ("ICO"), which focus on, among other things, the following aspects: paid up capital, solvency margin, fitness and properness of directors and controllers and adequacy of reinsurance arrangements. Compliance with applicable laws, rules and regulations may restrict our business and investment activities and require us to deploy significant resources and to devote considerable time to such compliance efforts.

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

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

We are required by the ICO to maintain certain amount of assets in Hong Kong, a substantial portion of which is managed through our investment portfolio. Our investment returns, and thus our results of operations, may be adversely affected from time to time by various factors affecting our specific investments and, more generally, by the overall economic environment. Those factors include, inter alia, currency exchange rates, credit and liquidity conditions, the performance and volatility of capital markets, asset values, inflation rates, etc. Any significant deterioration in one or more of these factors could have an adverse impact on the value of, and the income generated by, our investment portfolio and could have a material adverse effect on our business, financial condition and results of operations. We are exposed to the risk of fluctuations in interest rates because of the substantial amount of bank deposits we hold as investment and cash. During periods of declining interest rates, the interest to be received from our bank deposits may decrease, which may in turn reduce our return on investments and affect our results of operations. Our investments are denominated in a number of currencies, including HK dollar, US dollar, RMB and AU dollar and we are exposed to foreign exchange rate risk. Changes in exchange rates between HK dollar and US dollar, between HK dollar and RMB and between HK dollar and AU dollar will be directly reflected in our financial results. We cannot predict future exchange rate fluctuations and such fluctuations could materially and adversely affect our financial condition and results of operations.

IMPORTANT EVENTS SINCE THE END OF THE FINANCIAL YEAR

On 17 January 2017, Target has obtained the formal authorization to carry on the Classes 2, 4, 5, 6, 8, 9, 11, 12, 13, 14, 15, 16 and 17 of General Business in or from Hong Kong under Section 8 of the ICO ("Formal Authorization"). Pursuant to the Formal Authorization, Target is authorized to write all classes of General Business as set out in Part 3 of the First Schedule of the ICO. Target has fulfilled certain standard procedures for writing direct employees' compensation insurance policy in February 2017. Details of the authorization on additional classes were disclosed in the announcement of the Company dated 17 January 2017.

FUTURE DEVELOPMENT OF OUR BUSINESS

For 2017, we will hone our focus on the following strategies:

DEVELOPING OTHER GENERAL INSURANCE PRODUCTS

We will take a progressive approach to develop other general insurance products which suit the needs of local enterprises and individual clients. Notwithstanding the intense competition, we develop other general insurance products which can leverage our strengths, distribution networks and expertise. We will also manage our insurance risk exposures with adequate reinsurance protections.

REBRANDING OUR CORPORATE IMAGE

Expanding from motor insurance business to all general insurance business, Target needs to rebrand itself for its capability to write a comprehensive range of general business in Hong Kong. It is clear from the feasibility study that there is a strong demand for well-planned packaged insurance products to satisfy the insurance needs & services of the Hong Kong Market.

To build the new brand identity, Target plans to launch a wide range of sales and marketing activities through traditional media (magazine, newspaper, television commercial, radio etc), out-of-home media (bus/taxi/PLB body advertisement, MTR station, Billboard etc), online (web banner on our own website or other famous websites such as Yahoo, Google, Newspaper websites, Ad banner networks, YouTube), advertorial (pitch decks, proposal templates, brochures etc) and events/roadshow to launch our new insurance products.

INCREASING OUR MOTOR INSURANCE BUSINESS ON OTHER TYPES OF MOTOR VEHICLES

We will continue to direct our effort towards the development of our business on other types of motor vehicles. Recognizing the difficulty to penetrate the market, our online business platforms for private cars and commercial vehicles provide a channel for us to reach to more customers directly.

We are proactively forming alliances with other business partners to provide all rounded services to our customers and extend our reach to our target customers. Our dedicated customer service team can promptly attend to all customers' enquiries and provide a better service experience to our customers.

STRENGTHENING RELATIONSHIP WITH INSURANCE INTERMEDIARIES

Actively managing our relationship with existing agent network and developing new relationship with other insurance intermediaries are the key to maintain our market position. We will continue to participate in and sponsor activities by industry organizations and media partners.

BUILDING UP INTERNAL CAPACITY

There are three areas in which we will invest in 2017 to build up our internal capacity to prepare for our future:

– **Human Resources:** In addition to the professional team we have recruited, we will continue to search for suitable candidates to join our team to build our capacity to deal with the business needs and regulatory developments.

– **Information Technology:** To handle the collection of levies on insurance policy premiums from policy holders and support the adoption risk-based capital framework, we will continue to upgrade our information technology systems. We will also enhance our cybersecurity practice to ensure protection of customers' data on online business platforms.

– **Permanent Office Premises:** To cope with the expansion of the Group's business, we will relocate to the new permanent office premises acquired last year.

RESULTS AND APPROPRIATIONS

The Group's profit for the year ended 31 December 2016 and the state of affairs of the Company and of the Group as at that date are set out in the financial statements on pages 73 to 134.

The Directors do not recommend the payment of final dividend in respect of the year ended 31 December 2016. The Company maintains its dividend policy intend to distribute dividend of not less than 30% of any net consolidated distributable profit derived for the year as stated in the Prospectus.

CLOSURE OF REGISTER OF MEMBERS

For determining the identity of the shareholders to attend and vote at the annual general meeting of the Company to be held on Tuesday, 23 May 2017 ("2017 AGM"), the register of members of the Company will be closed from Wednesday, 17 May 2017 to Tuesday, 23 May 2017, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2017 AGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 16 May 2017.

SHARE CAPITAL

Details of movements in the Company's share capital for the year ended 31 December 2016 are set out in note 24 to the financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2016.

PERMITTED INDEMNITY PROVISION

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

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

The Company together with its subsidiaries are principally engaged in insurance business in Hong Kong, the companies within the Group are subject to various laws and regulations including Companies Ordinance (Cap. 622), Business Registration Ordinance (Cap. 310), Inland Revenue Ordinance (Cap. 112), Employment Ordinance (Cap. 57), Copyright Ordinance (Cap. 528) and Trademark Ordinance (Cap. 559). Our Group has put in place internal controls and staff resources to ensure ongoing compliance of the same and to maintain cordial working relationships with regulators through effective communication. We set out our compliance with respect to the listing of the shares of the Company and insurance business of Target as below:

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

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

During 2016, our Group has complied, to the best of our knowledge, with the Listing Rules and SFO.

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

Companies carrying on insurance business in or from Hong Kong must obtain authorization from the IA. Authorization will only be granted to insurers meeting certain requirements under the ICO, including, among other things, the following aspects: paid up capital amount, solvency margin, fitness and properness of directors and controllers, adequacy of reinsurance arrangements as well as results of actuarial review. Our Group recognizes the importance of compliance with the ICO requirements and the risk of non-compliance with such requirements could lead to the termination of operating licenses.

During 2016, our Group has obtained all the approvals, permits, consents, licences and registrations required for our business and operations and all of them are in force.

CHARITABLE DONATIONS

During the year ended 31 December 2016, the Group made charitable donations amounting to approximately HK$539,000 (2015: HK$39,000).

ENVIRONMENTAL POLICY AND PERFORMANCE

The Board adopted Environmental, Social and Governance Policy on 22 March 2016. A report on the environmental and social practices adopted by the Company is set out on pages 58 to 66 of the 2016 Annual Report.

DISTRIBUTABLE RESERVES

As at 31 December 2016, the Company's reserves available for distribution to the Shareholders amounted to approximately HK$7,676,000 (31 December 2015: HK$30,457,000).

DIRECTORS

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

Executive Directors
Dr. Cheung Haywood
Mr. Lai Bing Leung
Mr. Chiu Sun Ting
Dr. Choi Chiu Fai Stanley
Mr. Muk Wang Lit Jimmy
Mr. Chan Hok Ching

Independent Non-executive Directors
Mr. Wan Kam To
Mr. Wong Shiu Hoi Peter
Mr. Szeto Wai Sun
Mr. Yuen Tak Tim Anthony *MH, JP*

According to the Articles and to be in line with the code provisions of the Corporate Governance Code ("CG Code"), all Directors shall retire upon expiration of their term of appointment and at least once in every three years and shall be eligible for re-election.

The term of appointment of Mr. Wan Kam To, Mr. Wong Shiu Hoi Peter and Mr. Szeto Wai Sun expired on 15 January 2017, and each of them has entered into a renewed letter of appointment with the Company on 24 February 2017 for the renewal of the term of appointment for two years with retrospective effect from 15 January 2017 and ending on 14 January 2019.

The term of appointment of Mr. Yuen Tak Tim Anthony shall expire on 14 April 2017, and Mr. Yuen has entered into a renewed letter of appointment with the Company on 27 March 2017 for the renewal of the term of appointment for two years from 14 April 2017 and ending on 13 April 2019.

In accordance with Article 72(1) of the Articles, Messrs. Wan Kam To, Wong Shiu Hoi Peter, Szeto Wai Sun and Yuen Tak Tim Anthony shall retire at the forthcoming 2017 AGM, and being eligible, offer themselves for re-election.

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

TARGET

Executive directors
Dr. Cheung Haywood
Mr. Lai Bing Leung
Mr. Chiu Sun Ting
Dr. Choi Chiu Fai Stanley
Mr. Muk Wang Lit Jimmy
Mr. Chan Hok Ching

Independent non-executive directors
Mr. Wan Kam To
Mr. Wong Shiu Hoi Peter
Mr. Szeto Wai Sun
Mr. Yuen Tak Tim Anthony *MH, JP*

TARGET AGENCY SERVICES LIMITED

Mr. Muk Wang Lit Jimmy
Mr. Chan Hok Ching
Ms. Lau Ka Yee

TARGET CREDIT LIMITED

Mr. Muk Wang Lit Jimmy
Mr. Chan Hok Ching
Ms. Lau Ka Yee

CHARTERED PROPERTIES LIMITED

Dr. Cheung Haywood (appointed on 30 November 2016)
Mr. Muk Wang Lit Jimmy (appointed on 30 November 2016)
Mr. Chan Hok Ching (appointed on 30 November 2016)
Ms. Lau Ka Yee (appointed on 30 November 2016)

INDEPENDENCE CONFIRMATION

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

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company on 1 November 2014 for an initial term of three years with effect from 15 January 2015, and thereafter be continuous unless and until terminated by not less than three months' notice in writing served by either party on the other or by payment of three months' fixed salary in lieu of such notice. Each of the executive Directors may be entitled to a discretionary bonus as may be determined by the remuneration committee of the Company from time to time and approved by majority of the members of the Board by reference to the then prevailing market conditions, the performance of the Company as well as his individual performance.

Among the independent non-executive Directors, each of Mr. Wong Shiu Hoi Peter, Mr. Wan Kam To and Mr. Szeto Wai Sun has entered into a letter of appointment on 1 November 2014 with the Company for a period of two years commencing from 15 January 2015 subject to the provision of retirement under the Articles. Each of Mr. Wan Kam To, Mr. Wong Shiu Hoi Peter and Mr. Szeto Wai Sun has entered into a renewed letter of appointment with the Company on 24 February 2017 for the renewal of the term of appointment for two years with retrospective effect from 15 January 2017 and ending on 14 January 2019.

Mr. Yuen Tak Tim Anthony has entered into a letter of appointment on 14 April 2015 with the Company for a period of two years commencing from 14 April 2015 subject to the provision of retirement under the Articles. Mr. Yuen Tak Tim Anthony has entered into a renewed letter of appointment with the Company on 27 March 2017 for the renewal of the term of appointment for two years from 14 April 2017 and ending on 13 April 2019.

DIRECTORS' INTERESTS IN CONTRACTS

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

DIRECTORS' INTERESTS IN SHARES

As at 31 December 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 SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"), are set out below:

INTERESTS IN THE COMPANY

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

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. Included interest in 1,640,000 shares derived from the interest in the share options granted under the Pre-IPO Share Option Scheme, details are set out in the section headed "Interest in Share Options".

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

Save as disclosed above, none of the Directors or chief executive of the Company or their associates, had any interest or short position in any shares, underlying shares or debentures of the Company or its associated corporations as at 31 December 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.

INTEREST IN SHARE OPTIONS

PRE-IPO SHARE OPTION SCHEME

Pursuant to a written resolution of the sole Shareholder passed on 30 September 2014, the rules of the Pre-IPO Share Option Scheme were approved and adopted. The purpose of the Pre-IPO Share Option Scheme is to enable the Company to grant options to the participants of the Pre-IPO Share Option Scheme as incentives or rewards for their contribution to the growth of the Group and to provide the Group with a more flexible means to reward, remunerate, compensate and/or to provide benefits to the participants of the Pre-IPO Share Option Scheme. The maximum number of Shares which may be issued upon the exercise of all options granted under the Pre-IPO Share Option Scheme is 13,390,000 Shares representing approximately 2.57% of the issued Shares as at the date of this report. Other details of the Pre-IPO Share Option Scheme were set out in the Prospectus.

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

Name or category of participants	Balance as at 1 January 2016	Exercised during the year	Cancelled during the year	Forfeited during the year	Outstanding as at 31 December 2016	Exercise price (HK$)	Exercisable period
Directors							
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
Sub-total:	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
Total:	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:

(a) one-third vesting after the expiry of 12-month period from and including 15 January 2015;

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

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

The Pre-IPO Share Option Scheme ended on 14 January 2015, being the day immediately prior to the Listing Date (as defined below).

The weighted average closing price of the shares immediately before the dates on which share options were exercised was HK$2.15.

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 subsidiaries from time to time (the "Eligible Participants") as incentives or rewards for their contribution to the growth of the Group and to provide the Group with a more flexible means to reward, remunerate, compensate and/or provide benefits to the Eligible Participants.

The principal terms of the Scheme are summarized as follows:

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

   As at the date of this report, the total number of Shares available for issue under the Scheme is 50,000,000 Shares, which represents 9.59% of the issued Shares as at the date of this report.

2. The total number of Shares issued and to be issued upon exercise of the options granted to each eligible participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the total number of Shares in issue.

3. The subscription price for Shares in respect of any options granted under the Scheme shall be such price as the Board shall determine, provided that such price shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of offer of the option, which must be a business day; and (ii) the average closing price per Share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of offer of the option.

4. An option may be exercised in accordance with the terms of the Scheme at any time during a period to be notified by the Board to each grantee, the expiry date of such period not to exceed 10 years from the date of the grant of the option.

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

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

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

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

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SUBSTANTIAL SHAREHOLDERS

As at 31 December 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:

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

Notes:

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

2. Convoy Collateral Limited is wholly-owned by Convoy (BVI) Limited, Convoy (BVI) Limited is wholly-owned by Convoy Global Holdings Limited. Therefore, Convoy Global Holdings Limited is deemed to be interested in these 75,484,000 Shares pursuant to the SFO.

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

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

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 31 December 2016.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code during the year ended 31 December 2016.

CONNECTED TRANSACTIONS

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

EXEMPT CONTINUING CONNECTED TRANSACTIONS

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

1. PROVISION OF INSURANCE SERVICES BY TARGET TO CONNECTED PERSONS

   The Group provides motor insurance services in respect of private motor vehicles belonging to certain connected persons in the ordinary and usual course of business of the Group. Each of the above insurance policies is for a term of one year and on normal commercial terms. Each of the insurance policies was individually entered into between us and each of the relevant connected persons.

   The relevant connected persons with whom the Group has provided motor insurance services are certain Directors, namely Dr. Cheung, Mr. Lai, Mr. Chiu, Dr. Choi and/or their associates, being private companies controlled by them or their family members.

   For the year ended 31 December 2016, the aggregate annual premium paid to the Group from the relevant connected persons were approximately HK$0.2 million.

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

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

   Oscar is owned as to 92% by Mr. Lai, an executive Director. Accordingly, Oscar is an associate of Mr. Lai, and a connected person of the Company.

   Target has entered into an agency agreement with Oscar on 23 December 2014 (the "Oscar Agency Agreement"). Under the Oscar Agency Agreement, Target shall pay to Oscar commissions in respect of motor insurance policies issued and renewed through the agency services provided by Oscar. The rates of the commissions payable to Oscar are determined on an arm's length basis and comparable to prevailing market rates or at rates similar to those payable by the Group to independent third parties.

   The Oscar Agency Agreement is for a term of 3 years with retrospective effect from 1 January 2014 and ended on 31 December 2016. Either Target or Oscar may terminate the Oscar Agency Agreement at any time by giving to the other party 30 days' notice in writing. Target has entered into a renewed Oscar Agency Agreement on 3 January 2017 for the renewal of the agency agreement retrospectively from 1 January 2017 onwards.

   For the year ended 31 December 2016, the aggregate amount of commissions paid to Oscar was approximately HK$0.9 million.

