



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

2017
Interim Report

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CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

COMPANY SECRETARY

TSE Kam Fai

AUTHORISED REPRESENTATIVES

CHAN Hok Ching
TSE Kam Fai

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

RISK COMMITTEE

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

AUDITOR

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

REGISTERED OFFICE, HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS

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

SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKER

Bank of China (Hong Kong) Limited

STOCK CODE

6161

WEBSITE

<http://www.targetinsholdings.com>

FINANCIAL REVIEW

Our Group's general insurance business is operated by Target Insurance Company, Limited ("Target"). Target is a Hong Kong incorporated company and is wholly owned by the Company. With the formal authorization on additional classes obtained on 17 January 2017, Target is principally engaged in underwriting motor and the other general insurance policies in Hong Kong.

The key financial performance indicators of the Group are as follows:

| | For the six months ended 30 June | | |
|--|----------------------------------|------------------|----------|
| | 2017 HK\$'000 | 2016 HK\$'000 | % Change |
| Gross premium written | 198,836 | 186,664 | 6.5% |
| Net premium written | 177,934 | 171,117 | 4.0% |
| Net insurance premium revenue | 182,227 | 173,533 | 5.0% |
| Net insurance claims and loss adjustment expenses | (136,077) | (125,998) | 8.0% |
| Acquisition costs and other underwriting expenses, net | (18,508) | (17,710) | 4.5% |
| Operating profit | 27,642 | 29,825 | (7.3%) |
| Investment income | 28,473 | 11,012 | 158.6% |
| Other income | 4,128 | 465 | 787.7% |
| Employee benefit expenses | (18,223) | (11,742) | 55.2% |
| Other operating expenses | (18,173) | (9,197) | 97.6% |
| Profit before tax | 23,578 | 20,363 | 15.8% |
| Profit for the period | 19,886 | 17,706 | 12.3% |
| EBITDA | 29,061 | 20,501 | 41.8% |
| Basic earnings per share | 3.81 cents | 3.40 cents | 12.1% |
| Diluted earnings per share | 3.79 cents | 3.38 cents | 12.1% |

| | For the six months ended 30 June | | |
|--------------------------------|----------------------------------|-------|------------|
| | 2017 | 2016 | Difference |
| Retention ratio ⁽¹⁾ | 89.5% | 91.7% | (2.2%) |
| Loss ratio ⁽²⁾ | 74.7% | 72.6% | 2.1% |
| Expense ratio ⁽²⁾ | 30.1% | 22.3% | 7.8% |
| Combined ratio ⁽³⁾ | 104.8% | 94.9% | 9.9% |
| Investment yield | 3.3% | 1.1% | 2.1% |

Notes:

- (1) Retention ratio is calculated by dividing net premium written by gross premium written for the respective period.
- (2) Both the loss ratio and expense ratio are based on net insurance premium revenue.
- (3) The combined ratio is the sum of the loss ratio and the expense ratio.

FINANCIAL REVIEW

GROSS PREMIUM WRITTEN

Gross premium written increased by 6.5% to HK\$198.8 million (2016: HK\$186.7 million). During the six months ended 30 June 2017, the gross premium written of other motor vehicles increased by 38.7% due to our expansion of direct private cars and goods carrying vehicles business. Our other general insurance business was at its beginning stage and recorded a gross premium written of HK\$0.8 million during the period. The detailed breakdown of gross premium written is as follows:

Gross Premium Written

| | 2017 | | 2016 | | % Change |
|-------------------------------------|----------------|---------------|----------|------------|----------|
| | HK\$'000 | % of Total | HK\$'000 | % of Total | |
| Taxi | 121,101 | 61.0% | 118,384 | 63.4% | 2.3% |
| Public Light Bus ("PLB") | 44,614 | 22.4% | 44,991 | 24.1% | (0.8%) |
| Other motor vehicles ⁽¹⁾ | 32,296 | 16.2% | 23,289 | 12.5% | 38.7% |
| Others ⁽²⁾ | 825 | 0.4% | – | – | n/a |
| | 198,836 | 100.0% | 186,664 | 100.0% | 6.5% |

Notes:

- (1) Other motor vehicles mainly include goods carrying vehicles, private cars and motorcycles
 (2) Others include all other general insurance business except motor business

NET INSURANCE CLAIMS AND LOSS RATIO

During the six months ended 30 June 2017, our retention ratio decreased to 89.5% (2016: 91.7%). We arranged quota share reinsurance treaty for part of our motor business and most of our other general insurance business to diversify our risk as we grow our portfolio. In respect of the net insurance claims, we note a mild increase for taxi and a substantial increase for other motor vehicles. As a result, net insurance claims and loss adjustment expenses increase by 8.0% to HK\$136.1 million (2016: HK\$126.0 million). The loss ratio increased to 74.7% (2016: 72.6%).

Net insurance claims and loss adjustment expenses

| | 2017 | | 2016 | % Change |
|-------------------------------------|----------------|----------|--------|----------|
| | HK\$'000 | HK\$'000 | | |
| Taxi | 92,220 | 86,682 | 6.4% | |
| PLB | 21,391 | 23,494 | (9.0%) | |
| Other motor vehicles ⁽¹⁾ | 22,444 | 15,822 | 41.9% | |
| Others ⁽²⁾ | 22 | – | n/a | |
| | 136,077 | 125,998 | 8.0% | |

Notes:

- (1) Other motor vehicles mainly include goods carrying vehicles, private cars and motorcycles
 (2) Others include all other general insurance business except motor business