3. **SECURITIES TRADING THROUGH HEAD & SHOULDERS SECURITIES LIMITED**

   During the year, the Group traded listed securities through Head & Shoulders Securities Limited ("H&S"), a company controlled by Dr. Choi an executive Director. The Group paid HK$58,000 (2015: HK$22,000) brokerage to H&S.

As the applicable percentage ratios under Chapter 14 of the Listing Rules for the transactions under the provision of insurance services, the Oscar Agency Agreement and the brokerage to H&S are on an annual basis less than 5% and the annual total consideration is less than HK$3 million, by virtue of Rule 14A.76(1)(c) of the Listing Rules, such transactions constitute de minimis continuing connected transactions fully exempt from shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

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

PROVISION OF INSURANCE AGENCY SERVICES BY ATLANTIC OCEAN UNDERWRITERS LIMITED

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

Atlantic Ocean's entire issued share capital is owned as to approximately 93.8% by Mr. Lai Yiu Kwong, a brother of Mr. Lai, an executive Director. Accordingly, Atlantic Ocean is an associate of Mr. Lai, and a connected person of the Company.

Target has entered into an agency agreement with Atlantic Ocean on 23 December 2014 (the "Atlantic Ocean Agreement"). Under the Atlantic Ocean Agreement, Target shall pay to Atlantic Ocean commissions in respect of motor insurance policies issued and renewed through the agency services provided by Atlantic Ocean. The rates of the commissions payable to Atlantic Ocean are determined on an arm's length basis and comparable to prevailing market rates or at rates similar to those payable by the Group to independent third parties.

The Atlantic Ocean Agreement is for a term of 3 years with retrospective effect from 1 January 2014 and ended on 31 December 2016. Either Target or Atlantic Ocean may terminate the Atlantic Ocean Agreement at any time by giving to the other party 30 days' notice in writing. Target has entered into a renewed Atlantic Ocean Agreement on 15 December 2016 for the renewal of the agency agreement from 1 January 2017 to 31 December 2019.

For the year ended 31 December 2016, the aggregate amount of commission paid to Atlantic Ocean was approximately HK$4.6 million.

Annual Cap

The annual cap under the Atlantic Ocean Agreement for the financial year ended 31 December 2016 is HK$7.7 million.

As the applicable percentage ratios under Chapter 14 of the Listing Rules for the transactions under the Atlantic Ocean Agreement are on an annual basis less than 25% and the annual total consideration is less than HK$10 million, by virtue of Rule 14A.76(2)(b) of the Listing Rules, such transactions constitute continuing connected transactions exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

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

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

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

2. on normal commercial terms or better; and

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

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

(i) has not been approved by the Board;

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

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

NON-COMPETITION UNDERTAKING

Each of the controlling shareholders of the Company, namely, Dr. Cheung, Dr. Choi, Mr. Chiu, Mr. Lai, Independent Assets, Allied Connect, Generous Rich and Champion City (collectively the "Covenantors") has entered into a deed of non-competition (the "Deed of Non-Competition") in favour of the Company (for the Company itself and as trustee for each of the subsidiaries of the Company from time to time), pursuant to which each of the Covenantors jointly and severally, irrevocably and unconditionally undertakes and covenants with the Company (for the Company itself and as trustee for each of the subsidiaries of the Company from time to time) that during the period when the Covenantors and/or their respective associates, directly or indirectly, whether individually or taken together, remain as the substantial shareholders (as defined in the Listing Rules) of the Company (the "Restricted Period"), he/it will not and will procure his/its respective associates not to directly or indirectly, either on their own account or in conjunction with or on behalf of any person, firm or company (whether as an investor, shareholder, partner, director, management, employee, consultant, agent or otherwise or whether for profit, reward or otherwise), engage, participate or hold any right or interest in or render any services to or otherwise be involved or interested in any business carried out by the Group comprising, but without limitation to, motor insurance business and general insurance business, which is or may be in competition with the business of any members of the Group from time to time. Details of the Deed of Non-Competition are set out in the section headed "Relationship with Controlling Shareholders" of the Prospectus.

The Deed of Non-Competition will cease to have effect upon the earlier of the date after the listing of the shares of the Company on the Stock Exchange on which (i) the Covenantors cease to be, either individually or collectively with any of their respective associates, the substantial Shareholders of the Company; or (ii) the securities of the Company cease to be listed on the Stock Exchange or any other stock exchange recognized under the SFO.

Dr. Choi and Allied Connect ceased to be substantial shareholder of the Company since 25 June 2015 and since then, Dr. Choi and Allied Connect ceased to be the Covenantors.

Each of the Covenantors (except Dr. Choi and Allied Connect) has provided to the Company a written confirmation in respect of his/its full compliance with the Deed of Non-Competition for the year ended 31 December 2016.

The independent non-executive Directors of the Company have reviewed the written confirmation made by the Covenantors of the compliance by each of the Covenantors with the undertakings in the Deed of Non-Competition and have confirmed that, as far as they can ascertain, there is no breach of any of the undertakings in the Deed of Non-Competition given by the Covenantors.

As of the date of this report, the Company is not aware of any other matters regarding the compliance of the undertakings in the Deed of Non-Competition and there has not been any change in the terms of the Deed of Non-Competition during the year ended 31 December 2016.

MANAGEMENT AND ADMINISTRATION CONTRACT

Target entered into an agreement and a supplement deed with Eastop Motors Limited ("Eastop"), an independent third party, on 1 April 2005 and 15 October 2014 respectively, pursuant to which the services that Eastop provides to the Group exclusively include, inter alia, (i) gathering feedback and handling queries from the customers about the motor insurance products and services provided by our Group; (ii) managing and overseeing the performance of the agents and the end customers of their duties under the insurance policies; (iii) providing assistance to customers in their claims; and (iv) providing other after-sales services.

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

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

MAJOR CUSTOMERS AND REINSURERS

During 2016, the percentage of gross premium written attributable to the largest customer and the five largest customers of the Group is 2.5% and 6.8% respectively.

During 2016, the largest reinsurer and the five largest reinsurers of the Group accounted for approximately 29.7% and 82.7% of the total reinsurer's portion of loss of the Group respectively.

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

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as required under the Listing Rules for the year ended 31 December 2016.

AUDIT COMMITTEE

The Company established an audit committee ("Audit Committee") on 23 December 2014 with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The terms of reference of the Audit Committee has been revised on 31 December 2015 to be in line with the revised Corporate Governance Code effective for the financial year started from 1 January 2016. The primary duties of the Audit Committee during the year 2016 were to review and supervise the financial reporting process and internal control system of the Group. The Audit Committee comprises four independent non-executive Directors of the Company, namely Mr. Wan Kam To (as chairman), Mr. Wong Shiu Hoi Peter, Mr. Szeto Wai Sun and Mr. Yuen Tak Tim Anthony. The Audit Committee has reviewed the audited financial statements of the Group for the year ended 31 December 2016.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 46 to 57 of the 2016 Annual Report.

AUDITOR

The consolidated financial statements for the year ended 31 December 2016 have been audited by Mazars CPA Limited, who term of appointment shall expire at the conclusion of the 2017 AGM. A resolution will be submitted to the 2017 AGM for the re-appointment of Mazars CPA Limited as auditor of the Company.

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

Hong Kong, 27 March 2017

CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE PRACTICE

The Company has adopted the code provisions set out in the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. For the year ended 31 December 2016, the Company has complied with the relevant provisions of the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct regarding directors' securities transactions on terms no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, all the Directors have confirmed that they have complied with the required standards as set out in the Model Code during the year ended 31 December 2016.

BOARD OF DIRECTORS ("BOARD")

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

The Board currently consists of ten Directors including six executive Directors and four independent non-executive Directors:

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. WAN Kam To
Mr. WONG Shiu Hoi Peter
Mr. SZETO Wai Sun
Mr. YUEN Tak Tim Anthony *MH, JP*

The Board members have no financial, business, family or other material/relevant relationships with each other. Such balanced board composition is formed to ensure strong independence exists across the Board and has met the recommended practice under the CG Code for the Board to have at least one-third of its members comprising independent non-executive Directors. The biographical information of the Directors are set out on pages 14 to 18 under the section headed "Biographical Details of Directors and Senior Management".

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

The four independent non-executive Directors are persons of high caliber, with academic and professional qualifications in the fields of accounting, legal and investment. With their experience gained from various sectors, they provide strong support towards the effective discharge of the duties and responsibilities of the Board. Each independent non-executive Director has given an annual confirmation of his independence to the Company for the year ended 31 December 2016, and the Company considers each of them was independent under Rule 3.13 of the Listing Rules.

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

BOARD MEETINGS

During the financial year ended 31 December 2016, the Board held four meetings. All Directors were given an opportunity to include any matters in the agenda for regular Board meetings, and were also given sufficient time to review documents and information relating to matters to be discussed in Board meetings in advance.

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

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

GENERAL MEETING

During the year ended 31 December 2016, the 2016 annual general meeting was held on 25 May 2016.

Name of Director	Number of attendance
Dr. Cheung Haywood	1/1
Mr. Lai Bing Leung	1/1
Mr. Chiu Sun Ting	1/1
Dr. Choi Chiu Fai Stanley	0/1
Mr. Muk Wang Lit Jimmy	1/1
Mr. Chan Hok Ching	1/1
Mr. Wan Kam To	1/1
Mr. Wong Shiu Hoi Peter	1/1
Mr. Szeto Wai Sun	1/1
Mr. Yuen Tak Tim Anthony	1/1

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

DIRECTORS' CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT

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

All Directors have participated in continuous professional development by way of receiving in-house briefing, taking part in business-related training/activities and attending seminars relating to their role as a Director of the Company. Each of the Directors has provided a record of training they received for the year ended 31 December 2016 to the Company.

The individual training record of each Director received for the year ended 31 December 2016 is set out below:

Name of Director	Attending or participating in seminars/workshops or working in technical committee relevant to the Group's business/directors' duties
Dr. Cheung Haywood	√
Mr. Lai Bing Leung	√
Mr. Chiu Sun Ting	√
Dr. Choi Chiu Fai Stanley	√
Mr. Muk Wang Lit Jimmy	√
Mr. Chan Hok Ching	√
Mr. Wan Kam To	√
Mr. Wong Shiu Hoi Peter	√
Mr. Szeto Wai Sun	√
Mr. Yuen Tak Tim Anthony	√

NOMINATION COMMITTEE

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

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

The terms of reference of the Nomination Committee is currently made available on the Stock Exchange's website and the Company's website.

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

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

During the financial year ended 31 December 2016, the Nomination Committee held one meeting and reviewed the structure, size and diversity of the Board and assessed the independence of each independent non-executive director.

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

REMUNERATION COMMITTEE

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

The terms of reference of the Remuneration Committee is currently made available on the Stock Exchange's website and the Company's website.

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

During the financial year ended 31 December 2016, the Remuneration Committee held three meetings and have reviewed: (i) the salary adjustment to the Directors and senior management; (ii) the remuneration of executive Directors and independent non-executive Directors, (iii) the remuneration policy of the Company, and (iv) the vesting conditions of the share options granted under the Pre-IPO Share Option Scheme.

Name of Director	Number of attendance
Mr. Wong Shiu Hoi Peter *(chairman)*	3/3
Mr. Chan Hok Ching	3/3
Mr. Szeto Wai Sun	3/3

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

The emolument payable to Directors will depend on their respective contractual terms under employment contracts or service contracts, if any, and will be fixed by the Board with recommendation of the Remuneration Committee, the performance of the Group and the prevailing marketing conditions. Details of the Directors' remuneration and senior management for the year ended 31 December 2016 are set out in notes 10 and 11, respectively, to the financial statements.

AUDIT COMMITTEE

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

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

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

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

During the financial year ended 31 December 2016, the Audit Committee held three meetings and reviewed, among others, the 2015 annual results and 2016 interim results of the Group.

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

RISK COMMITTEE

The Company established a Risk Committee on 23 December 2014 in order to meet best practices and enhance business management as suggested in the consultation paper on a risk-based capital framework for the insurance industry of Hong Kong. The primary duties of the Risk Committee are (i) to advise the risk profile and risk management strategy of the Group; (ii) to consider, review and approve risk management policies and guidelines; and (iii) to decide on risk levels and related resources allocation. The risk committee will also be responsible for advising further enhancement on corporate governance in preparation for the requirements under the risk-based capital framework (including the appointment of a chief risk officer).

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

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

During the financial year ended 31 December 2016, the Risk Committee held four meetings and reviewed (i) the annual/interim risk assessment of the Company, (ii) the risk assessment on the new business operations, (iii) the risk assessment on cybersecurity and information technology policies, (iv) the regulatory development on risk management, (v) the risk management policy of the Company, and (vi) the financial impact of proposed salary adjustments and bonus.

Name of Director	Number of attendance
Mr. Wong Shiu Hoi Peter *(chairman)*	4/4
Mr. Szeto Wai Sun	4/4
Mr. Yuen Tak Tim Anthony	4/4
Mr. Muk Wang Lit Jimmy	4/4
Mr. Chan Hok Ching	4/4

CORPORATE GOVERNANCE FUNCTIONS

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

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

During the year ended 31 December 2016, the Board has reviewed the Company's policies and practices on corporate governance.

AUDITORS' REMUNERATION

For the year ended 31 December 2016, the remuneration paid/payable to the Company's auditors, Mazars CPA Limited ("Mazars"), is set out below:

	Fee paid/payable HK$'000
Services Rendered	
– Audit services (Note 1)	1,040
– Non-audit services (Note 2)	285
Total	1,325

Notes:

1. The audit services provided by Mazars include the audit of the consolidated financial statements of the Group for the year ended 31 December 2016.

2. The non-audit services provided by Mazars include the review of the interim financial information of the Group for the six months ended 30 June 2016, tax services, report on the continuing connected transactions of the Company for the year ended 31 December 2016 and other related services.

COMPANY SECRETARY

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

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

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

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

SHAREHOLDERS' RIGHTS

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

SHAREHOLDERS TO CONVENE A GENERAL MEETING

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

PUTTING ENQUIRIES BY SHAREHOLDERS TO THE BOARD

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

PROCEDURES FOR PUTTING FORWARD PROPOSALS BY SHAREHOLDERS AT GENERAL MEETING

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

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

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

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

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

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2016, there was no change in the Articles of Association of the Company.

The existing Articles of Association of the Company are available on the websites of the Stock Exchange and the Company.

VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. As such, all the resolutions set out in the notice of the 2017 AGM will be voted by poll.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

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

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Company's consolidated financial statements for each financial year which give a true and fair view of the state of affairs of the Group and the Company and of the results and cash flows of the Group for that year. In preparing the consolidated financial statements for the year ended 31 December 2016, the Board has selected suitable accounting policies and applied them consistently; made judgments and estimates that are prudent, fair and reasonable and prepared the accounts on a going concern basis.

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

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

RISK MANAGEMENT AND INTERNAL CONTROL

GOVERNANCE STRUCTURE

The Board acknowledges its responsibility for overseeing the risk management and internal control systems of the Group and reviewing their effectiveness at least half-yearly through the Audit Committee and Risk Committee.

The Board has overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems. The scope of internal controls covers not only financial controls but also operational and compliance controls as well as risk management. The system is intended to provide reasonable assurance, but not an absolute guarantee, against material financial misstatement or loss.

The Audit Committee assists the Board in fulfilling its oversight and corporate governance roles in the Group's financial, operational, compliance, risk management and internal controls (financial control and reporting system), and the resourcing of the finance and internal audit functions.

The Risk Committee oversees the senior management's activities in managing the key risk areas of the Group. The Group has established internal controls (other than financial control and reporting system) to manage risk in the key areas of exposure relevant to its business and the Risk Committee has a risk management framework to identify significant areas of business risk and to effectively and expeditiously manage those risks. Systems are designed to provide reasonable assurance that the assets of the Group are safeguarded, insurance risk exposure is within desired limits, reinsurance protections are adequate and counter-parties are subject to security assessment.

RISK MANAGEMENT METHODOLOGIES

In order to meet its risk management objectives, each business function within the Company is required to identify, assess, measure and control its risk in line with the policy set by the Board.

The following tools and techniques are used by each business unit, in line with the nature and scale of the business risks.

(A) RISK AND CONTROL SELF-ASSESSMENT ("RCSA")

RCSA is a key component of the Company's risk framework and involves, on a half-yearly basis, each business unit within the Company proactively identifying and assessing its significant risks and the controls in place to manage those risks.