FINANCIAL REVIEW

UNDERWRITING AND OTHER ADMINISTRATIVE EXPENSES

Our Group managed to control the increment of our acquisition costs and other underwriting expenses at 4.5% to HK\$18.5 million (2016: HK\$17.7 million). The employee benefit expenses significantly increased by 55.2% to HK\$18.2 million (2016: HK\$11.7 million) due to the recruitment a team of top-tier experienced professionals from international insurance companies for diversifying our general insurance products. The depreciation substantially increased by 3,540.6% to HK\$5.0 million (2016: HK\$0.1 million) because of the depreciation charges on permanent office premises. The rental charges increased by 43.1% to HK\$3.4 million (2016: HK\$2.4 million) as we rent an additional office space for other general insurance business. The professional charges increased by 31.4% to HK\$2.6 million (2016: HK\$1.9 million) mainly due to the professional fees associated with the development of other general insurance products. The underwriting and other administrative expenses are summarized as follows:

| | For the six months ended 30 June | | |
|--|----------------------------------|------------------|--------------|
| | 2017 HK\$'000 | 2016 HK\$'000 | Difference |
| Acquisition costs and other underwriting expenses, net | 18,508 | 17,710 | 4.5% |
| Employee benefit expenses | 18,223 | 11,742 | 55.2% |
| Depreciation | 5,024 | 138 | 3,540.6% |
| Rental charges | 3,408 | 2,381 | 43.1% |
| Advertising and promotion expenses | 2,627 | 2,340 | 12.3% |
| Professional charges | 2,551 | 1,941 | 31.4% |
| Entertainment | 776 | 751 | 3.3% |
| Donation | 230 | 310 | (25.8%) |
| Finance costs | 269 | – | n/a |
| Others | 3,557 | 1,336 | 166.2% |
| | 55,173 | 38,649 | 42.8% |

INVESTMENT PERFORMANCE

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

| | As at | | | | |
|-------------------------|----------------|---------------|------------------|---------------|--------------|
| | 30 June 2017 | | 31 December 2016 | | % Change |
| | HK\$'000 | % of Total | HK\$'000 | % of Total | |
| Equity securities | 149,609 | 16.3% | 162,704 | 20.4% | (8.0%) |
| Debt securities | 257,487 | 28.1% | 252,081 | 31.6% | 2.1% |
| Certificates of deposit | 69,430 | 7.6% | 99,212 | 12.4% | (30.0%) |
| Cash and bank deposits | 440,787 | 48.0% | 283,795 | 35.6% | 55.3% |
| | 917,313 | 100.0% | 797,792 | 100.0% | 15.0% |

FINANCIAL REVIEW

The investment yield is increased to 3.3% (2016: 1.1%). The increase in investment income was mainly driven by the gain on disposal of available-for-sale financial assets of HK\$14.8 million (2016: Loss of HK\$1.9 million). The total investment income on a pre-tax basis recognized in Condensed Consolidated Income Statement are as follows:

| For the six months ended 30 June | | | |
|---|-----------------|----------|----------|
| | 2017 | 2016 | % Change |
| | HK\$'000 | HK\$'000 | |
| Interest income from bank deposits | 2,180 | 2,118 | 2.9% |
| Interest income from certificates of deposit | 620 | 764 | (18.8%) |
| Interest income from listed available-for-sale financial assets | 6,706 | 8,597 | (22.0%) |
| Interest income from unlisted available-for-sale financial assets | 150 | – | n/a |
| Dividend income from listed available-for-sale financial assets | 2,249 | 4,382 | (48.7%) |
| Gain/(Loss) on disposal of available-for-sale financial assets | 14,783 | (1,886) | 883.8% |
| Net foreign exchange gains | 1,785 | 110 | 1,522.7% |
| Impairment loss for available-for-sale financial assets | – | (3,073) | (100.0%) |
| | 28,473 | 11,012 | 158.6% |

OTHER INCOME

The other income increased by 787.7% to HK\$4.1 million (2016: HK\$0.5 million) is due to rental income from tenants of the permanent office premises during the notice period.

OPERATING PROFIT

Our operating profit decreased by 7.3% to HK\$27.6 million (2016: HK\$29.8 million). Our profit before tax increased by 15.8% to HK\$23.6 million (2016: HK\$20.4 million) and our profit for the period increased by 12.3% to HK\$19.9 million (2016: HK\$17.7 million).

| For the six months ended 30 June | | | |
|---|-----------------|----------|----------|
| | 2017 | 2016 | % Change |
| | HK\$'000 | HK\$'000 | |
| Operating profit | 27,642 | 29,825 | (7.3%) |
| Profit before tax | 23,578 | 20,363 | 15.8% |
| Profit for the period | 19,886 | 17,706 | 12.3% |

LIQUIDITY AND FINANCIAL RESOURCES

Our Group's cash and bank deposits as at 30 June 2017 amounted to HK\$440.8 million (31 December 2016: HK\$283.8 million).

FINANCIAL LEVERAGE AND CHARGE ON GROUP ASSETS

As at 30 June 2017, our Group has an outstanding loan of HK\$49.0 million and no bank overdrafts (31 December 2016: Nil). As at 30 June 2017, a subsidiary of the Company pledged assets with an aggregate carrying value of HK\$273.4 million (31 December 2016: HK\$278.0 million) to secure drawn bank borrowings.

FINANCIAL REVIEW

CAPITAL STRUCTURE

During the period ended 30 June 2017, 538,000 options were exercised to subscribe for 538,000 ordinary shares of the Company at a total consideration of HK\$693,000 which was credited to share capital. In addition, HK\$91,000 has been transferred from the share option reserve to share capital. Details of the share options were disclosed in the Prospectus.

STAFF AND STAFF REMUNERATION

As at 30 June 2017, the Group had a total of 64 employees (31 December 2016: 49 employees), an increase of 15 employees. Total remuneration for the six months ended 30 June 2017 amounted to HK\$18.2 million (2016: HK\$11.7 million), an increase of 55.2% due to the recruitment a team of top-tier experienced professionals from international insurance companies for diversifying our general insurance products.

CONTINGENT LIABILITIES

Other than those incurred during the normal course of our Group's insurance business, there was neither outstanding litigation nor any other contingent liabilities as at 30 June 2017 and 31 December 2016.

BUSINESS REVIEW

MOTOR INSURANCE BUSINESS

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

The following table illustrates the breakdown of our gross premium written by business segments for the six months ended 30 June 2017 and 2016:

| | 2017 | | 2016 | | % Change |
|-------------------------------------|----------|------------|----------|------------|----------|
| | HK\$'000 | % of Total | HK\$'000 | % of Total | |
| Taxi | 121,101 | 61.2% | 118,384 | 63.4% | 2.3% |
| PLB | 44,614 | 22.5% | 44,991 | 24.1% | (0.8%) |
| Other motor vehicles ⁽¹⁾ | 32,296 | 16.3% | 23,289 | 12.5% | 38.7% |
| | 198,011 | 100.0% | 186,664 | 100.0% | 6.1% |

Note:

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

Our business on other motor vehicles motor insurance was picking up while our business on taxi and PLB motor insurance was stable. The gross premium written on taxi and PLB presents 83.7% of gross premium written on motor insurance for the period ended 30 June 2016 (2016: 87.5%). These two business segments were saturated and we managed to achieve a mild growth of gross premium written by 2.3% to HK\$121.1 million (2016: HK\$118.4 million) for taxi. Our PLB motor insurance reduced by 0.8% to HK\$44.6 million (2016: HK\$45.0 million) due to market competition, which led to a reduction of premium rates.

Our business on other motor vehicles was mainly driven by our online business platform. The gross premium written increased by 38.7% to HK\$32.3 million (2016: HK\$23.3 million).

OTHER GENERAL INSURANCE BUSINESS

With the formal authorization on additional classes obtained on 17 January 2017, Target has begun to write other general insurance business since March 2017. As at 30 June 2017, Target offered four other general insurance products, namely travel insurance, home insurance, medical insurance and SME insurance. For the period ended 30 June 2017, the gross premium written was HK\$0.8 million (2016: Nil).

BUSINESS REVIEW

INVESTMENTS

We invest premiums and other income generated from our insurance business. The total value of investment portfolio increased by 15.0% to HK\$917.3 million (31 December 2016: HK\$797.8 million).

Our Group's equity portfolio was reduced by 8.0% to HK\$149.6 million (31 December 2016: HK\$162.7 million). Over 99% of equity securities invested are listed on the Hong Kong Stock Exchange. The equity securities classified by type are as follows:

| | As at | | |
|--------------------------|-----------------------------|---------------------------------|----------|
| | 30 June 2017 HK\$'000 | 31 December 2016 HK\$'000 | % Change |
| Listed in Hong Kong | 148,836 | 161,969 | (8.1%) |
| Listed outside Hong Kong | 773 | 735 | 5.2% |
| | 149,609 | 162,704 | (8.0%) |

Our Group's debt portfolio remained at a similar level at HK\$257.5 million (31 December 2016: HK\$252.1 million), an increase of 2.1%. The debt securities classified by type are as follows:

| | As at | | |
|----------------------------|-----------------------------|---------------------------------|----------|
| | 30 June 2017 HK\$'000 | 31 December 2016 HK\$'000 | % Change |
| Listed in Hong Kong | | | |
| – Corporate entities (USD) | 123,449 | 118,951 | 3.8% |
| – Government (HKD) | 8,091 | 8,166 | (0.9%) |
| Listed outside Hong Kong | | | |
| – Corporate entities (USD) | 107,409 | 108,100 | (0.6%) |
| – Corporate entities (AUD) | 12,248 | 11,108 | 10.3% |
| Unlisted | | | |
| – Corporate entities (AUD) | 6,290 | 5,756 | 9.3% |
| | 257,487 | 252,081 | 2.1% |

The certificates of deposit classified by type are as follows:

| | As at | | |
|-------------------------------|-----------------------------|---------------------------------|----------|
| | 30 June 2017 HK\$'000 | 31 December 2016 HK\$'000 | % Change |
| Certificates of deposit (HKD) | 65,050 | 94,955 | (31.5%) |
| Certificates of deposit (CNY) | 4,380 | 4,257 | 2.9% |
| | 69,430 | 99,212 | (30.0%) |

BUSINESS REVIEW

SIGNIFICANT EVENTS AFTER 30 JUNE 2017

The Company did not note any significant events after 30 June 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 will 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 relationships 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 the 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.

OTHER INFORMATION

INTERIM DIVIDEND

The Directors resolved not to declare any interim dividend in respect of the six months ended 30 June 2017.

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2017, the interest or short positions of the Directors in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"), are set out below:

INTERESTS IN THE COMPANY

| Name of Director | Nature of interest | Long position/ short position | Number of ordinary shares/underlying shares held | Approximate percentage of shareholding |
|---|---|----------------------------------|---|--|
| Dr. Cheung Haywood ("Dr. Cheung") | Interest of a controlled corporation | Long position | 183,750,000 (Note 1) | 35.24% |
| Mr. Lai Bing Leung ("Mr. Lai") | Interest of a controlled corporation | Long position | 56,250,000 (Note 2) | 10.79% |
| Mr. Chiu Sun Ting ("Mr. Chiu") | Interest of a controlled corporation | Long position | 56,250,000 (Note 3) | 10.79% |
| Dr. Choi Chiu Fai Stanley ("Dr. Choi") | Interest of a controlled corporation | Long position | 6,125,000 (Note 4) | 1.17% |
| 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% |

OTHER INFORMATION

Notes:

- (1) Independent Assets Management Limited (“Independent Assets”) is the registered and beneficial owner of these Shares. Independent Assets is wholly owned by Dr. Cheung. Moreover, Independent Assets is accustomed to act in accordance with Dr. Cheung’s directions. By virtue of the SFO, Dr. Cheung is deemed to be interested in the same parcel of Shares in which Independent Assets is interested.
- (2) Champion City Holdings Limited (“Champion City”) is the registered and beneficial owner of these Shares. Champion City is wholly owned by Mr. Lai. Moreover, Champion City is accustomed to act in accordance with Mr. Lai’s directions. By virtue of the SFO, Mr. Lai is deemed to be interested in the same parcel of Shares in which Champion City is interested.
- (3) Generous Rich Limited (“Generous Rich”) is the registered and beneficial owner of these Shares. Generous Rich is wholly owned by Mr. Chiu. Moreover, Generous Rich is accustomed to act in accordance with Mr. Chiu’s directions. By virtue of the SFO, Mr. Chiu is deemed to be interested in the same parcel of Shares in which Generous Rich is interested.
- (4) Allied Connect Limited (“Allied Connect”) is the registered and beneficial owner of these Shares. Allied Connect is wholly owned by Dr. Choi. Moreover, Allied Connect is accustomed to act in accordance with Dr. Choi’s directions. By virtue of the SFO, Dr. Choi is deemed to be interested in the same parcel of Shares in which Allied Connect is interested.
- (5) 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 “Interests 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 “Interests 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 30 June 2017 as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS IN SHARE OPTIONS

PRE-IPO SHARE OPTION SCHEME

Pursuant to a written resolution of the then sole Shareholder passed on 30 September 2014, the rules of the Pre-IPO Share Option Scheme were approved and adopted. The purpose of the Pre-IPO Share Option Scheme is to enable the Company to grant options to the participants of the Pre-IPO Share Option Scheme as incentives or rewards for their contribution to the growth of the Group and to provide the Group with a more flexible means to reward, remunerate, compensate and/or to provide benefits to the participants of the Pre-IPO Share Option Scheme. Other details of the Pre-IPO Share Option Scheme were set out in the Prospectus.

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

OTHER INFORMATION

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

| Name or category of participants | Balance at 1 January 2017 | Exercised during the period | Cancelled during the period | Lapse during the period | Outstanding as at 30 June 2017 | Exercise price (HK\$) | Exercisable period |
|----------------------------------|---------------------------|-----------------------------|-----------------------------|-------------------------|--------------------------------|-----------------------|-----------------------------------|
| Directors | | | | | | | |
| Mr. Muk Wang Lit Jimmy | 1,640,000 | – | – | – | 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: | 4,440,000 | – | – | – | 4,440,000 | | |
| Employees | 4,326,000 | 538,000 | – | 226,000 | 3,562,000 | 1.288 | 15 January 2016 to 6 October 2024 |
| Consultants | 2,002,000 | – | – | – | 2,002,000 | 1.288 | 15 January 2016 to 6 October 2024 |
| Total: | 10,768,000 | 538,000 | – | 226,000 | 10,004,000 | | |

Note:

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

- one-third vesting after the expiry of 12-month period from and including 15 January 2015;
- additional one-third vesting after the expiry of 24-month period from and including 15 January 2015; and
- remaining vesting after the expiry of 36-month period from and including 15 January 2015.

The Pre-IPO Share Option Scheme ended on 14 January 2015, being the day immediately prior to the 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\$1.97.

OTHER INFORMATION

SHARE OPTION SCHEME

The Company adopted a share option scheme (the “Scheme”) which was approved by a resolution of the then Shareholders passed on 23 December 2014. The purpose of the Scheme is to enable the Company to grant options to full-time or part-time employees, Directors (including executive, non-executive or independent non-executive Directors) and any consultants or advisers (whether professional or otherwise and whether on an employment or contractual or honorary basis or otherwise and whether paid or unpaid), distributor, contractor, supplier, service provider, agent, customer and business partner of the Company and/or its subsidiary from time to time (the “Eligible Participants”) as incentives or rewards for their contribution to the growth of the Group and to provide the Group with a more flexible means to reward, remunerate, compensate and/or provide benefits to the Eligible Participants.

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

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

DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2017, the interests or short positions of every person, other than a Director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, are set out below:

INTEREST IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

| 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 (Note 1) | Beneficial owner | Long position | 183,750,000 | 35.24% |
| Convoy Collateral Limited (Note 2) | Beneficial owner | Long position | 75,484,000 | 14.47% |
| Convoy Financial Holdings Limited (Note 2) | Interest of controlled corporation | Long position | 75,484,000 | 14.47% |
| Champion City (Note 3) | Beneficial owner | Long position | 56,250,000 | 10.79% |
| Generous Rich (Note 4) | Beneficial owner | Long position | 56,250,000 | 10.79% |

OTHER INFORMATION

Notes:

- (1) Independent Assets is wholly-owned by Dr. Cheung, the chairman of the Board and an executive Director, and therefore, Dr. Cheung is deemed to be interested in these 183,750,000 Shares pursuant to the SFO.
- (2) Convoy Collateral Limited is wholly-owned by Convoy (BVI) Limited, Convoy (BVI) Limited is wholly-owned by Convoy Financial Holdings Limited. Therefore, Convoy Financial Holdings Limited is deemed to be interested in these 75,484,000 Shares pursuant to the SFO.
- (3) Champion City is wholly-owned by Mr. Lai, an executive Director, and therefore, Mr. Lai is deemed to be interested in these 56,250,000 Shares pursuant to the SFO.
- (4) Generous Rich is wholly-owned by Mr. Chiu, an executive Director, and therefore, Mr. Chiu is deemed to be interested in these 56,250,000 Shares pursuant to the SFO.

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 30 June 2017.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code during the six months ended 30 June 2017.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor its subsidiaries purchased, redeemed or sold any of the Company’s listed securities during the six months ended 30 June 2017.