RCSA is intended to add value to the Company by providing a prioritized assessment of the significant risks and controls to its business objectives, which:

- draws on the input of management and staff across the Company;
- draws on the output of loss event data and/or key risk indicators;
- is updated half-yearly, by means of a series of assessment workshops, meetings or questionnaires;
- focuses on the root causes of risk, rather than just its effects;
- draws on the Company's common risk language and categorization for risk in order to analyze and aggregate the results of the self-assessment; and
- allocates ownership or accountability to the key risks and related controls to managers and staff best placed to manage them.

The results are reported as part of half-yearly management reporting, collated by the risk management function.

(B) RISK REGISTER

The results of RCSA and relevant risk analysis are documented in a risk register.

For each risk identified, the risk analysis process shall include the following:

- Risk impact: the potential impact or consequence if risk does occur.
- Probability: the likelihood of occurrence of each consequence associated with the risk.
- Control Rating: the adequacy of existing controls.

(C) RISK TREATMENT

Risk treatment involves selecting and agreeing one or more relevant options for changing the occurrence of, or mitigating the effect of risks, and implementing these options.

Once risks have been assessed and discussed, risk treatments shall be recommended to address the risks to ensure that the Company's risks are identified and addressed in line with the entities' business objectives. The risk treatment options generally include but not limited to the following:

- Risk transfer: This involves another party bearing or sharing all or part of the risk by the use of contracts, insurance, outsourcing, joint ventures, and partnership, etc;

- Risk avoidance: removing the source of the risk or deciding not to start or continue with the activity that gives rise to the risk if applicable;

- Risk reduction: reducing the likelihood of the risk occurring and the consequences of the risk if it does occur:

- Possible actions to reduce the likelihood include: preventative maintenance, audit and compliance programs, supervision, contract conditions, policies and procedures, testing, investment and portfolio management, training of staff, technical controls and quality assurance program etc;

- Possible actions to reduce the consequences include: contingency or crisis management planning, contract conditions, disaster recovery & business continuity plans, off-site back-up, public relations, emergency procedures, staff training and fraud control planning etc;

- Risk acceptance/Retention: retaining the risk by choice. If, after controls are put in place, the remaining risk is deemed acceptable to the Company, the risk can be retained. However, plans should be put in place to manage/fund the consequences of the risk, should it occur.

Risk treatment shall be recorded in the Risk Register accordingly and shall be maintained by the Risk management function.

WHISTLEBLOWING POLICY

The Audit Committee has established and oversees a whistleblower policy and a set of comprehensive procedures whereby employees, customers, suppliers and other concerned parties can report any actual or suspected occurrence of improper conduct involving the Company, and for such matters to be investigated and dealt with efficiently in an appropriate and transparent manner.

HANDLING INSIDE INFORMATION

The Group regulates the handling and dissemination of inside information according to the "Guidelines on Disclosure of Inside Information" published by the Securities and Future Commission in June 2012 to ensure inside information remains confidential until the disclosure of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made. The Company regularly reminds the Directors and employees about due compliance with all policies regarding the inside information. Also, the Company keeps Directors, senior management and employees appraised of the latest regulatory updates. The Company shall prepare or update appropriate guidelines or policies to ensure the compliance with regulatory requirements.

The Board, through the Audit and Risk Committees, has reviewed and confirmed the effectiveness of the internal control systems of the Company and its subsidiaries for the year ended 31 December 2016, including the adequacy of resources, staff qualification and experience, training programmes and budget of the Company's accounting and reporting function and risk management function. The Group currently does not have an internal audit department but appoint RSM Consulting (Hong Kong) Limited to carry out annual internal control review. The Board will review and consider to establish such department as and when it thinks necessary.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") APPROACH

Our Group's overall approach to ESG is guided by Environmental, Social and Governance Reporting Guide (Appendix 27) of the Listing Rules. ESG is viewed as a business philosophy that creates sustainable value for shareholders by embracing opportunities and managing risks deriving from economic, environmental and social developments. This policy defines our long-term approach to specific issues in the three cornerstones: Environment, Workplace and Community, which are instrumental in enabling our business to operate in a sustainable manner. Within each cornerstone, core principles and pragmatic objectives provide guidance on practicing ESG in our daily operations.

ENVIRONMENT

Care for the environment by minimizing the environmental impact concerning our activities, as well as products and services engaged. Going beyond the compliance with the relevant laws and regulations that have a significant impact on our Group and other requirements to which our Group subscribes, we aspire to prevent pollution, reduce waste, increase recycling and minimize natural resource use by continually improving our environmental management practices and measures, educating our employees to adopt environmentally responsible behavior, and promoting environmental protection.

ENERGY EFFICIENCY

To meet our needs in writing all classes of general insurance business, we have expanded our office space with the increasing number of employees. Our energy consumption was effectively controlled by our energy use policy. At both of our existing and newly renovated offices, we use energy-saving lamps rather than ordinary light and had replaced all cathode ray tube (CRT) monitors with liquid crystal display (LCD) monitors.

We have developed and implemented a number of internal environmental guidelines to improve our environmental performance. As a responsible employer, we provide training and resources to enhance our staff's environmental consciousness, for the sake of ourselves and more importantly, our next generation. For example, we have been stressing to our staff the importance of energy and resources conservation. Switch off some air-conditioners to reduce the consumption of electricity during days of low temperature. Our air-con usage guidelines also specify that we have to maintain an average door temperature between 24-25 degree Celsius during months between June and September. For the use of ink or toner, our staff will recycle all toners or use refillable toners for the printers. We also purchased three multi-functional printers (all-in-one devices with the function of copying, printing and facsimile) in our office and replaced most of the old printers that consume more energy. As a result, our consumption per office area decreased by 25.0% to 9kWh/ft^2 (2015: 12kWh/ft^2).

We were awarded Green Office Awards Labelling Scheme by World Green Organization for three consecutive years. This award was a great recognition to our effort on environmental protection.

PAPERLESS DAILY OPERATION

Target proactively advocate the use of electronic platform in daily operation to reduce the consumption on papers. We developed a comprehensive online business platform (www.6161.com.hk) in 2015 to promote our insurance products. This platform allows our customers to purchase private cars and commercial vehicles insurance online in order to reduce the consumption on papers. Customers can get instant quotation and purchase motor policy on our website instead of filling forms to submit the applications. In 2016, 10% of our policies are conducted via our website to customers which effectively reduced the use of paper. Moreover, we use paper products certified by PEFC (Programme for the Endorsement of Forest Certification) which is an international non-profit organization to promote Sustainable Forest Management. We also set up paper recycling bins in our office to encourage our staff to recycle the used paper rather than throwing them into bins directly.

SOCIAL PARTICIPATION

We encourage our staff to participate in environmental-related events to enhance their awareness of environment protection. "Green WALK Hong Kong 2016", with a vision to transform Hong Kong to a 'walkable city', is one of the public activities organized by World Green Organization in November 2016. We believe that, more walking has not only make them healthier, they also contribute to a greener earth by reducing the emission of carbon dioxide.

To promote the message of "Green Lifestyle", we donated used printers, notebooks and boxes of toner to Caritas in 2016, and the refurbished computers will be deployed to the deprived people or non-profit making organizations for educational or social purposes. The unusable computers and parts will also be dismantled in an environmentally-friendly method to avoid producing electronic waste harmful to the environment.

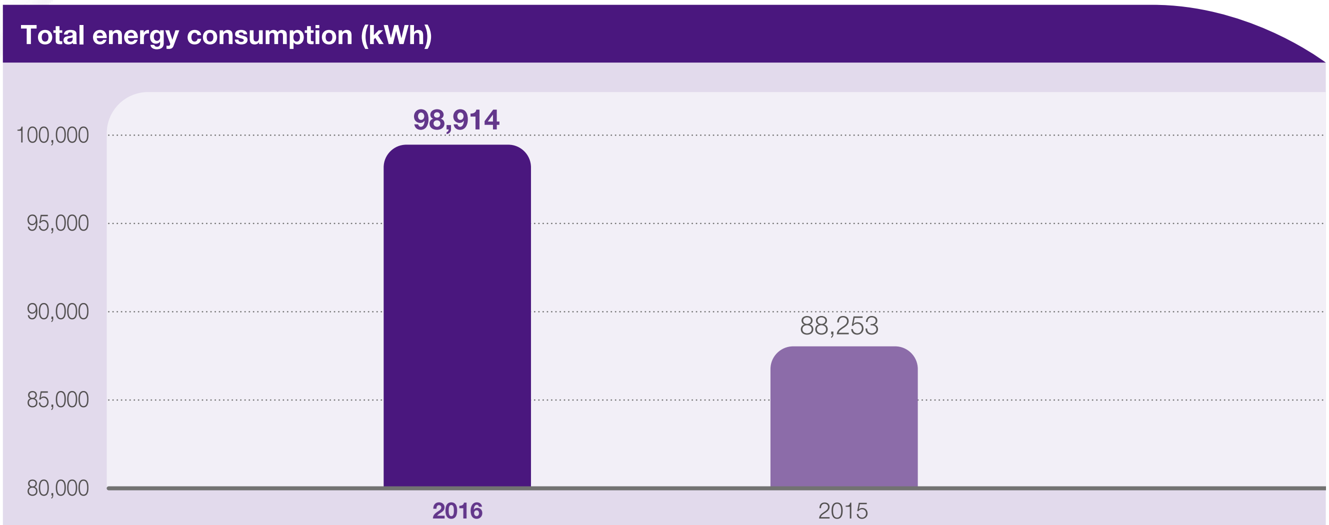
We summarize our performance indicators for environment as below:

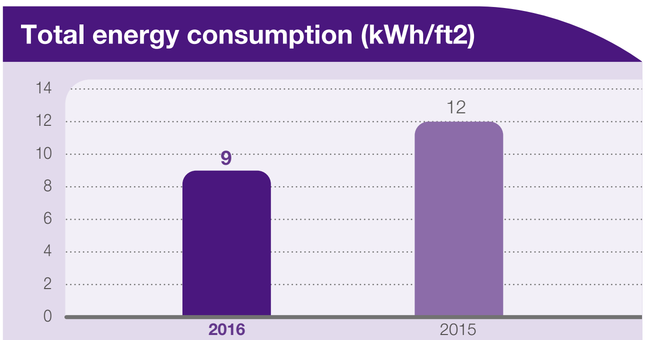
Environmental Performance	2016	2015	% Change
Paper			
Paper purchases			
Total paper used (kg)(1)	**Immaterial**	Immaterial	n/a
Total energy consumption			
Total electricity consumption (kWh)	**98,914**	88,253	12.1%
Energy intensity			
By floor area (kWh/ft^2)	**9**	12	(25.0%)
By number of employees (kWh/person)	**138**	128	7.8%
Greenhouse Gas GHG emissions			
Direct emissions (Scope 1) (tonnes)	**–**	–	n/a
Indirect emissions (Scope 2) (tonnes)	**46**	42	9.5%
Other indirect emissions (Scope 3) (tonnes)(1)	**Immaterial**	Immaterial	n/a
Water			
Total water consumption (cubic metres)(1)	**Immaterial**	Immaterial	n/a

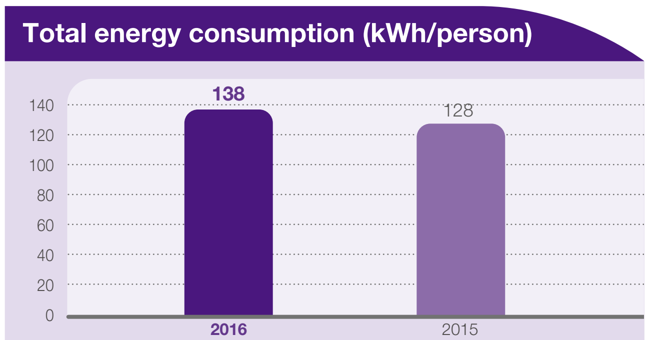
Note:

(1) Our Group does not have manufacturing operations, the resources consumption have immaterial impact to the environment.

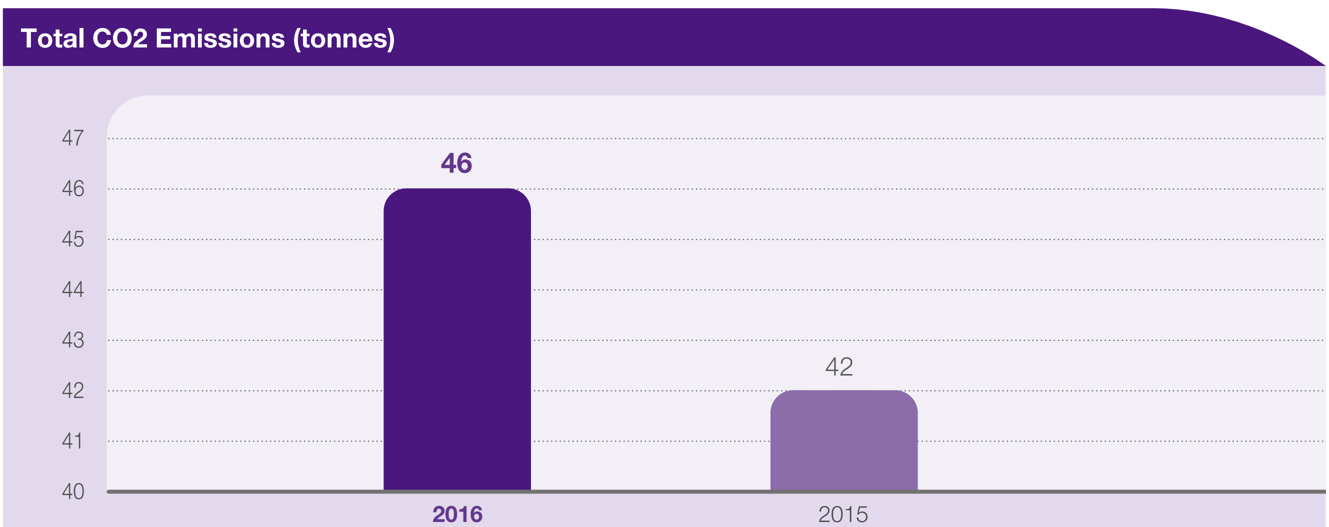
RESOURCES CONSUMPTION







CARBON DIOXIDE EMISSIONS



WORKPLACE

Foster a supportive and quality working environment by upholding employment practices that treat employees fairly and equally, safeguarding employee rights and interests, providing opportunities for training and development, ensuring a healthy and safe workplace, and facilitating meaningful communication within the Group.

The Group's policies and procedures in force which are applicable to both permanent and temporary staff in the employment of the Group are documented in the Employee Manual. Any terms and conditions not covered in the Employee Manual shall be governed by the Employment Ordinance (Cap. 57), other applicable ordinances and the employment contract of the employees.

The Employee Manual contains our policy on training and development. We encourage individuals to manage their own development, with support from their managers, to the benefit of the individual and the Company.

The Employee Manual also contains our also anti-corruption policy. We have embedded within our business anti-corruption and bribery procedures and controls to avoid any violations of relevant laws and regulations. We have zero tolerance against bribery and corruption. The Company has adopted a set of whistleblowing policy on 20 March 2015. The Company establishes a whistleblowing policy and system for employees and those who deal with the Company to raise concerns, in confidence, about possible improprieties in any matter related to the Company and delegates such responsiblities to the Audit Committee of the Company.

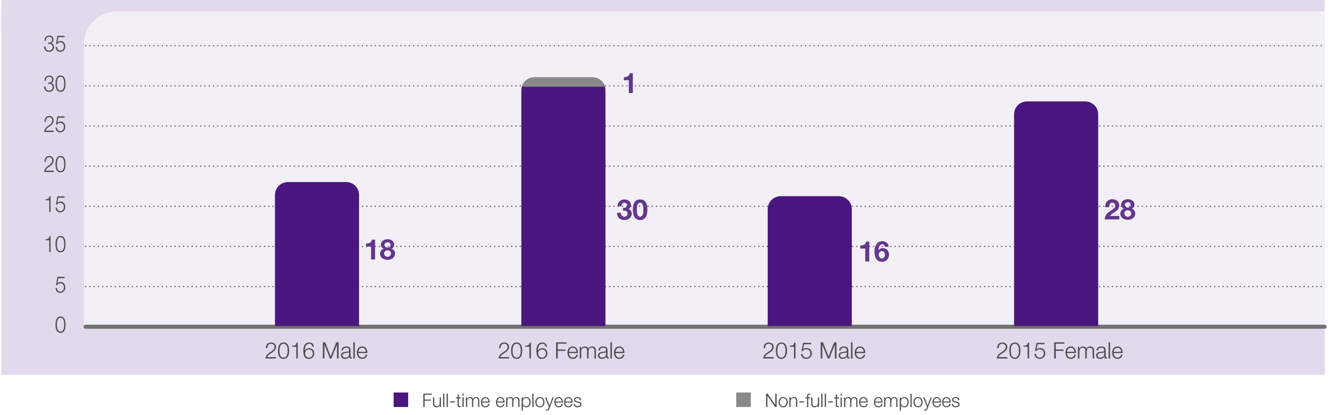
Our Group is committed to providing a healthy and safe work environment for all employees. Safety is to be given primary importance in every aspect of planning and performing all activities. Any potential health or safety hazards and all injuries or accidents should be reported to senior management immediately.

Our Group is committed to achieve and maintain reputation by delivery the highest standards of customer service to our valued customers. Target has adopted a complaints handling policy on 22 March 2016 to ensure our customers' compliants are resolved in an effective and efficient manner. We received 3 complaints in 2016 (2015: 1) and all complaints have been resolved.

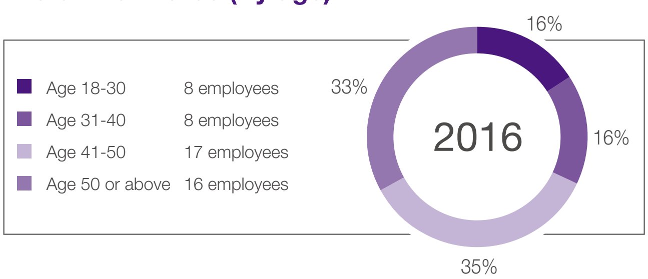
Our customers are our most important assets. Target has adopted a cybersecurity policy on 22 August 2016 to inform our employees and contractors (the "Users") on time to protect and identify threats to our technology and information assets (including consumer data). It also describes the User's responsibilities and privileges and the procedures in response to incidents that threaten the security of our customer data and our computer systems.

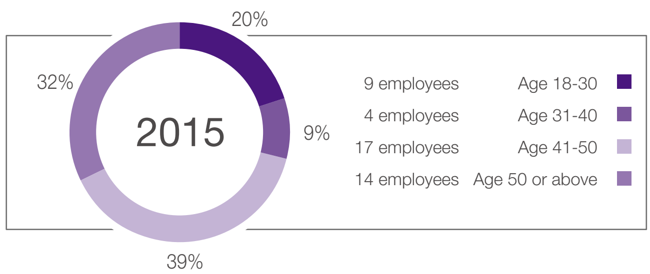
Since our operation is in Hong Kong, all our staff are located in Hong Kong. We summarize our performance indicators in respect of our workplace as below:

Total Workforce (by Employment Contract and Gender)



Total Workforce (By age)





RATE OF EMPLOYEE TURNOVER (BY GENDER AND AGE)

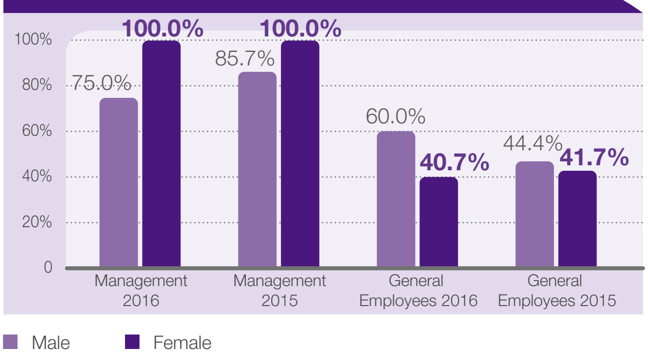
2016

Male	Female	Age 18-30	Age 31-40	Age 50 or above	Turnover rate
2	0	1	1	0	4.1%

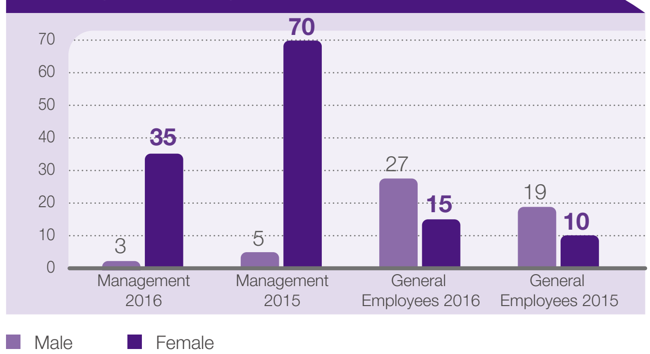
2015

Male	Female	Age 18-30	Age 31-40	Age 50 or above	Turnover rate
3	4	3	3	1	15.9%

Percentage of Employees Trained



Average Training Hours



COMMUNITY

Help to build a sustainable community by supporting local initiatives that create effective and lasting benefits to the community through corporate philanthropy, establishing community partnerships, and mobilizing our employees to participate in volunteer work. The list of CSR activities we have participated is stated under "Corporate Profile" section.

The Group focuses on contributions to sports, education, environment and health and the breakdown of the donations and sponsorships are as follows:

CHARITABLE DONATIONS

	For the year ended 31 December		
	2016	2015	% Change
Sports	**329,000**	–	n/a
Education	**200,000**	–	n/a
Health	**10,000**	39,000	(74.4%)
	539,000	39,000	1,292.8%

SPONSORSHIPS

	For the year ended 31 December		
	2016	2015	% Change
Sports	**301,000**	240,000	25.0%
Health	**–**	118,000	(100.0%)
Environment	**30,000**	30,000	–
	331,000	388,000	(14.8%)

HKEx ESG Reporting Guide Index		Page Number
A. Environmental		
Aspect A1: Emissions		
General Disclosure	Policies and compliance with relevant laws and regulations that have a significant impact on the issuer (air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste)	Page 58
KPI A1.1	The types of emissions and respective emission data	Not applicable (1)
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and intensity	Page 59
KPI A1.3	Total hazardous waste produced (in tonnes) and intensity	Not applicable (1)
KPI A1.4	Total non-hazardous waste produced (in tonnes) and intensity	Not applicable (1)
KPI A1.5	Description of measures to mitigate emissions and results achieved	Pages 58 to 59
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	Not applicable (1)
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials	Pages 58 to 59
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity	Page 59
KPI A2.2	Water consumption in total and intensity	Not applicable (2)
KPI A2.3	Description of energy use efficiency initiatives and results achieved	Page 58
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	Not applicable (2)
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	Not applicable (3)
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources	Page 58
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	Pages 58 to 59

Notes:

(1) Our Group does not have manufacturing operations, there is no other emissions (except green house gas) and hazardous/non-hazardous wastes.

(2) Our office does not have direct water consumption.

(3) Our Group does not use packaging materials for our insurance policies.

HKEx ESG Reporting Guide Index		Page Number
B. Social: Employment and Labour Practices		
Aspect B1: Employment		
General Disclosure	Policies and compliance with relevant laws and regulations that have a significant impact on the issuer (compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare)	Page 61
KPI B1.1	Total workforce by gender, employment type, age group and geographical region	Page 62
KPI B1.2	Employee turnover rate by gender, age group and geographical region	Page 62
Aspect B2: Health and Safety		
General Disclosure	Policies and compliance with relevant laws and regulations that have a significant impact on the issuer (providing a safe working environment and protecting employees from occupational hazards)	Page 61
KPI B2.1	Number and rate of work-related fatalities	2016: None 2015: None
KPI B2.2	Lost days due to work injury	2016: None 2015: None
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	Page 61
Aspect B3: Development and Training		
General disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. (Description of training activities)	Page 61
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management)	Page 62
KPI B3.2	The average training hours completed per employee by gender and employee category	Page 62
Aspect B4: Labour Standards		
General disclosure	Policies and compliance with relevant laws and regulations that have a significant impact on the issuer (preventing child and forced labour)	Not applicable (4)
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour	Not applicable (4)
KPI B4.2	Description of steps taken to eliminate such practices when discovered	Not applicable (4)

Note:

(4) Our Group does not have manufacturing operations, there is no issue on child and forced labour.

HKEx ESG Reporting Guide Index			Page Number
B.	**Social: Operating Practices**		
	Aspect B5: Supply Chain Management		
	General Disclosure	Policies on managing environmental and social risks of the supply chain	Not applicable (5)
	KPI B5.1	Number of suppliers by geographical region	Not applicable (5)
	KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	Not applicable (5)
	Aspect B6: Product Responsibility		
	General Disclosure	Policies and compliance with relevant laws and regulations that have a significant impact on the issuer (health and safety, advertising, labelling and privacy matters, products and services provided and methods of redress)	Page 61
	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	Not applicable (6)
	KPI B6.2	Number of products and service related complaints received and how they are dealt with	Page 61
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	Page 32
	KPI B6.4	Description of quality assurance process and recall procedures	Not applicable (6)
	KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	Page 61
	Aspect B7: Anti-corruption		
	General Disclosure	Policies and compliance with relevant laws and regulations that have a significant impact on the issuer (bribery, extortion, fraud and money laundering)	Page 61
	KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	2016: None 2015: None
	KPI B7.2	Description of preventive measures and whistleblowing procedures, how they are implemented and monitored	Page 61
B.	**Social: Community**		
	Aspect B8: Community Investment		
	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Page 63
	KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Pages 2 to 5 and 63
	KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Page 63

Note:

(5) Our Group does not have manufacturing operations, there is no issue on supply chain management.

(6) Our Group does not have manufacturing operations, there is no issue for product recalls.

MAZARS

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

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

OPINION

We have audited the consolidated financial statements of Target Insurance (Holdings) Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 73 to 134, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2016, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "*Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*" section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (Continued)

INSURANCE LIABILITIES

Refer to Note 20 to the consolidated financial statements and the accounting policies in Note 2.

The key audit matter	How the matter was addressed in our audit
Insurance liabilities represent the largest liability item of the Group. The valuation of the ultimate liabilities arising from claims made under insurance contracts involves a significant degree of judgement and requires a number of assumptions to be made that have high estimation uncertainty. The provision is made based on the best-estimate ultimate cost of all claims incurred but not settled at the end of the reporting period, using the input of assessments for individual cases reported to the Group and statistical analyses for the claims incurred but not reported, together with the related claims handling costs. The Group's valuation techniques are a combination of loss-ratio-based method and estimates based upon actual claims experience. To support management's determination of the Group's insurance liabilities, the Group engaged an independent professional actuary to conduct a review on the adequacy of the reserves of the Group at the end of the reporting period.	Our key audit procedures included: – Testing key controls over the claims handling and case reserving processes of the Group for operating effectiveness and performing analysis over the trends in claims frequency and size. – Checking samples of claims case reserves through comparing the estimated amount of the case reserve to appropriate documentation, such as reports from loss adjusters. – Re-performing reconciliations between the claims data in the Group's record and the data used in the actuarial reserving calculations. – Evaluating the competence, experience and objectivity of the Group's independent professional actuary and comparing the methodologies and models used by the independent professional actuary against recognised actuarial practices and those used in previous reporting period. – Assessing, with the assistance of another independent professional actuary, the relevance and reasonableness of the methodologies and assumptions adopted and the actuarial results of the report prepared by the Group's independent professional actuary.

KEY AUDIT MATTERS (Continued)

IMPAIRMENT OF AVAILABLE-FOR-SALE FINANCIAL ASSETS

Refer to Note 17 to the consolidated financial statements and the accounting policies in Note 2.

The key audit matter	How the matter was addressed in our audit
The Group's available-for-sale financial assets shown in Note 17 represent the largest asset of the Group. The Group determines that an available-for-sale equity investment is impaired when there has been a significant or prolonged decline in the fair value below its cost. Management makes significant judgement in assessing financial assets for indications of impairment and in determining whether there has been a significant or prolonged decline in the fair value of individual available-for-sale equity investment. See Note 2 to the consolidated financial statements for critical judgements made in applying accounting policies.	Our key audit procedures included: – Testing key controls over investment valuation process of the Group for operating effectiveness. – Discussing with those charged with governance and management of the Group on factors considered in impairment assessment. – Reviewing the criteria used to determine whether there has been a significant or prolonged decline in the fair value of individual investment below its cost and checking samples for correct application of those criteria.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the Company's 2016 annual report but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Mazars CPA Limited
Certified Public Accountants
Hong Kong, 27 March 2017

The engagement director on the audit resulting in this independent auditor's report is:
Or Ming Chiu
Practising Certificate number: P04786

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
Net insurance premium revenue	4	**345,329**	318,255
Investment (loss) income	5	**(29,308)**	19,754
Other income	6	**1,681**	1,478
Net income		**317,702**	339,487
Net insurance claims and loss adjustment expenses	7	**(242,525)**	(193,578)
Acquisition costs and other underwriting expenses, net	8	**(34,268)**	(33,806)
Employee benefit expenses		**(22,529)**	(21,052)
Other operating expenses		**(25,543)**	(26,283)
Expenses		**(324,865)**	(274,719)
(Loss) Profit before tax	9	**(7,163)**	64,768
Income tax credit (expense)	12	**2,204**	(8,710)
(Loss) Profit for the year		**(4,959)**	56,058
		HK cents	HK cents
(Loss) Earnings per share	14		
Basic		**(0.95)**	10.95
Diluted		**(0.95)**	10.77

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2016

	2016 HK$'000	2015 HK$'000
(Loss) Profit for the year	**(4,959)**	56,058
Other comprehensive income (loss)		
Item that will not be reclassified to profit or loss:		
Revaluation of property, plant and equipment	**12,160**	–
Items that are reclassified or may be reclassified subsequently to profit or loss:		
Available-for-sale financial assets		
Losses on changes in fair value arising during the year	**(4,487)**	(53,363)
Reclassification of net changes in fair value to profit or loss	**56,709**	(75)
Effect of deferred tax arising from changes in fair value	**(6,716)**	7,319
Net movement in fair value of available-for-sale financial assets	**45,506**	(46,119)
Other comprehensive income (loss) for the year, net of tax	**57,666**	(46,119)
Total comprehensive income for the year	**52,707**	9,939

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
Assets			
Property, plant and equipment	15	**281,121**	1,109
Available-for-sale financial assets	17	**414,785**	487,245
Certificates of deposit	17	**99,212**	71,097
Deferred tax assets	18	**9,825**	7,964
Insurance and other receivables	19	**92,479**	91,787
Reinsurance assets	20	**74,600**	67,094
Deferred acquisition costs	21	**18,753**	18,338
Tax recoverable		**3,935**	1,461
Statutory deposit	22	**100,000**	100,000
Time deposits with original maturity over 3 months	22	**53,162**	108,644
Bank balances and cash	22	**130,633**	223,549
TOTAL ASSETS		**1,278,505**	1,178,288
Liabilities			
Insurance liabilities	20	**830,898**	764,869
Reinsurance premium payable		**8,388**	10,126
Insurance and other payables	23	**17,637**	9,468
Tax payable		**313**	–
TOTAL LIABILITIES		**857,236**	784,463
EQUITY			
Share capital	24	**367,375**	364,286
Other reserves	26	**10,705**	(47,257)
Retained earnings		**43,189**	76,796
TOTAL EQUITY		**421,269**	393,825
TOTAL LIABILITIES AND EQUITY		**1,278,505**	1,178,288

Approved and authorised for issue by the Board of Directors on 27 March 2017 and signed on its behalf by

Cheung Haywood
Director

Muk Wang Lit Jimmy
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2016

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

	Share capital HK$'000 (Note 24)	Property revaluation reserve HK$'000 (Note 26)	Available-for-sale investment reserve HK$'000 (Note 26)	Merger relief reserve HK$'000 (Note 26)	Other reserve HK$'000 (Note 26)	Share option reserve HK$'000 (Note 25)	Retained earnings HK$'000	Total HK$'000
At 1 January 2016	364,286	–	(48,584)	24,936	(24,936)	1,327	76,796	393,825
Loss for the year	–	–	–	–	–	–	(4,959)	(4,959)
Other comprehensive income								
Revaluation of property, plant and equipment	–	12,160	–	–	–	–	–	12,160
Net movement in fair value of available-for-sale financial assets	–	–	45,506	–	–	–	–	45,506
	–	12,160	45,506	–	–	–	–	57,666
Total comprehensive income for the year	–	12,160	45,506	–	–	–	(4,959)	52,707
Transactions with equity owners								
Contributions and distribution								
Dividend (Note 13)	–	–	–	–	–	–	(28,648)	(28,648)
Shares issued under share option scheme (Note 24)	3,089	–	–	–	–	(356)	–	2,733
Equity-settled share-based transaction (Note 25)	–	–	–	–	–	652	–	652
	3,089	–	–	–	–	296	(28,648)	(25,263)
At 31 December 2016	367,375	12,160	(3,078)	24,936	(24,936)	1,623	43,189	421,269

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
OPERATING ACTIVITIES			
Cash generated from operations	27	**84,420**	29,871
Income tax paid		**(8,893)**	(14,326)
Net cash from operating activities		**75,527**	15,545
INVESTING ACTIVITIES			
Interest received		**23,179**	21,332
Dividend received from available-for-sale financial assets		**6,253**	5,321
Proceeds from disposal of available-for-sale financial assets		**245,035**	143,929
Proceeds from disposal of certificates of deposit		**16,755**	61,014
Purchase of available-for-sale financial assets		**(176,972)**	(549,102)
Purchase of certificates of deposit		**(44,960)**	(67,045)
Maturity of statutory and time deposits with original maturity over 3 months		**258,644**	210,512
Placement of statutory and time deposits with original maturity over 3 months		**(203,162)**	(276,314)
Purchase of property, plant and equipment		**(2,568)**	(603)
Net cash outflow from acquisition of net assets through acquisition of a subsidiary	28	**(264,732)**	–
Net cash used in investing activities		**(142,528)**	(450,956)
FINANCING ACTIVITIES			
Dividends paid		**(28,648)**	–
Issue of shares under share option scheme		**2,733**	–
Net proceeds from public offering		**–**	214,286
Net cash (used in) from financing activities		**(25,915)**	214,286
Net decrease in cash and cash equivalents		**(92,916)**	(221,125)
Cash and cash equivalents at beginning of year		**223,549**	444,674
Cash and cash equivalents at end of year, represented by bank balances and cash	22	**130,633**	223,549

1. GENERAL INFORMATION

Target Insurance (Holdings) Limited (the "Company") was incorporated in Hong Kong with limited liability on 28 August 2014. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is situated at Units 1708-1710, 17/F., Miramar Tower, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong. The principal activity of the Company is investment holding. The principal activities of its subsidiaries are detailed in Note 16 to the consolidated financial statements. The Company and its subsidiaries are herein collectively referred to as the "Group".

2. PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. In addition, these consolidated financial statements comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

All amounts have been rounded to the nearest thousand, unless otherwise indicated.

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2015 consolidated financial statements except for the adoption of the following new/revised HKFRSs that are relevant to the Group and effective from the current year. A summary of the principal accounting policies adopted by the Group is set out below.

ADOPTION OF NEW/REVISED HKFRSs

AMENDMENTS TO HKAS 1: DISCLOSURE INITIATIVE

The amendments include changes in the following five areas: (1) materiality; (2) disaggregation and subtotals; (3) structure of notes; (4) disclosure of accounting policies; (5) presentation of items of other comprehensive income arising from investments accounted for using equity method. It is considered that these amendments are clarifying amendments that do not directly affect an entity's accounting policies or accounting estimates.

The adoption of the amendments did not have any significant impact on the consolidated financial statements.

AMENDMENTS TO HKASS 16 AND 38: CLARIFICATION OF ACCEPTABLE METHODS OF DEPRECIATION AND AMORTISATION

HKAS 16 and HKAS 38 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The amendments to HKAS 16 clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

ADOPTION OF NEW/REVISED HKFRSs (Continued)

AMENDMENTS TO HKASs 16 AND 38: CLARIFICATION OF ACCEPTABLE METHODS OF DEPRECIATION AND AMORTISATION (Continued)

The amendments to HKAS 38 clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

The adoption of the amendments did not have any significant impact on the consolidated financial statements.

ANNUAL IMPROVEMENTS PROJECT – 2012-2014 CYCLE

The amendments relevant to the Group include the followings.

(1) *HKFRS 7 FINANCIAL INSTRUMENTS: DISCLOSURES*

Applicability of the Amendments to HKFRS 7 concerning Offsetting to Condensed Interim Financial Statements

These amendments clarify that the additional disclosure required by the amendments to HKFRS 7 concerning offsetting is not specifically required for all interim periods.

The adoption of the amendments did not have any significant impact on the consolidated financial statements.

(2) *HKAS 34 INTERIM FINANCIAL REPORTING: DISCLOSURE OF INFORMATION "ELSEWHERE IN THE INTERIM FINANCIAL REPORT"*

The amendment clarifies the meaning of disclosures of certain information "elsewhere in the interim financial report" as allowed by HKAS 34. The disclosures shall be given by cross-reference from the interim financial statements to some other statement that is available to users of the interim financial statements on the same terms as the interim financial statements and at the same time.

The adoption of the amendment did not have any significant impact on the consolidated financial statements.

BASIS OF MEASUREMENT

The measurement basis used in the preparation of these consolidated financial statements is historical cost, except for available-for-sale financial assets, certificates of deposit and leasehold land and buildings which are measured at fair value/revalued amount as explained in the respective principal accounting policies set out below.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

BASIS OF CONSOLIDATION

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

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

SUBSIDIARIES

A subsidiary is an entity that is controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

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

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, other than leasehold land and buildings, are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to profit or loss during the year in which they are incurred.

Leasehold land and buildings are stated at revalued amount, being the fair value at the date of valuation less accumulated depreciation and accumulated impairment losses. Fair value is determined by independent valuations which are performed periodically. Increases in valuation are credited to the property revaluation reserve. Decreases in valuation are first offset against increases on earlier valuations in respect of the same asset and are thereafter charged to profit or loss. Any subsequent increases are credited to profit or loss up to the amount previously charged and thereafter to property revaluation reserve. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

Depreciation is provided to write off the cost or valuation less accumulated impairment losses of property, plant and equipment over their estimated useful lives from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method, at the following rates. Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis and depreciated separately.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

PROPERTY, PLANT AND EQUIPMENT (Continued)

Leasehold land and buildings	Over the remaining term of the lease or 50 years, whichever is shorter
Furniture and fixtures	15% per annum
Leasehold improvements	20% per annum
Motor vehicle	20% per annum

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year in which the item is derecognised.

FINANCIAL INSTRUMENTS

RECOGNITION AND DERECOGNITION

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

A financial asset is derecognised when and only when (i) the Group's contractual rights to future cash flows from the financial asset expire or (ii) the Group transfers the financial asset and either (a) it transfers substantially all the risks and rewards of ownership of the financial asset, or (b) it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

CLASSIFICATION AND MEASUREMENT

Financial assets or financial liabilities are initially recognised at their fair value plus, in the case of financial assets or financial liabilities not carried at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities.

(1) LOANS AND RECEIVABLES

Loans and receivables including bank balances and cash, statutory deposit, time deposits, insurance and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. They are measured at amortised cost using the effective interest method, except where receivables are interest-free loans and without any fixed repayment term or the effect of discounting would be insignificant. In such case, the receivables are stated at cost less impairment loss. Amortised cost is calculated by taking into account any discount or premium on acquisition over the period to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in profit or loss.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

FINANCIAL INSTRUMENTS (Continued)

CLASSIFICATION AND MEASUREMENT (Continued)

(2) AVAILABLE-FOR-SALE FINANCIAL ASSETS AND CERTIFICATES OF DEPOSIT

Available-for-sale financial assets and certificates of deposit are non-derivative financial assets that are either designated at this category or not classified in any of the other categories of financial assets. They are measured at fair value with changes in value recognised as a separate component of equity until the assets are sold, collected or otherwise disposed of, or until the assets are determined to be impaired, at which time the cumulative gain or loss previously reported in other comprehensive income shall be reclassified to profit or loss as a reclassification adjustment.

(3) FINANCIAL LIABILITIES

The Group's financial liabilities include reinsurance premium payable, insurance and other payables. All financial liabilities except for derivatives are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

IMPAIRMENT OF FINANCIAL ASSETS

At the end of each reporting period, the Group assesses whether there is objective evidence that financial assets are impaired. The impairment loss of financial assets carried at amortised cost is measured as the difference between the assets' carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate. Such impairment loss is reversed in subsequent periods through profit or loss when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

When an available-for-sale financial asset is impaired, a cumulative loss comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and current fair value, less any previously recognised impairment loss in profit or loss, is reclassified from equity to profit or loss as a reclassification adjustment. Impairment losses recognised in profit or loss in respect of available-for-sale equity instrument are not reversed through profit or loss. Any subsequent increase in fair value of available-for-sale equity instrument after recognition of impairment loss is recognised in equity. Reversal of impairment loss of available-for-sale debt instruments are reversed through profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

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

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

IMPAIRMENT OF NON-FINANCIAL ASSETS

At the end of each reporting period, the Group reviews internal and external sources of information to assess whether there is any indication that its property, plant and equipment may be impaired or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs of disposal and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense in profit or loss immediately, except where the relevant asset is carried at revalued amount in which case the impairment loss is treated as a revaluation decrease in accordance to the accounting policy relevant to that asset.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment loss is recognised as income in profit or loss immediately, except where the relevant asset is carried at revalued amount, in which case the reversal of impairment loss is treated as a revaluation increase in accordance to the accounting policy relevant to the asset.

CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash equivalents represent time deposits with original maturity within 3 months which are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and form an integral part of the Group's cash management, net of bank overdrafts.

REVENUE RECOGNITION

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably and on the following bases:

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

UNDERWRITING RESULTS

The underwriting results are recognised on an annual accounting basis.

INSURANCE CONTRACTS

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

(A) RECOGNITION AND MEASUREMENT

Gross premiums written are recognised when insurance contracts are written. Premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the end of the reporting period is reported as the unearned premium liability. Premiums are shown before deduction of commissions and other underwriting expenses and are gross of any taxes or duties levied on premiums.

Claims and loss adjustment expenses are charged to profit or loss as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the end of the reporting period even if they have not yet been reported to the Group. The Group does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Group and statistical analyses for the claims incurred but not reported, and to estimate the expected ultimate cost of more complex claims.

(B) DEFERRED ACQUISITION COSTS ("DAC")

Commissions and other underwriting expenses that vary with and are related to securing new insurance contracts and renewing existing insurance contracts are capitalised as DAC. All other costs are recognised as expenses when incurred. The DAC is amortised over the terms of the policies as premium is earned.

(C) REINSURANCE CONTRACTS HELD

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets.

The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term and long-term receivables that are dependent on the expected claims and reinsurance recoveries arising under the insurance contracts and the related reinsurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

INSURANCE CONTRACTS (Continued)

(C) REINSURANCE CONTRACTS HELD (Continued)

The Group assesses its reinsurance assets for impairment on an annual basis or when indication of impairment arises. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in profit or loss. The Group gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is also calculated following the same method used for these financial assets.

(D) PROVISION FOR UNEXPIRED RISK

At the end of the reporting period, liability adequacy tests are performed to ensure the adequacy of the unexpired insurance liabilities net of related DAC assets. In performing these tests, current best estimates of future contractual cash flow and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to profit or loss by establishing a provision for losses arising from the unexpired risk.

(E) UNEARNED PREMIUMS

Unearned premiums represent the proportion of gross premiums applicable to the unexpired period of the policy term. Unearned premiums are calculated by bi-monthly pro rata method on premiums written without deducting the policy acquisition costs for the year.

(F) OUTSTANDING CLAIMS

Full provision is made for the estimated gross cost of claims notified but not settled on a case-by-case basis including those incurred but not reported at the end of the reporting period using the best information available at that time, including inflation where necessary.

Cost of claims includes claims handling expenses and reinsurance recoveries which would take a long time to finalise. Reinsurance recovery on reported outstanding claims is also calculated on a case-by-case basis. Any differences between the original claim provisions and subsequent settlements are included in profit or loss.

Provision is also made for any potential claims incurred but not reported at the end of the reporting period in accordance with management experience of claim development history, including an estimate of reinsurance recoveries due. Provision would be adjusted, if necessary, after considering independent actuarial review of motor insurance liabilities as at the end of reporting period. Claims are not discounted.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of obligation can be made. Expenditures for which a provision has been recognised are charged against the related provision in the year in which the expenditures are incurred. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditures expected to be required to settle the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

FOREIGN CURRENCY TRANSLATION

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in thousands of Hong Kong Dollars ("HK$'000"), which is the functional and reporting currency of the Company and its subsidiaries.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Foreign exchange gains and losses resulting from the retranslation of non-monetary items carried at fair value are recognised in profit or loss except for those arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the gains or losses are also recognised directly in equity.

LEASES

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

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

DIVIDEND DISTRIBUTION

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

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

EMPLOYEE BENEFITS

(A) SHORT TERM EMPLOYEE BENEFITS

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees.

(B) DEFINED CONTRIBUTION PLANS

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

(C) LONG SERVICE PAYMENTS

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

SHARE-BASED PAYMENT TRANSACTIONS

EQUITY-SETTLED TRANSACTIONS

The Group's employees, including directors, receive remuneration in the form of share-based payment transactions, whereby the employees rendered services in exchange for shares or rights over shares of the Company. The cost of such transactions with employees is measured by reference to the fair value of the equity instruments at the date at which the entity and another party (including an employee) agree to a share-based payment arrangement, being when the entity and the counterparty have a shared understanding of the terms and conditions of the arrangement ("grant date"). The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a reserve within equity. The fair value is determined using the binomial model, taking into account any market conditions and non-vesting conditions.

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

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the vesting conditions are to be fulfilled, ending on the date on which the entitlement of relevant employees to the award is no longer conditional on the satisfaction of any non-market vesting conditions ("vesting date"). During the vesting period, the number of share options that is expected to vest ultimately is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the review, with a corresponding adjustment to the reserve within equity.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

SHARE-BASED PAYMENT TRANSACTIONS (Continued)

EQUITY-SETTLED TRANSACTIONS (Continued)

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

TAXATION

The charge for current income tax is based on the results for the year as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

The deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

RELATED PARTIES

A related party is a person or entity that is related to the Group.

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group.

(b) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

RELATED PARTIES (Continued)

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

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

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

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

SEGMENT REPORTING

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

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and assumptions concerning the future and judgements are made by the management in the preparation of the consolidated financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

(1) KEY SOURCES OF ESTIMATION UNCERTAINTY

(A) THE ULTIMATE LIABILITY ARISING FROM CLAIMS MADE UNDER INSURANCE CONTRACTS

The estimation of the ultimate liability arising from claims made under insurance contracts is the Group's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Group will ultimately pay for such claims. Estimation of the ultimate cost of certain liability claims can be a complex process. Significant factors affecting the trends that influence the liability estimation process are the inconsistent court resolutions and jurisprudence. These factors have broadened the intent and scope coverage of the protections offered in the insurance contracts issued by the Group. The Group believes that the liability for liability claims carried at the end of reporting period is adequate.

(B) IMPAIRMENT OF REINSURANCE ASSETS

The Group performs an impairment review on its reinsurance assets on an annual basis or when an indication of impairment occurs. In considering whether a reinsurance asset is impaired, the Group considers whether (i) there is objective evidence, as a result of an event that occurred after initial recognition of the reinsurance asset, that the Group may not be able to receive all amounts due under the terms of the contract; and (ii) the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(1) KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(C) ALLOWANCE FOR BAD AND DOUBTFUL DEBTS

The provisioning policy for bad and doubtful debts of the Group is based on the evaluation by management of the collectability of the insurance receivables. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including assessing the current creditworthiness and the past collection history of each intermediary. If the financial conditions of these intermediaries were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance will be required. At the end of the reporting period, the carrying amount of insurance receivables after provision for impairment amounted to HK$82,939,000 *(2015: HK$82,489,000)*.

(D) DEFERRED TAX ASSETS

As at the end of the reporting period, a deferred tax asset of HK$9,825,000 *(2015: HK$7,964,000)* in relation to temporary deductible differences has been recognised in the consolidated statement of financial position. The recognition of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than the original estimate, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss or other comprehensive income in the period in which such a reversal takes place. Significant management judgement is required to estimate the amount and timing of future taxable profit or taxable temporary differences so as to determine, together with the tax planning strategies, the amounts of deferred income tax assets to be recognised.

(E) VALUATION OF LEASEHOLD LAND AND BUILDINGS

Leasehold land and buildings are stated at revalued amount based on the valuation performed by independent professional valuer. In determining the fair value, the valuer has based on a method of valuation which involves reference to recent market transaction prices of similar properties and adjusted to the condition of the Group's leasehold land and buildings. In relying on the valuation report, the management of the Group has exercised its judgement and is satisfied that the techniques and assumptions applied by the valuer are appropriate. Changes to these assumptions would result in changes in the fair value of the Group's leasehold land and buildings and the corresponding adjustments to the amount of gain or loss would be recognised in property revaluation reserve.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(2) CRITICAL JUDGEMENTS MADE IN APPLYING ACCOUNTING POLICIES

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

The Group determines that available-for-sale financial equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of whether a decline in fair value is significant or prolonged requires judgement. In making this judgement, the Group evaluates among other factors, the duration and extent to which the fair value of an equity investment is less than its cost, the normal volatility in share price, the financial health of the investee, industry and sector performance. Impairments in other available-for-sale financial investments may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance.

FUTURE CHANGES IN HKFRSs

At the date of authorisation of these consolidated financial statements, the HKICPA has issued the following new/revised HKFRSs that are not yet effective for the current year, which the Group has not early adopted.