CORPORATE GOVERNANCE PRACTICE

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

During the six months ended 30 June 2017, the Company was in compliance with the relevant code provisions set out in the CG Code.

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

Mr. Choi Chiu Fai Stanley, an executive Director, has been appointed as an executive director of International Entertainment Corporation (stock code: 1009), a company listed on the Stock Exchange, with effect from 15 May 2017.

Mr. Wan Kam To, an independent non-executive Director, has ceased to be an independent non-executive director of each of Dalian Port (PDA) Company Limited (stock code 2880) with effect from 28 June 2017 upon the expiration of his term of appointment. He has also resigned as independent non-executive director of S. Culture International Holdings Limited (stock code: 1255) with effect from 10 July 2017. Both companies are listed on the Stock Exchange.

OTHER INFORMATION

AUDIT COMMITTEE

The Company established an audit committee (“Audit Committee”) on 23 December 2014 with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The terms of reference of the Audit Committee has been revised on 31 December 2015 to be in line with the revised Corporate Governance Code effective for the financial year started from 1 January 2016. The primary duties of the Audit Committee were to review and supervise the financial reporting process, risk management and internal control systems of the Group. The Audit Committee comprises four independent non-executive Directors of the Company, namely Mr. Wan Kam To (as chairman), Mr. Wong Shiu Hoi Peter, Mr. Szeto Wai Sun and Mr. Yuen Tak Tim Anthony. The Audit Committee has reviewed the unaudited condensed interim financial information of the Group for the six months ended 30 June 2017.

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

Hong Kong, 24 August 2017

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



MAZARS CPA LIMITED

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

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

INTRODUCTION

We have reviewed the condensed interim financial information set out on pages 18 to 40, which comprises the condensed consolidated statement of financial position of Target Insurance (Holdings) Limited (the “Company”) and its subsidiaries (together the “Group”) as of 30 June 2017 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The directors of the Company are responsible for the preparation and presentation of this condensed interim financial information in accordance with HKAS 34.

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

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim financial information as at 30 June 2017 is not prepared, in all material respects, in accordance with HKAS 34.

Mazars CPA Limited

Certified Public Accountants
Hong Kong, 24 August 2017

Or Ming Chiu

Practising Certificate number: P04786

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2017

| | Note | For the six months ended 30 June | |
|---|------|----------------------------------|---------------------------------|
| | | 2017 (Unaudited) HK\$'000 | 2016 (Unaudited) HK\$'000 |
| Net insurance premium revenue | 3 | 182,227 | 173,533 |
| Investment income | 4 | 28,473 | 11,012 |
| Other income | | 4,128 | 465 |
| Net income | | 214,828 | 185,010 |
| Net insurance claims and loss adjustment expenses | 5 | (136,077) | (125,998) |
| Acquisition costs and other underwriting expenses, net | 6 | (18,508) | (17,710) |
| Employee benefit expenses | | (18,223) | (11,742) |
| Other operating expenses | | (18,173) | (9,197) |
| Finance costs | 7 | (269) | – |
| Expenses | | (191,250) | (164,647) |
| Profit before tax | 7 | 23,578 | 20,363 |
| Income tax expense | 8 | (3,692) | (2,657) |
| Profit for the period, attributable to owners of the Company | | 19,886 | 17,706 |
| Earnings per share | 10 | HK cents | HK cents |
| Basic | | 3.81 | 3.40 |
| Diluted | | 3.79 | 3.38 |

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

| | For the six months ended 30 June | |
|---|----------------------------------|---------------------------------|
| | 2017 (Unaudited) HK\$'000 | 2016 (Unaudited) HK\$'000 |
| Profit for the period, attributable to owners of the Company | 19,886 | 17,706 |
| Other comprehensive income (loss) | | |
| Items that are reclassified or may be reclassified subsequently to profit or loss: | | |
| <i>Available-for-sale financial assets</i> | | |
| Gains (Losses) on changes in fair value arising during the period | 36,982 | (15,548) |
| Reclassification of net changes in fair value to profit or loss | (14,783) | 4,959 |
| Effect of deferred tax arising from changes in fair value | (3,675) | 3,258 |
| Net movement in fair value of available-for-sale financial assets | 18,524 | (7,331) |
| Total comprehensive income for the period, attributable to owners of the Company | 38,410 | 10,375 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

| | Note | At 30 June 2017 (Unaudited) HK\$'000 | At 31 December 2016 (Audited) HK\$'000 |
|--|------|--|--|
| Assets | | | |
| Property, plant and equipment | 11 | 277,018 | 281,121 |
| Intangible assets | 12 | 2,979 | – |
| Available-for-sale financial assets | 13 | 407,096 | 414,785 |
| Certificates of deposit | | 69,430 | 99,212 |
| Deferred tax assets | | 3,018 | 9,825 |
| Insurance and other receivables | 14 | 100,336 | 92,479 |
| Reinsurance assets | 15 | 86,371 | 74,600 |
| Deferred acquisition costs | | 19,516 | 18,753 |
| Tax recoverable | | 3,935 | 3,935 |
| Statutory deposit | | 100,000 | 100,000 |
| Time deposits with original maturity over 3 months | | 53,986 | 53,162 |
| Bank balances and cash | | 286,801 | 130,633 |
| TOTAL ASSETS | | 1,410,486 | 1,278,505 |
| Liabilities | | | |
| Insurance liabilities | 15 | 877,983 | 830,898 |
| Interest-bearing borrowings | 11 | 49,014 | – |
| Deferred commission income | | 1,871 | – |
| Reinsurance premium payable | | 4,750 | 8,388 |
| Insurance and other payables | | 15,445 | 17,637 |
| Tax payable | | 920 | 313 |
| TOTAL LIABILITIES | | 949,983 | 857,236 |
| EQUITY | | | |
| Share capital | 16 | 368,159 | 367,375 |
| Other reserves | | 29,269 | 10,705 |
| Retained earnings | | 63,075 | 43,189 |
| TOTAL EQUITY | | 460,503 | 421,269 |
| TOTAL LIABILITIES AND EQUITY | | 1,410,486 | 1,278,505 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

| | Share capital (Unaudited) HK\$'000 | Property revaluation reserve (Unaudited) HK\$'000 | Available-for-sale investment reserve (Unaudited) HK\$'000 | Merger relief reserve (Unaudited) HK\$'000 | Other reserve (Unaudited) HK\$'000 | Share option reserve (Unaudited) HK\$'000 | Retained earnings (Unaudited) HK\$'000 | Total (Unaudited) HK\$'000 |
|--|--|---|--|--|--|---|--|----------------------------------|
| At 1 January 2016 | 364,286 | - | (48,584) | 24,936 | (24,936) | 1,327 | 76,796 | 393,825 |
| Profit for the period | - | - | - | - | - | - | 17,706 | 17,706 |
| Other comprehensive loss Net movement in fair value of available-for-sale financial assets | - | - | (7,331) | - | - | - | - | (7,331) |
| Total comprehensive income for the period | - | - | (7,331) | - | - | - | 17,706 | 10,375 |
| Transactions with equity owners | | | | | | | | |
| <i>Contributions and distribution</i> | | | | | | | | |
| Shares issued under share option scheme (Note 16) | 3,089 | - | - | - | - | (356) | - | 2,733 |
| 2015 final dividend approved and paid | - | - | - | - | - | - | (28,648) | (28,648) |
| Equity-settled share-based transaction (Note 17) | - | - | - | - | - | 326 | - | 326 |
| | 3,089 | - | - | - | - | (30) | (28,648) | (25,589) |
| At 30 June 2016 | 367,375 | - | (55,915) | 24,936 | (24,936) | 1,297 | 65,854 | 378,611 |
| At 1 January 2017 | 367,375 | 12,160 | (3,078) | 24,936 | (24,936) | 1,623 | 43,189 | 421,269 |
| Profit for the period | - | - | - | - | - | - | 19,886 | 19,886 |
| Other comprehensive income Net movement in fair value of available-for-sale financial assets | - | - | 18,524 | - | - | - | - | 18,524 |
| Total comprehensive income for the period | - | - | 18,524 | - | - | - | 19,886 | 38,410 |
| Transactions with equity owners | | | | | | | | |
| <i>Contributions and distribution</i> | | | | | | | | |
| Shares issued under share option scheme (Note 16) | 784 | - | - | - | - | (91) | - | 693 |
| Equity-settled share-based transaction (Note 17) | - | - | - | - | - | 131 | - | 131 |
| | 784 | - | - | - | - | 40 | - | 824 |
| At 30 June 2017 | 368,159 | 12,160 | 15,446 | 24,936 | (24,936) | 1,663 | 63,075 | 460,503 |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

| | Note | For the six months ended 30 June | |
|--|------|----------------------------------|---------------------------------|
| | | 2017 (Unaudited) HK\$'000 | 2016 (Unaudited) HK\$'000 |
| OPERATING ACTIVITIES | | | |
| Cash generated from operations | 18 | 25,544 | 32,068 |
| Income tax refunded | | 47 | – |
| Net cash from operating activities | | 25,591 | 32,068 |
| INVESTING ACTIVITIES | | | |
| Interest received | | 9,331 | 11,479 |
| Dividend received from available-for-sale financial assets | | 2,249 | 4,382 |
| Proceeds from disposal of available-for-sale financial assets | | 92,764 | 117,798 |
| Proceeds from disposal of certificates of deposit | | 30,000 | 1,755 |
| Purchase of available-for-sale financial assets | | (48,311) | (114,470) |
| Purchase of certificates of deposit | | – | (29,960) |
| Maturity of statutory and time deposits with original maturity over 3 months | | 30,000 | 108,644 |
| Placement of statutory and time deposits with original maturity over 3 months | | (30,824) | (80,000) |
| Proceeds from disposal of property, plant and equipment | | 20 | – |
| Purchase of property, plant and equipment | | (921) | (441) |
| Additions of intangible assets | | (3,169) | – |
| Net cash from investing activities | | 81,139 | 19,187 |
| FINANCING ACTIVITIES | | | |
| Dividend paid | | – | (28,648) |
| Issue of shares under share option scheme | | 693 | 2,733 |
| New bank loan raised | | 50,000 | – |
| Repayment of bank loan | | (986) | – |
| Interest paid | | (269) | – |
| Net cash from (used in) financing activities | | 49,438 | (25,915) |
| Net increase in cash and cash equivalents | | 156,168 | 25,340 |
| Cash and cash equivalents at beginning of period | | 130,633 | 223,549 |
| Cash and cash equivalents at end of period, represented by bank balances and cash | | 286,801 | 248,889 |

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

This condensed interim financial information contains the condensed consolidated financial statements and selected explanatory notes for the six months ended 30 June 2017. This condensed interim financial information thereon does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2016.

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

The consolidated statement of financial position as at 31 December 2016 that is included in the condensed interim financial information for the six months ended 30 June 2017 as comparative information does not constitute the Company’s specified financial statements for the financial year ended 31 December 2016 as defined in section 436 of the HKCO but is derived therefrom.

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

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

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

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

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

The accounting policies adopted in preparing this condensed interim financial information are consistent with those applied in preparing the Group's annual financial statements for the year ended 31 December 2016. The adoption of the following new/revised Hong Kong Financial Reporting Standards ("HKFRSs") that are relevant to the Group and effective from the current period had no significant effects on the results and financial position of the Group for the current and prior periods.