Amendments to HKAS 7	Disclosure Initiative [1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses [1]
Annual Improvements to HKFRSs	2014-2016 Cycle [2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions [3]
HKFRS 15	Revenue from Contracts with Customers [3]
HKFRS 9 (2014)	Financial Instruments [3]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts [3]
HKFRS 16	Leases [4]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [5]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2017 or 2018 where applicable
3 Effective for annual periods beginning on or after 1 January 2018
4 Effective for annual periods beginning on or after 1 January 2019
5 The effective date of the amendments which was originally intended to be effective for annual periods beginning on or after 1 January 2016 has been deferred/removed

The directors are in the process of assessing the possible impact on the future adoption of these new/revised HKFRSs, but are not yet in a position to reasonably estimate their impact on the Group's consolidated financial statements.

3. SEGMENT INFORMATION

The Group is principally engaged in the writing of motor vehicles insurance business. Segment information has been identified on the basis of internal management reports which are prepared in accordance with the accounting policies that conform with HKFRSs, that are regularly reviewed by the chief operating decision-maker in order to allocate resources to the reportable segments and to assess their performance.

REPORTABLE SEGMENTS

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

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

Segment assets include insurance receivables, reinsurance assets and deferred acquisition costs. Segment liabilities include insurance payables, insurance liabilities and reinsurance premium payables. Those assets and liabilities not allocated to reportable segments are grouped in unallocated assets and unallocated liabilities respectively.

Revenue and expenses allocated to the reportable segments include premium revenue and claims recovery generated by the segment and claims related expenses and commission expenses incurred by the segment respectively.

GEOGRAPHIC INFORMATION

Geographical information is not presented as all of the Group's customers, operations and assets and liabilities are located in Hong Kong.

INFORMATION ABOUT MAJOR CUSTOMERS

During the reporting period, no direct written premium from transactions with a single external customer amounted to 10% or more of the Group's total direct written premium.

3. SEGMENT INFORMATION (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

	Taxi HK$'000	PLB HK$'000	Other motor vehicles HK$'000	Total HK$'000
Net insurance premium revenue	223,417	82,408	39,504	345,329
Net insurance claims and loss adjustment expenses	(160,611)	(47,790)	(34,124)	(242,525)
Acquisition costs and other underwriting expenses, net	(18,411)	(6,316)	(9,541)	(34,268)
Segment results	44,395	28,302	(4,161)	68,536
Unallocated investment loss and other income				(27,627)
Unallocated corporate expenses				(48,072)
Loss before tax				(7,163)
Income tax credit				2,204
Loss for the year				(4,959)
Assets				
Segment assets	107,167	46,574	22,551	176,292
Unallocated assets				1,102,213
Total assets				1,278,505
Liabilities				
Segment liabilities	534,079	208,228	103,642	845,949
Unallocated liabilities				11,287
Total liabilities				857,236
Other information				
Interest income from bank deposits				3,993
Interest income from available-for-sale financial assets				16,778
Interest income from certificates of deposit				1,550
Dividend income from available-for-sale financial assets				6,253
Loss on disposal of available-for-sale financial assets				4,728
Impairment loss of available-for-sale financial assets				51,981
Depreciation				553

3. SEGMENT INFORMATION (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

	Taxi HK$'000	PLB HK$'000	Other motor vehicles HK$'000	Total HK$'000
Net insurance premium revenue	192,770	84,232	41,253	318,255
Net insurance claims and loss adjustment expenses	(125,924)	(51,476)	(16,178)	(193,578)
Acquisition costs and other underwriting expenses, net	(16,024)	(6,501)	(11,281)	(33,806)
Segment results	50,822	26,255	13,794	90,871
Unallocated investment income and other income				21,232
Unallocated corporate expenses				(47,335)
Profit before tax				64,768
Income tax expense				(8,710)
Profit for the year				56,058
Assets				
Segment assets	96,218	53,550	18,153	167,921
Unallocated assets				1,010,367
Total assets				1,178,288
Liabilities				
Segment liabilities	474,843	212,969	92,661	780,473
Unallocated liabilities				3,990
Total liabilities				784,463
Other information				
Interest income from bank deposits				7,061
Interest income from available-for-sale financial assets				12,433
Interest income from certificates of deposit				1,838
Dividend income from available-for-sale financial assets				5,321
Gain on disposal of available-for-sale financial assets				3,983
Impairment loss of available-for-sale financial assets				3,908
Depreciation				388

4. NET INSURANCE PREMIUM REVENUE

	2016 HK$'000	2015 HK$'000
Gross premium written	385,981	373,536
Reinsurance premium ceded	(36,109)	(35,383)
Net premium written	349,872	338,153
Change in provision for unearned premium	(4,543)	(19,898)
Net insurance premium revenue	345,329	318,255

5. INVESTMENT (LOSS) INCOME

	2016 HK$'000	2015 HK$'000
Interest income from bank deposits	3,993	7,061
Interest income from certificates of deposit	1,550	1,838
Interest income from listed available-for-sale financial assets	16,681	12,433
Interest income from unlisted available-for-sale financial assets	97	–
Dividend income from listed available-for-sale financial assets	6,253	5,321
(Loss) Gain on disposal of available-for-sale financial assets	(4,728)	3,983
Net foreign exchange loss	(1,173)	(6,974)
Impairment loss of available-for-sale financial assets	(51,981)	(3,908)
Net investment (loss) income	(29,308)	19,754

6. OTHER INCOME

	2016 HK$'000	2015 HK$'000
Handling fee income	1,041	1,293
Rental income	571	–
Others	69	185
	1,681	1,478

7. NET INSURANCE CLAIMS AND LOSS ADJUSTMENT EXPENSES

	2016 HK$'000	2015 HK$'000
Gross claims paid	**215,875**	227,121
Claims recovered	**(27,330)**	(32,278)
Net claims paid	**188,545**	194,843
Change in provision for gross outstanding claims and incurred but not reported claims ("IBNR")	**61,486**	(9,155)
Change in claims recoverable (including IBNR recoveries)	**(7,506)**	7,890
Change in net outstanding claims	**53,980**	(1,265)
Net insurance claims	**242,525**	193,578

8. ACQUISITION COSTS AND OTHER UNDERWRITING EXPENSES, NET

	2016 HK$'000	2015 HK$'000
Acquisition costs and other underwriting expenses		
Insurance commission	**27,631**	27,020
Other underwriting expenses	**9,336**	9,189
Change in deferred acquisition costs	**(415)**	(1,248)
Acquisition costs and other underwriting expenses, gross	**36,552**	34,961
Commission income		
Insurance commission from reinsurers	**(2,284)**	(1,155)
Acquisition costs and other underwriting expenses, net	**34,268**	33,806

9. (LOSS) PROFIT BEFORE TAX

This is stated after charging:

	2016 HK$'000	2015 HK$'000
Employee benefit expenses (including directors' emoluments)		
Salaries, bonus and allowances	**21,308**	19,219
Equity-settled share-based payments	**652**	1,327
Contributions to defined contribution plan	**569**	506
	22,529	21,052
Auditor's remuneration		
Audit services	**1,040**	920
Other services	**285**	140
Depreciation	**553**	388
Listing expenses (other than auditor's remuneration) included in operating expenses	**–**	5,490
Loss on disposal of property, plant and equipment	**3**	3
Operating lease payments for premises	**4,689**	3,818

10. INFORMATION ABOUT THE BENEFITS OF DIRECTORS

A) DIRECTORS' REMUNERATIONS

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

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

YEAR ENDED 31 DECEMBER 2016

	Directors' fees HK$'000	Salaries and allowances HK$'000	Discretionary bonus HK$'000	Equity-settled share-based payments HK$'000	Contributions to defined contribution plan HK$'000	Total HK$'000
Executive directors						
Cheung Haywood	96	1,040	–	–	18	1,154
Choi Chiu Fai Stanley	96	1,040	–	–	18	1,154
Chan Hok Ching	96	1,339	120	72	18	1,645
Chiu Sun Ting	96	1,040	–	–	–	1,136
Lai Bing Leung	96	1,040	–	–	–	1,136
Muk Wang Lit Jimmy *(Chief executive)*	96	1,430	150	111	18	1,805
Independent non-executive directors						
Wong Shiu Hoi Peter	180	–	–	28	–	208
Wan Kam To	180	–	–	28	–	208
Szeto Wai Sun	180	–	–	28	–	208
Yuen Tak Tim Anthony	204	–	–	–	–	204
	1,320	6,929	270	267	72	8,858

10. INFORMATION ABOUT THE BENEFITS OF DIRECTORS (Continued)

A) *DIRECTORS' REMUNERATIONS* (Continued)

YEAR ENDED 31 DECEMBER 2015

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

No directors or shadow director have waived emoluments in respect of the years ended 31 December 2016 and 2015. No emoluments have been paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

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

There are no loans, quasi-loans and other dealings in favour of a director or a shadow director of the Company, or bodies corporate controlled by such directors, or entities connected with such directors were entered into or subsisted during the year *(2015: Nil)*.

10. INFORMATION ABOUT THE BENEFITS OF DIRECTORS (Continued)

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

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

YEAR ENDED 31 DECEMBER 2016

Contractual parties in addition to the Company	**Name of director who has equity interest in the contractual parties**	**Nature of transactions**	**HK$'000**
The Oscar Motors Company Limited	Lai Bing Leung	Agency commission paid	**909**
Head & Shoulders Securities Limited	Choi Chiu Fai Stanley	Brokerage paid	**58**

YEAR ENDED 31 DECEMBER 2015

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

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

The five individuals whose emoluments were the highest in the Group for the year include four directors *(2015: four)* whose emoluments are set out in Note 10 above. Details of the emoluments of the remaining highest paid individual are as follows:

	2016 HK$'000	2015 HK$'000
Salaries and allowances	**1,196**	1,132
Discretionary bonus	**120**	120
Equity-settled share-based payments	**11**	23
Contributions to defined contribution plan	**18**	18
	1,345	1,293

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

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

	2016	2015
Nil to HK$1,000,000	–	–
HK$1,000,001-HK$1,500,000	1	1
	1	1

No non-director individuals have waived emoluments in respect of the years ended 31 December 2016 and 2015. No emoluments have been paid by the Group to the non-director individuals as an inducement to join or upon joining the Group or as compensation for loss of offices.

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

	2016 HK$'000	2015 HK$'000
Salaries and allowances	2,479	2,640
Discretionary bonus	245	430
Equity-settled share-based payments	49	112
Contributions to defined contribution plan	54	72
	2,827	3,254

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

	2016	2015
Nil to HK$1,000,000	2	3
HK$1,000,001-HK$1,500,000	1	1
	3	4

12. TAXATION

The Company and its subsidiaries are domiciled or operated in Hong Kong and were subject to Hong Kong Profits Tax at a rate of 16.5% on the estimated assessable profits arising in Hong Kong during the years ended 31 December 2016 and 2015.

	2016 HK$'000	2015 HK$'000
Current tax		
Hong Kong Profits Tax		
Current year	**5,842**	9,227
Under provision in prior years	**531**	128
	6,373	9,355
Deferred taxation		
Origination and reversal of temporary difference	**(8,577)**	(645)
	(2,204)	8,710

RECONCILIATION OF TAX (CREDIT) EXPENSE

	2016 HK$'000	2015 HK$'000
(Loss) Profit before tax	**(7,163)**	64,768
Income tax at applicable tax rate of 16.5% *(2015: 16.5%)*	**(1,182)**	10,687
Non-deductible expenses	**1,255**	1,098
Tax exempt revenue	**(2,184)**	(2,906)
Unrecognised temporary differences	**(285)**	34
Under provision in prior years	**531**	128
Others	**(339)**	(331)
Tax (credit) expense for the year	**(2,204)**	8,710

13. DIVIDEND

	2016 HK$'000	2015 HK$'000
Dividend approved and paid during the year		
Final dividend in respect of 2015 of HK5.5 cents *(2014: Nil)* per ordinary share	**28,648**	–

14. (LOSS) EARNINGS PER SHARE

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

(A) BASIC (LOSS) EARNINGS PER SHARE

	2016	2015
(Loss) Profit attributable to equity owners (HK$'000)	**(4,959)**	56,058
Weighted average number of ordinary shares ('000)	**520,462**	512,175
Basic (loss) earnings per share (HK cents)	**(0.95)**	10.95

(B) DILUTED (LOSS) EARNINGS PER SHARE

	2016	2015
(Loss) Profit attributable to equity owners (HK$'000)	**(4,959)**	56,058
Weighted average number of ordinary shares (diluted) ('000)		
Weighted average number of ordinary shares	**520,462**	512,175
Effect of the Company's share option scheme	**–**	8,391
Weighted average number of ordinary shares for the purpose of calculating diluted (loss) earnings per share	**520,462**	520,566
Diluted (loss) earnings per share (HK cents)	**(0.95)**	10.77

The computation of diluted loss per share for the year ended 31 December 2016 does not assume the exercise of the Company's share options as the exercise of the share options will give rise to an anti-dilutive effect.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Furniture and fixtures HK$'000	Leasehold improvements HK$'000	Motor vehicle HK$'000	Total HK$'000
Reconciliation of carrying amount – year ended 31 December 2015					
At beginning of year	–	835	62	–	897
Additions	–	549	54	–	603
Disposal	–	(3)	–	–	(3)
Depreciation	–	(319)	(69)	–	(388)
At the end of the reporting period	–	1,062	47	–	1,109
Reconciliation of carrying amount – year ended 31 December 2016					
At beginning of year	**–**	**1,062**	**47**	**–**	**1,109**
Additions	**–**	**2,131**	**437**	**–**	**2,568**
Acquisition of net assets (Note 28)	**265,840**	**–**	**–**	**–**	**265,840**
Revaluation	**12,160**	**–**	**–**	**–**	**12,160**
Disposal	**–**	**(3)**	**–**	**–**	**(3)**
Depreciation	**–**	**(519)**	**(34)**	**–**	**(553)**
At the end of the reporting period	**278,000**	**2,671**	**450**	**–**	**281,121**
At 31 December 2015					
Cost/Valuation	–	5,954	2,068	300	8,322
Accumulated depreciation	–	(4,892)	(2,021)	(300)	(7,213)
	–	1,062	47	–	1,109
At 31 December 2016					
Cost/Valuation	**278,000**	**8,071**	**2,505**	**300**	**288,876**
Accumulated depreciation	**–**	**(5,400)**	**(2,055)**	**(300)**	**(7,755)**
	278,000	**2,671**	**450**	**–**	**281,121**

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

Property, plant and equipment with a net book value at the end of the reporting period of HK$278,000,000 *(2015: Nil)* were pledged to secure banking facilities granted to the Group. At the end of the reporting period, there is no loan facility drawn by the Group *(2015: Nil)*.

The leasehold land and buildings, which consist of commercial properties and car parking spaces situated in Hong Kong, were revalued at 31 December 2016, by Crowe Horwath (HK) Consulting & Valuation Limited, independent professional qualified valuer, with reference to recent market transaction prices of similar properties. The revaluation gave rise to a revaluation surplus of HK$12,160,000 *(2015: Nil)* which has been recognised in other comprehensive income and recorded in property revaluation reserve.

The carrying amount of the leasehold land and buildings at the end of the reporting period would have been HK$265,840,000 *(2015: Nil)* had they been stated at cost less accumulated depreciation and accumulated impairment losses.

16. INVESTMENTS IN SUBSIDIARIES

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

Name of subsidiary	Principal place of business and place of incorporation	Issued capital	Percentage of equity held by the Company		Principal activities
			Direct	Indirect	
Target Insurance Company, Limited ("Target")	Hong Kong	Ordinary shares of HK$370,000,000	100	–	Writing of motor insurance business
Target Agency Services Limited	Hong Kong	Ordinary share of HK$1	100	–	Not yet commenced business
Target Credit Limited	Hong Kong	Ordinary share of HK$1	100	–	Not yet commenced business
Chartered Properties Limited	Hong Kong	Ordinary shares of HK$100,000	–	100	Property investment

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

	2016 HK$'000	2015 HK$'000
At fair value		
Equity securities		
Listed in Hong Kong	**161,969**	181,787
Listed outside Hong Kong	**735**	13,357
Listed debt securities		
Bonds listed in Hong Kong	**127,117**	194,936
Bonds listed outside Hong Kong	**119,208**	97,165
Unlisted debt securities		
Bonds with fixed maturity dates	**5,756**	–
	414,785	487,245
Certificates of deposit	**99,212**	71,097
	513,997	558,342

18. DEFERRED TAX ASSETS

The movements for the year in the Group's net deferred tax assets are as follows:

	2016 HK$'000	2015 HK$'000
At beginning of the year	**7,964**	–
(Charge) Credit to other comprehensive income	**(6,716)**	7,319
Credit to profit or loss	**8,577**	645
At the end of the reporting period	**9,825**	7,964

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

19. INSURANCE AND OTHER RECEIVABLES

	Note	**2016 HK$'000**	2015 HK$'000
Insurance receivables			
Premium receivables			
From third parties		**54,942**	54,881
From related parties		**701**	708
	19(A)	**55,643**	55,589
Claims receivable from reinsurers and others	19(B)	**27,296**	26,900
		82,939	82,489
Other receivables			
Deposits, prepayments and other receivables		**9,540**	9,298
		92,479	91,787

(A) PREMIUM RECEIVABLES

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

	2016 HK$'000	2015 HK$'000
Within 30 days	**25,080**	28,146
31 – 60 days	**22,629**	20,881
61 – 90 days	**7,934**	6,562
	55,643	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.