Amendments to HKAS 7
Amendments to HKAS 12

Disclosure Initiative
Recognition of Deferred Tax Assets for Unrealised Losses

FUTURE CHANGES IN HKFRSs

The Group has not early adopted any new/revised HKFRSs that have been issued but are not yet effective for the financial year beginning on 1 January 2017. The directors are in the process of assessing the possible impact on the future adoption of these new/revised HKFRSs, but not yet in a position to reasonably estimate their impact on the Group's results and financial statements.

2. SEGMENT INFORMATION

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

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

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

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

2. SEGMENT INFORMATION (Continued)

SEGMENT RESULTS

| | For the six months ended 30 June 2017 | | | | |
|--|---------------------------------------|--------------------------------|---|-----------------------------------|---|
| | Taxi (Unaudited) HK\$'000 | PLB (Unaudited) HK\$'000 | Other motor vehicles (Unaudited) HK\$'000 | Others (Unaudited) HK\$'000 | Consolidated (Unaudited) HK\$'000 |
| Net insurance premium revenue | 115,480 | 40,586 | 26,077 | 84 | 182,227 |
| Net insurance claims and loss adjustment expenses | (92,220) | (21,391) | (22,444) | (22) | (136,077) |
| Acquisition costs and other underwriting expenses, net | (9,447) | (3,082) | (5,941) | (38) | (18,508) |
| Segment results | 13,813 | 16,113 | (2,308) | 24 | 27,642 |
| Unallocated investment income and other income | | | | | 32,601 |
| Unallocated corporate expenses | | | | | (36,665) |
| Profit before tax | | | | | 23,578 |
| Income tax expense | | | | | (3,692) |
| Profit for the period | | | | | 19,886 |

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

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

2. SEGMENT INFORMATION (Continued)

SEGMENT ASSETS AND LIABILITIES

| | At 30 June 2017 | | | | |
|-------------------------|---------------------------------|--------------------------------|---|-----------------------------------|---|
| | Taxi (Unaudited) HK\$'000 | PLB (Unaudited) HK\$'000 | Other motor vehicles (Unaudited) HK\$'000 | Others (Unaudited) HK\$'000 | Consolidated (Unaudited) HK\$'000 |
| Assets | | | | | |
| Segment assets | 110,892 | 43,984 | 34,728 | 872 | 190,476 |
| Unallocated assets | | | | | 1,220,010 |
| Total assets | | | | | 1,410,486 |
| Liabilities | | | | | |
| Segment liabilities | 560,972 | 210,702 | 118,653 | 1,045 | 891,372 |
| Unallocated liabilities | | | | | 58,611 |
| Total liabilities | | | | | 949,983 |

| | At 31 December 2016 | | | | |
|-------------------------|-------------------------------|------------------------------|---|---------------------------------|---------------------------------------|
| | Taxi (Audited) HK\$'000 | PLB (Audited) HK\$'000 | Other motor vehicles (Audited) HK\$'000 | Others (Audited) HK\$'000 | Consolidated (Audited) HK\$'000 |
| 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 |

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

3. NET INSURANCE PREMIUM REVENUE

| | For the six months ended 30 June | |
|---|----------------------------------|---------------------------------|
| | 2017 (Unaudited) HK\$'000 | 2016 (Unaudited) HK\$'000 |
| Gross premium written | 198,836 | 186,664 |
| Reinsurance premium ceded | (20,902) | (15,547) |
| Net premium written | 177,934 | 171,117 |
| Change in provision for unearned premium | (1,923) | 2,416 |
| Change in unearned premium on reinsurance ceded | 6,216 | – |
| Change in net provision for unearned premium | 4,293 | 2,416 |
| Net insurance premium revenue | 182,227 | 173,533 |

4. INVESTMENT INCOME

| | For the six months ended 30 June | |
|---|----------------------------------|---------------------------------|
| | 2017 (Unaudited) HK\$'000 | 2016 (Unaudited) HK\$'000 |
| Interest income from bank deposits | 2,180 | 2,118 |
| Interest income from certificates of deposit | 620 | 764 |
| Interest income from listed available-for-sale financial assets | 6,706 | 8,597 |
| Interest income from unlisted available-for-sale financial assets | 150 | – |
| Dividend income from listed available-for-sale financial assets | 2,249 | 4,382 |
| Gain (Loss) on disposal of available-for-sale financial assets | 14,783 | (1,886) |
| Net foreign exchange gains | 1,785 | 110 |
| Impairment loss of available-for-sale financial assets | – | (3,073) |
| Net investment income | 28,473 | 11,012 |

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

5. NET INSURANCE CLAIMS AND LOSS ADJUSTMENT EXPENSES

| | For the six months ended 30 June | |
|--|----------------------------------|---------------------------------|
| | 2017 (Unaudited) HK\$'000 | 2016 (Unaudited) HK\$'000 |
| Gross claims paid | 110,978 | 104,427 |
| Claims recovered | (14,508) | (14,566) |
| Net claims paid | 96,470 | 89,861 |
| Change in provision for gross outstanding claims and incurred but not reported claims ("IBNR") | 45,162 | 42,466 |
| Change in claims recoverable (including IBNR recoveries) | (5,555) | (6,329) |
| Change in net outstanding claims | 39,607 | 36,137 |
| Net insurance claims | 136,077 | 125,998 |

6. ACQUISITION COSTS AND OTHER UNDERWRITING EXPENSES, NET

| | For the six months ended 30 June | |
|---|----------------------------------|---------------------------------|
| | 2017 (Unaudited) HK\$'000 | 2016 (Unaudited) HK\$'000 |
| Acquisition costs and other underwriting expenses | | |
| Insurance commission | 15,113 | 13,286 |
| Other underwriting expenses | 4,639 | 4,605 |
| Change in deferred acquisition costs | (763) | 295 |
| Acquisition costs and other underwriting expenses, gross | 18,989 | 18,186 |
| Commission income | | |
| Insurance commission from reinsurers | (2,352) | (476) |
| Change in deferred commission income | 1,871 | - |
| Commission income | (481) | (476) |
| Acquisition costs and other underwriting expenses, net | 18,508 | 17,710 |