19. INSURANCE AND OTHER RECEIVABLES (Continued)

(A) *PREMIUM RECEIVABLES* (Continued)

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

	2016 HK$'000	2015 HK$'000
Balances exceed normal credit period		
Within 30 days	**20,303**	19,053
31 to 60 days	**6,108**	4,523
	26,411	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.

(B) *CLAIMS RECEIVABLE FROM REINSURERS AND OTHERS*

Claims receivable from reinsurers and others represent amounts due from reinsurers and third parties in respect of their share of claims already paid by the Group, for whom there was no history of default. Claims receivable from reinsurers and others are aged over 90 days. None of the claims receivable is past due or impaired.

20. INSURANCE LIABILITIES AND REINSURANCE ASSETS

	Note	2016 HK'000	2015 HK$'000
Gross			
Outstanding claims		**477,123**	431,439
Claims incurred but not reported ("IBNR")		**157,854**	142,052
	20(i)	**634,977**	573,491
Provision for unearned premium	20(ii)	**195,921**	191,378
Total gross insurance liabilities		**830,898**	764,869
Recoverable from reinsurers			
Claims reported and loss adjustment expenses		**29,041**	27,103
Provision for IBNR recoveries		**45,559**	39,991
Total insurance liabilities recoverable	20(i)	**74,600**	67,094
Net			
Outstanding claims		**448,082**	404,336
IBNR		**112,295**	102,061
	20(i)	**560,377**	506,397
Provision for unearned premium	20(ii)	**195,921**	191,378
Total net insurance liabilities		**756,298**	697,775

20. INSURANCE LIABILITIES AND REINSURANCE ASSETS (Continued)

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

	Insurance contract liabilities HK$'000	Reinsurers' shares HK$'000	Net HK$'000
At 1 January 2015	582,646	(74,984)	507,662
Provision incurred	217,966	(24,388)	193,578
Claims paid	(227,121)	32,278	(194,843)
At 31 December 2015	573,491	(67,094)	506,397
Provision incurred	277,361	(34,836)	242,525
Claims paid	(215,875)	27,330	(188,545)
At 31 December 2016	**634,977**	**(74,600)**	**560,377**

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

	Insurance contract liabilities HK$'000	Reinsurers' shares HK$'000	Net HK$'000
At 1 January 2015	171,480	–	171,480
Premium written	373,536	(35,383)	338,153
Premium earned	(353,638)	35,383	(318,255)
At 31 December 2015	191,378	–	191,378
Premium written	385,981	(36,109)	349,872
Premium earned	(381,438)	36,109	(345,329)
At 31 December 2016	**195,921**	**–**	**195,921**

21. DEFERRED ACQUISITION COSTS

	2016 HK$'000	2015 HK$'000
At beginning of the year	**18,338**	17,090
Acquisition costs and other underwriting expenses incurred during the year	**34,683**	35,054
Charged to income statement	**(34,268)**	(33,806)
At the end of the reporting period	**18,753**	18,338

22. BANK BALANCES AND CASH AND BANK DEPOSITS

	2016 HK$'000	2015 HK$'000
Bank balances and cash		
Time deposits with original maturity within 3 months	**99,868**	153,844
Cash at banks and in hand	**30,765**	69,705
	130,633	223,549
Statutory deposit	**100,000**	100,000
Time deposits with original maturity over 3 months	**53,162**	108,644
	283,795	432,193

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

The Group had a time deposit of HK$100,000,000 *(2015: HK$100,000,000)* at 31 December 2016 with a licensed bank in Hong Kong held in the name of "Insurance Authority account Target Insurance Company, Limited" as a statutory deposit pursuant to the instruction given by the Insurance Authority under sections 35(1) and 35A of the Hong Kong Insurance Companies Ordinance. The time deposit can only be released with approval from the Insurance Authority.

An insurance subsidiary has undertaken to maintain time deposits, including statutory deposit and certificates of deposit, of not less than HK$330,000,000 *(2015: HK$330,000,000)* with the banks in Hong Kong pursuant to the instruction given by the Insurance Authority.

23. INSURANCE AND OTHER PAYABLES

	2016 HK$'000	2015 HK$'000
Insurance payables		
Premium surcharge and other payables	**6,663**	5,478
Other payables		
Professional fee payables	**2,509**	917
Property agency fee payables	**2,236**	–
Deposit received from tenants	**1,321**	–
Other accruals and payables	**4,908**	3,073
	10,974	3,990
	17,637	9,468

24. SHARE CAPITAL

	2016		2015	
	No. of shares	**HK$'000**	No. of shares	HK$'000
Issued and fully paid				
At beginning of the year	**518,750,000**	**364,286**	375,000,000	150,000
Issue of shares by public offering (Note 24(A))	**–**	**–**	143,750,000	214,286
Issue of shares under share option scheme (Note 24(B))	**2,122,000**	**3,089**	–	–
At end of the reporting period	**520,872,000**	**367,375**	518,750,000	364,286

(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.

(B) ISSUE OF SHARES UNDER SHARE OPTION SCHEME

During the year ended 31 December 2016, 2,122,000 options were exercised to subscribe for 2,122,000 ordinary shares of the Company at a total consideration of HK$2,733,000 which was credited to share capital. In addition, HK$356,000 has been transferred from the share option reserve to share capital.

25. SHARE OPTION SCHEME

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

On 7 October 2014, options to subscribe for an aggregate of 13,390,000 ordinary shares have been conditionally granted by the Company to the eligible participants of the Scheme and the estimated fair value of the options granted on that date is HK$2,251,000.

25. SHARE OPTION SCHEME (Continued)

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

Date of grant	7 October 2014
Exercise price (HK$)	80% of the IPO price
Expected stock price volatility (%)	34.976
Expected life of the options (years)	9.998
Risk-free interest rate (%)	1.912
Expected dividend yield (%)	5.556
Early exercise multiple for directors	2.800
Early exercise multiple for senior management	2.800
Early exercise multiple for other employees	2.200

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

The weighted average share price at the date of share options exerisced during the year ended 31 December 2016 was HK$2.12.

Movements of share options during the year ended 31 December 2016 are as follows:

					Number of share option			
Type	**Date of grant**	**Exercise period**	**Exercise price per share** HK$	**Fair value per share** HK$	**Beginning of year** '000	**Exercised** '000	**Forfeited** '000	**End of year** '000
Directors	7 October 2014	15 January 2016 – 6 October 2024	1.288	0.169	4,800	(360)	–	4,440
Senior management	7 October 2014	15 January 2016 – 6 October 2024	1.288	0.169	1,234	(340)	–	894
Other employees	7 October 2014	15 January 2016 – 6 October 2024	1.288	0.167	6,856	(1,422)	–	5,434

Movements of share options during the year ended 31 December 2015 are as follows:

					Number of share option			
Type	**Date of grant**	**Exercise period**	**Exercise price per share** HK$	**Fair value per share** HK$	**Beginning of year** '000	**Exercised** '000	**Forfeited** '000	**End of year** '000
Directors	7 October 2014	15 January 2016 – 6 October 2024	1.288	0.169	4,800	–	–	4,800
Senior management	7 October 2014	15 January 2016 – 6 October 2024	1.288	0.169	1,644	–	(410)	1,234
Other employees	7 October 2014	15 January 2016 – 6 October 2024	1.288	0.167	6,946	–	(90)	6,856

25. SHARE OPTION SCHEME (Continued)

The Company also adopted a share option scheme which was approved by a resolution of the then shareholders passed on 23 December 2014. No option under this scheme has been granted. A summary of the principal terms and conditions of this scheme is set out in the "Share Option Scheme" section of the Directors' Report.

26. RESERVES

PROPERTY REVALUATION RESERVE

Property revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for revaluation of land and buildings held for owned use, net of deferred tax.

AVAILABLE-FOR-SALE INVESTMENT RESERVE

Available-for-sale investment reserve has been set up and is dealt with in accordance with the accounting policies adopted for available-for-sale financial assets, net of deferred tax.

SHARE OPTION RESERVE

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

MERGER RELIEF RESERVE

Merger relief reserve represents the excess of the cost of investment in Target as recorded in the statement of financial position of the Company over the amount credited to share capital, which equals to the subscribed share capital of Target acquired by the Company through the reorganisation in 2014. The reserve is unrealised but can be used in distribution of bonus issues. The reserve will become realised when the investment in Target is sold or impaired.

OTHER RESERVE

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

DISTRIBUTABLE RESERVES

At 31 December 2016, the aggregate amount of reserves available for distribution to equity shareholders of the Company, including retained earnings and available-for-sale investment reserve, as calculated under the provisions of Part 6 of the Hong Kong Companies Ordinance, was HK$7,676,000 *(2015: HK$30,457,000)*.

27. CASH GENERATED FROM OPERATIONS

	2016 HK$'000	2015 HK$'000
(Loss) Profit before tax	**(7,163)**	64,768
Depreciation	**553**	388
Impairment loss of available-for-sale financial assets	**51,981**	3,908
Loss on disposal of property, plant and equipment	**3**	3
Loss (Gain) on disposal of available-for-sale financial assets	**4,728**	(3,983)
Dividend income from available-for-sale financial assets	**(6,253)**	(5,321)
Interest income from available-for-sale financial assets and certificates of deposit	**(18,328)**	(14,271)
Interest income from bank deposits	**(3,993)**	(7,061)
Equity-settled share-based payments	**652**	1,327
Changes in working capital:		
Insurance and other receivables	**(926)**	(23,058)
Reinsurance assets	**(7,506)**	7,890
Deferred acquisition costs	**(415)**	(1,248)
Insurance liabilities	**66,029**	10,743
Reinsurance premium payables	**(1,738)**	(2,654)
Insurance and other payables	**6,796**	(1,560)
Cash generated from operations	**84,420**	29,871

28. ACQUISITION OF NET ASSETS THROUGH ACQUISITION OF A SUBSIDIARY

In August 2016, the Group entered into an agreement with an independent third party to acquire 100% equity interest in Chartered Properties Limited ("CPL") as disclosed in the Company's announcement dated 29 August 2016.

The principal activity of CPL is property investment. It owns the entire interest in commercial properties with gross floor area of approximately 15,451 square feet and two car parking spaces in Hong Kong (the "Properties"). The acquisition of CPL represented an opportunity for the Group to acquire a permanent office premises and hence to reduce ongoing rental expenses for the Group's head office and to avoid the possible increase in rents for the head office upon the expiry of its existing tenancy agreements.

As at the date of acquisition, the major assets held by CPL are the Properties. The underlying set of assets acquired was not integrated in forming a business to generate revenue. As such, the directors are of the opinion that the acquisition of CPL is a purchase of net assets which does not constitute a business combination for accounting purposes.

28. ACQUISITION OF NET ASSETS THROUGH ACQUISITION OF A SUBSIDIARY (Continued)

The acquisition had the following effect on the Group's assets and liabilities:

	Value upon acquisition HK$'000
Leasehold land and buildings	265,840
Other receivables	624
Other payables	(1,373)
Amount due to a related party	(125,321)
Taxation	(359)
Net assets acquired	139,411
Assignment of amount due to a related party	125,321
Total consideration	264,732
Total consideration satisfied by:	
Cash	264,732
Net cash outflow on acquisition of CPL:	
Cash consideration paid	264,732

29. OPERATING LEASE COMMITMENTS

The Group leases its office premises under operating lease arrangements. Leases are negotiated for average original terms of 1-3 years. At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating lease of HK$3,447,000 *(2015: HK$2,227,000)*, which is payable in next year.

The leasehold land and buildings acquired during the year are currently leased out under operating leases for average original lease terms of 1-3 years with options to terminate the leases at 1-6 month notice. The Company served the termination notices to the existing tenants of the Properties for possession of the leasehold land buildings as the Group's permanent office premises. At the end of the reporting period, the Group had total future aggregate minimum rental receivables under non-cancellable operating leases of HK$2,315,000 *(2015: Nil)*, which is receivable in next year.

30. RELATED PARTY TRANSACTIONS

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

Related party relationship	Nature of transaction	2016 HK$'000	2015 HK$'000
The Oscar Motors Company Limited, a company controlled by Lai Bing Leung, a director of the Company	Commission paid (ii)	**909**	901
Head & Shoulders Securities Limited, a company controlled by Choi Chiu Fai Stanley, a director of the Company	Brokerage paid (ii)	**58**	22

(i) Directors and senior management have been identified as key management personnel and the corresponding compensation is disclosed in Note 10 and Note 11 respectively.

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

31. INSURANCE AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

INSURANCE RISK

The Group, through its subsidiary, issues contracts that transfer insurance risk for motor business. The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefits payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk and type of industry covered.

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

INSURANCE RISK (Continued)

(I) FREQUENCY AND SEVERITY OF CLAIMS

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

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

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

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

The concentration of insurance risk before and after reinsurance in relation to the type of motor vehicle insurance risk accepted is summarised below, with reference to the carrying amount of the insurance claims liabilities (gross and net of reinsurance) arising from motor vehicle insurance contracts:

At 31 December		**Type of risk**			
		Taxi HK$'000	**PLB** HK$'000	**Other motor vehicles** HK$'000	**Total** HK$'000
2016	**Gross**	**401,255**	**162,905**	**70,817**	**634,977**
	Net	**357,281**	**139,493**	**63,603**	**560,377**
2015	Gross	342,780	164,031	66,680	573,491
	Net	309,903	134,626	61,868	506,397

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

INSURANCE RISK (Continued)

(II) SOURCES OF UNCERTAINTY IN THE ESTIMATION OF FUTURE CLAIM PAYMENTS

Claims on motor insurance contracts are payable on a claims-occurrence basis. The Group is liable for all insured events that occurred during the term of the contract, even if the loss is reported after the end of the contract term. As a result, liability claims are settled over a long period of time and a larger element of the claims provision relates to incurred but not reported claims ("IBNR"). There are several variables that affect the amount and timing of cash flows from these contracts. These mainly relate to the inherent risks of the business activities carried out by individual contract holders and the risk management procedures they adopted. The compensation paid on these contracts is the monetary awards granted for the insured, the opponents and bodily injury suffered by members of the public.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the other recoveries. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The liability for these contracts comprise a provision for IBNR, a provision for reported claims not yet paid and a provision for unexpired risks at the end of the reporting period. The amount of claims is particularly sensitive to the level of court awards and to the development of legal precedent on matters of contract and tort.

In calculating the estimated cost of unpaid claims (both reported and not), the Group's estimation techniques are a combination of loss-ratio-based estimates (where the loss ratio is defined as the ratio between the ultimate cost of insurance claims and insurance premiums earned in a particular financial year in relation to such claims) and an estimate based upon actual claims experience using predetermined formulae where greater weight is given to actual claims experience as time passes.

The initial loss-ratio estimate is an important assumption in the estimation technique and is based on previous years' experience, adjusted for factors such as premium rate changes, anticipated market experience and historical claims inflation.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Group, where information about the claim event is available. IBNR claims may not be apparent to the insured until many years after the event that gave rise to the claims has happened.

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

INSURANCE RISK (Continued)

(III) SENSITIVITY ANALYSIS

The purpose of the sensitivity analysis is to assess the relative importance of key factors used in the net of reinsurance actuarial valuation of outstanding claims of the Group as at the end of the reporting period. In this context, the outstanding claim liabilities include a risk margin.

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

- an increase or decrease of 5% in the assumed ultimate loss ratio for each line of business in the accident years *(2015: 5%)*; and
- an increase or decrease of 5% in the risk margin *(2015: 5%)*.

The sensitivity values shown for each factor are independent of changes to other factors. In practice, a combination of adverse and favourable changes could occur.

The sensitivity results are not intended to capture all possible outcomes. Significantly more adverse or favourable results are possible.

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

	2016 HK$'000	2015 HK$'000
Increase (decrease) in net outstanding claims and decrease (increase) in loss/profit after tax and equity		
– as a result of 5% increase in ultimate loss ratio	**19,224**	17,987
– as a result of 5% decrease in ultimate loss ratio	**(19,219)**	(17,912)

	2016 HK$'000	2015 HK$'000
Increase (decrease) in net outstanding claims and decrease (increase) in loss/profit after tax and equity		
– as a result of 5% increase in risk margin	**20,273**	18,938
– as a result of 5% decrease in risk margin	**(20,200)**	(18,938)

(IV) LOSS DEVELOPMENT TRIANGLE

The development of claims over a period of time on a gross and net basis is shown below in form of tables. The tables show the cumulative incurred claims, including both notified and IBNR claims, for each successive underwriting year at the end of each reporting period, together with cumulative claim payments as at the end of current reporting period.

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

INSURANCE RISK (Continued)

(IV) LOSS DEVELOPMENT TRIANGLE (Continued)

Gross insurance claims – 2016

	2012 HK$'000	**2013** HK$'000	**2014** HK$'000	**2015** HK$'000	**2016** HK$'000	**Total** HK$'000
Underwriting Year	229,810	210,080	206,337	228,168	262,425	
One year later	229,172	215,374	216,196	233,413		
Two years later	223,600	216,329	214,435			
Three years later	202,219	230,108				
Four years later	192,033					
Current estimate of cumulative gross claims	192,033	230,108	214,435	233,413	262,425	1,132,414
Cumulative gross payments to date	(180,435)	(182,705)	(127,997)	(67,261)	(18,518)	(576,916)
Sub-total	11,598	47,403	86,438	166,152	243,907	555,498
Gross insurance claims in respect of years prior to 2012						10,968
Unallocated loss adjustment expenses and risk margin						68,511
Total gross general insurance claims liability						634,977

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

INSURANCE RISK (Continued)

(IV) LOSS DEVELOPMENT TRIANGLE (Continued)

Net insurance claims – 2016

	2012 HK$'000	**2013** HK$'000	**2014** HK$'000	**2015** HK$'000	**2016** HK$'000	**Total** HK$'000
Underwriting Year	193,324	192,238	188,778	212,121	237,630	
One year later	195,443	193,254	187,018	206,575		
Two years later	194,740	195,010	181,428			
Three years later	173,175	199,871				
Four years later	174,602					
Current estimate of cumulative net claims	174,602	199,871	181,428	206,575	237,630	1,000,106
Cumulative net payments to date	(162,457)	(166,579)	(114,304)	(53,629)	(13,302)	(510,271)
Sub-total	12,145	33,292	67,124	152,946	224,328	489,835
Net insurance claims in respect of years prior to 2012						9,010
Unallocated loss adjustment expenses and risk margin						61,532
Total net general insurance claims liability						560,377

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

INSURANCE RISK (Continued)

(IV) LOSS DEVELOPMENT TRIANGLE (Continued)

Gross insurance claims – 2015

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

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

INSURANCE RISK (Continued)

(IV) LOSS DEVELOPMENT TRIANGLE (CONTINUED)

Net insurance claims – 2015

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

The prior year net reserve estimates decreased by HK$4,848,000 *(2015: decreased by HK$17,805,000)* for the year ended 31 December 2016. This is primarily attributable to write-back of previous estimates no longer required on settlements or clarification of loss position on certain insurance contracts written in previous underwriting years.

31. INSURANCE AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

FINANCIAL RISK

The Group is exposed to financial risk through its available-for-sale financial assets, certificates of deposit, insurance receivables, reinsurance assets, insurance payables, bank balances and time deposits. In particular the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are market risk (including market price risk, interest rate risk and foreign currency risk), credit risk and liquidity risk.

The objective of financial risk management is to ensure that Group's overall financial risk is at an acceptable level and that appropriate returns are earned for the level of risk assumed. The board of directors generally adopts conservative strategies on its risk management and limits the Group's exposure to these risks to a minimum. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

(I) MARKET PRICE RISK

The Group is exposed to market price risks arising from its available-for-sale financial assets and certificates of deposit. The directors manage this exposure by maintaining a portfolio of investments with different risks and different return profiles.

The sensitivity analysis has been determined based on the exposure to market price risk. As at 31 December 2016, if there had been a 5% increase/decrease in market value of the equity and debt securities and certificates of deposit while all other variables were held constant, the available-for-sale investment reserve would be increased/decreased by approximately HK$25,700,000 *(2015: HK$27,917,000)*, of which the decrease of HK$6,865,000 *(2015: HK$143,000)* will be reclassified to profit or loss, as a result of changes in fair value of available-for-sale investments.

The sensitivity analysis has been determined assuming that the reasonably possible changes in the stock market index or other relevant risk variables had occurred at the end of the reporting period and had been applied to the exposure to market price risk in existence at that date. It is also assumed that the fair values of the Group's investments would change in accordance with the historical correlation with the relevant stock market index or the relevant risk variables. The stated changes represent directors' assessment of reasonably possible changes in the relevant stock market index or the relevant risk variables over the period until the end of next annual reporting period.

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

FINANCIAL RISK (Continued)

(II) INTEREST RATE RISK

Interest rate risk is the risk that the Group's position may be adversely affected by a change of market interest rates. It arises from time deposits with banks and financial institutions and available-for-sale financial assets. The Group mainly invests in time deposits with banks and available-for-sale financial assets with fixed interest rate, thus, there is no significant interest rate risk exposure in relation to these instruments.

(III) FOREIGN CURRENCY RISK

The Group's foreign currency exposures arise mainly from the exchange rate movements of United States Dollar ("USD"), Australian Dollar ("AUD"), Thai Baht ("THB"), Singapore Dollar ("SGD") and Renminbi ("RMB") against Hong Kong Dollar ("HKD"). The Group is exposed to risks arising from the exchange rate movements of foreign currency assets held.

As HKD is closely pegged with USD, the currency risk in this respect is considered not significant.

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

	As at 31 December	
	2016 **HK$'000**	2015 HK$'000
Time deposits with original maturity over 3 months	**23,161**	23,645
Bank balances and cash	**14,870**	30,444
Available-for-sale financial assets and certificates of deposit	**21,856**	18,852
Overall net exposure	**59,887**	72,941

The following information indicates the approximate change in the Group's net loss/profit in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of the reporting period.

If AUD, THB, SGD and RMB had weakened/strengthened by 5% against HKD, the Group's net loss and the available-for-sale investment reserve for the reporting period would have been approximately increased/decreased by HK$2,957,000 *(2015: net profit decreased/increased by HK$3,011,000)* and decreased/increased by HK$37,000 *(2015: decreased/increased by HK$636,000)* respectively.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to Group's exposure to currency risk for all financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. The stated changes in foreign currency represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the end of the next annual reporting period.

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

FINANCIAL RISK (Continued)

(IV) CREDIT RISK

Credit risk is the risk that a customer or counterparty in a transaction may default. It arises from the credit terms extend to intermediaries, reinsurers and other activities undertaken by the Group. To manage credit risk, the Group has considered the long business relationship with the counterparty. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The Group's exposure to credit risk is influenced by the individual characteristics of each intermediary and reinsurer. Reinsurance of the Group is placed with reinsurers with Standard & Poor's security ratings of A- or above. As a result, the management considers that the Group's exposure to credit risk associated with the reinsurance assets is not significant. The Group had a concentration of credit risk as 40% *(2015: 40%)* of the insurance receivables were due from the Group's five largest intermediaries at 31 December 2016.

According to the Group's investment policy, to reduce the credit risk associated with the investment in debt securities, the Group diversifies the risk by investing mainly in debt securities with international credit ratings not lower than B1 (Moody's), B+ (Standard & Poor's) or B+ (Fitch). For debt securities with lower credit rating, its issuer or guarantor should be a listed company and is a constituent share in respect of major international index as well as the market capital is no less than HK$2 billion. Investments in unrated debt securities are restricted to a maximum amount of HK$40 million. In addition, unrated debt securities are reviewed and monitored by the management on an ongoing basis to minimise the default risk of the counterparties.

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

The carrying amount of financial assets, except for investment in equity securities, recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk without taking into account the value of any collateral obtained.

(V) LIQUIDITY RISK

Liquidity risk is the risk that the Group cannot meet its current obligations as they fall due. To manage liquidity risk, the Group has established liquidity management policies that are pertinent to the operations of claims handling.

It is unusual for an enterprise primarily transacting insurance business to predict the requirements of funding with absolute certainty, as the theory of probability is applied on insurance contracts to ascertain the likely provision and the period when such liabilities will require settlement. The amounts and maturity periods of these insurance liabilities are thus based on management's best estimate based on statistical techniques and past experience.

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

FINANCIAL RISK (Continued)

(V) LIQUIDITY RISK (Continued)

The maturity profile of the Group's insurance and financial assets at the end of the reporting period based on original maturity are summarised below:

	Less than 1 year or on demand HK$'000	**1-5 years** HK$'000	**Over 5 years** HK$'000	**Total** HK$'000
At 31 December 2016				
Debt securities and certificates of deposit	**106,554**	**80,552**	**164,187**	**351,293**
Insurance and other receivables	**92,479**	**–**	**–**	**92,479**
Reinsurance assets	**21,490**	**50,080**	**3,030**	**74,600**
Statutory deposits	**100,000**	**–**	**–**	**100,000**
Time deposits	**53,162**	**–**	**–**	**53,162**
Bank balances and cash	**130,633**	**–**	**–**	**130,633**
	504,318	**130,632**	**167,217**	**802,167**
At 31 December 2015				
Debt securities and certificates of deposit	97,992	104,206	161,000	363,198
Insurance and other receivables	91,787	–	–	91,787
Reinsurance assets	19,999	44,519	2,576	67,094
Statutory deposits	100,000	–	–	100,000
Time deposits	108,644	–	–	108,644
Bank balances and cash	223,549	–	–	223,549
	641,971	148,725	163,576	954,272

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

FINANCIAL RISK (Continued)

(V) LIQUIDITY RISK (Continued)

The maturity profile of the Group's insurance and financial liabilities at the end of the reporting period based on contractual undiscounted payments are summarised below:

	Less than 1 year or on demand HK$'000	**1-5 years** HK$'000	**Over 5 years** HK$'000	**Total** HK$'000
At 31 December 2016				
Outstanding claims and IBNR	**229,866**	**390,109**	**15,002**	**634,977**
Reinsurance premium payable	**8,388**	**–**	**–**	**8,388**
Insurance and other payables	**17,637**	**–**	**–**	**17,637**
	255,891	**390,109**	**15,002**	**661,002**
At 31 December 2015				
Outstanding claims and IBNR	207,253	352,916	13,322	573,491
Reinsurance premium payable	10,126	–	–	10,126
Insurance and other payables	9,468	–	–	9,468
	226,847	352,916	13,322	593,085

32. CAPITAL MANAGEMENT

The objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to provide returns for equity owners. The Group manages its capital structure, which comprises all equity components of the Group, and makes adjustments, including payment of dividend to equity owners, issue of new shares or sale of assets to reduce debts. The Group is not subject to any externally imposed capital requirements except for an insurance subsidiary, Target, which is subject to the relevant minimum capital requirement. No changes were made in the objectives, policies or processes during the years ended 31 December 2016 and 2015.

Target is required by the Hong Kong Insurance Companies Ordinance (the "ICO") to have a minimum paid-up capital of HK$20 million and to maintain a surplus of assets over its liabilities of an amount not less than a specified minimum solvency margin as determined in accordance with the ICO (the "Minimum Solvency Margin"). The Insurance Authority has also required Target to maintain such a surplus of an amount not less than 200% of the Minimum Solvency Margin. Target is also required under section 25A of the ICO to maintain assets in Hong Kong of an amount which is not less than the aggregate of 80% of its liabilities as adjusted under the ICO and the relevant amount applicable to its Hong Kong insurance business.

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

33. FAIR VALUE MEASUREMENT

The following presents the assets and liabilities measured at fair value or required to disclose their fair value in these financial statements on a recurring basis 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.

	As at 31 December	
Assets measured at fair value	**2016 HK$'000**	2015 HK$'000
Level 1		
Available-for-sale financial assets		
Listed equity securities	**162,704**	195,144
Listed debt securities	**246,325**	292,101
	409,029	487,245
Level 2		
Available-for-sale financial assets		
Unlisted debt securities	**5,756**	–
Certificates of deposit	**99,212**	71,097
	104,968	71,097
Level 3		
Leasehold land and buildings		
Commercial properties and car parking spaces located in Hong Kong	**278,000**	–

During the year ended 31 December 2016, there were no transfers between Level 1 and Level 2 fair value measurements *(2015: Nil)*, and no transfers into and out of Level 3 fair value measurements *(2015: Nil)*. The only movement in the Level 3 leasehold land and buildings since 1 January 2016 was the additions to property, plant and equipment of HK$265,840,000 *(2015: Nil)* and a fair value increase of HK$12,160,000 *(2015: Nil)*, which has been recognised in other comprehensive income and recorded in property revaluation reserve.

33. FAIR VALUE MEASUREMENT (Continued)

(I) FAIR VALUE OF AVAILABLE-FOR-SALE FINANCIAL ASSETS

The fair values of the listed equity and debt securities are determined based on the quoted market bid prices available on the Stock Exchange or relevant stock exchanges. The fair values of the unlisted debt securities and certificates of deposit are determined with reference to over-the-counter quotations from brokers, bid prices from the Central Moneymarkets Unit of the Hong Kong Monetary Authority or Depository Trust Company.

(II) FAIR VALUE OF LEASEHOLD LAND AND BUILDINGS

At the end of the reporting period, the leasehold land and buildings were revalued by Crowe Horwath (HK) Consulting & Valuation Limited, independent professional qualified valuer, with reference to recent market transaction prices of similar properties. The Group's management reviews the valuation performed by the independent valuer for the financial reporting purposes.

The fair value of leasehold land and buildings, which consist of commercial properties and car parking spaces situated in Hong Kong, is determined using direct comparison approach by reference to recent transaction prices of similar properties on a price per square foot basis, adjusted for a discount of approximately 12% specific to the quality and floor of the Group's buildings compared to the recent sales. Higher premium for higher quality buildings will result in a higher fair value measurement.

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	**2016 HK$'000**	2015 HK$'000
Assets			
Investments in subsidiaries		**396,915**	346,263
Available-for-sale financial assets		**–**	8,031
Other receivables		**–**	12
Bank balances and cash		**4,901**	66,894
TOTAL ASSETS		**401,816**	421,200
Liabilities			
Other payables		**206**	194
TOTAL LIABILITIES		**206**	194
EQUITY			
Share capital	24	**367,375**	364,286
Available-for-sale investment reserve	34(A)	**–**	(702)
Share option reserve	34(A)	**1,623**	1,327
Merger relief reserve	34(A)	**24,936**	24,936
Retained earnings	34(A)	**7,676**	31,159
TOTAL EQUITY		**401,610**	421,006
TOTAL LIABILITIES AND EQUITY		**401,816**	421,200

Approved and authorised for issue by the Board of Directors on 27 March 2017 and signed on its behalf by

Cheung Haywood
Director

Muk Wang Lit Jimmy
Director

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

(A) RESERVES

	Available-for-sale investment reserve HK$'000 (Note 26)	**Merger relief reserve** HK$'000 (Note 26)	**Share option reserve** HK$'000 (Note 25)	**Retained earnings** HK$'000	**Total** HK$'000
At 1 January 2015	–	24,936	–	(11,787)	13,149
Profit for the year	–	–	–	42,946	42,946
Other comprehensive loss					
Net movement in fair value of available-for-sale financial assets	(702)	–	–	–	(702)
Total comprehensive income for the year	(702)	–	–	42,946	42,244
Transactions with equity owners					
Contributions and distribution					
Equity-settled share-based transaction	–	–	1,327	–	1,327
At 31 December 2015	(702)	24,936	1,327	31,159	56,720
At 1 January 2016	**(702)**	**24,936**	**1,327**	**31,159**	**56,720**
Profit for the year	**–**	**–**	**–**	**5,165**	**5,165**
Other comprehensive income					
Net movement in fair value of available-for-sale financial assets	**702**	**–**	**–**	**–**	**702**
Total comprehensive income for the year	**702**	**–**	**–**	**5,165**	**5,867**
Transactions with equity owners					
Contributions and distribution					
Dividend	**–**	**–**	**–**	**(28,648)**	**(28,648)**
Shares issued under share option scheme	**–**	**–**	**(356)**	**–**	**(356)**
Equity-settled share-based transaction	**–**	**–**	**652**	**–**	**652**
	–	**–**	**296**	**(28,648)**	**(28,352)**
At 31 December 2016	**–**	**24,936**	**1,623**	**7,676**	**34,235**