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

7. PROFIT BEFORE TAX

This is stated after charging (crediting):

| | For the six months ended 30 June | |
|---|-------------------------------------|---------------------------------|
| | 2017 (Unaudited) HK\$'000 | 2016 (Unaudited) HK\$'000 |
| Finance costs | | |
| Interest on bank loan | 269 | – |
| Other items | | |
| Employee benefit expenses (including directors' emoluments) | | |
| Salaries, bonus and allowances | 17,430 | 11,126 |
| Equity-settled share-based payment expenses | 131 | 326 |
| Contributions to defined contribution plan | 662 | 290 |
| | 18,223 | 11,742 |
| Auditor's remuneration | 805 | 775 |
| Depreciation | 5,024 | 138 |
| Amortisation | 190 | – |
| (Gain) Loss on disposal of property, plant and equipment | (20) | 2 |
| Operating lease payments for premises | 2,953 | 1,909 |

8. TAXATION

The Company and its subsidiaries are domiciled and operate in Hong Kong and were subject to Hong Kong Profits Tax at a rate of 16.5% on the estimated assessable profits arising in Hong Kong during the six months ended 30 June 2017 and 2016.

| | For the six months ended 30 June | |
|--|-------------------------------------|---------------------------------|
| | 2017 (Unaudited) HK\$'000 | 2016 (Unaudited) HK\$'000 |
| Current tax | | |
| Hong Kong Profits Tax | | |
| Current period | 560 | 3,164 |
| Deferred taxation | | |
| Origination and reversal of temporary difference | 3,132 | (507) |
| Tax expenses for the period | 3,692 | 2,657 |

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

9. DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2017 (2016: Nil).

10. EARNINGS PER SHARE

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

(A) BASIC EARNINGS PER SHARE

| | For the six months ended 30 June | |
|--|-------------------------------------|---------------------|
| | 2017 (Unaudited) | 2016 (Unaudited) |
| Profit attributable to ordinary equity owners (HK\$'000) | 19,886 | 17,706 |
| Weighted average number of ordinary shares ('000) | 521,265 | 520,048 |
| Basic earnings per share (HK cents) | 3.81 | 3.40 |

(B) DILUTED EARNINGS PER SHARE

| | For the six months ended 30 June | |
|---|-------------------------------------|---------------------|
| | 2017 (Unaudited) | 2016 (Unaudited) |
| Profit attributable to ordinary equity owners (HK\$'000) | 19,886 | 17,706 |
| <i>Weighted average number of ordinary shares (diluted) ('000)</i> | | |
| Weighted average number of ordinary shares | 521,265 | 520,048 |
| Effect of the Company's share option scheme | 3,232 | 3,926 |
| Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share | 524,497 | 523,974 |
| Diluted earnings per share (HK cents) | 3.79 | 3.38 |

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

11. PROPERTY, PLANT AND EQUIPMENT AND INTEREST-BEARING BORROWINGS

The Group's leasehold land and buildings were stated at valuation made at 31 December 2016 less accumulated depreciation. The leasehold land and buildings were last revalued by an independent professional qualified valuer at 31 December 2016 with reference to recent market transaction prices of similar properties. As at 30 June 2017, the directors of the Company considered that the carrying amount of the Group's leasehold land and buildings did not differ significantly from their fair values.

As at 30 June 2017, if the leasehold land and buildings had not been revalued, they would have been included in this interim financial information at historical cost, less accumulated depreciation and impairment loss approximates to HK\$261,207,000 (31 December 2016: HK\$265,840,000).

The leasehold land and buildings with a carrying amount of HK\$273,367,000 (31 December 2016: HK\$278,000,000) were pledged to secure banking facilities granted to the Group. At the end of the reporting period, the Group had an outstanding loan of HK\$49,014,000 (31 December 2016: HK\$Nil) and unutilised banking facilities amounted to approximately HK\$50,986,000 (31 December 2016: HK\$100,000,000).

12. INTANGIBLE ASSETS

Intangible assets of the Group represented computer software with finite useful lives and are amortised on a straight-line basis at a rate of 30% per annum, which represent the estimated useful life of the computer software. During the six months ended 30 June 2017, the additions of intangible assets were approximately HK\$3,169,000 (six months ended 30 June 2016: HK\$Nil).

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | At 30 June 2017 (Unaudited) HK\$'000 | At 31 December 2016 (Audited) HK\$'000 |
|---------------------------------|--|--|
| At fair value | | |
| Equity securities | | |
| Listed in Hong Kong | 148,836 | 161,969 |
| Listed outside Hong Kong | 773 | 735 |
| Listed debt securities | | |
| Bonds listed in Hong Kong | 131,540 | 127,117 |
| Bonds listed outside Hong Kong | 119,657 | 119,208 |
| Unlisted debt securities | | |
| Bonds with fixed maturity dates | 6,290 | 5,756 |
| | 407,096 | 414,785 |

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

14. INSURANCE AND OTHER RECEIVABLES

| | Note | At 30 June 2017 (Unaudited) HK\$'000 | At 31 December 2016 (Audited) HK\$'000 |
|--|-------|--|--|
| Insurance receivables | | | |
| Premium receivables | | | |
| From third parties | | 60,347 | 54,942 |
| From related parties | | 710 | 701 |
| | 14(A) | 61,057 | 55,643 |
| Claims receivable from reinsurers and others | | 23,532 | 27,296 |
| | | 84,589 | 82,939 |
| Other receivables | | | |
| Deposits, prepayments and other receivables | | 15,747 | 9,540 |
| | | 100,336 | 92,479 |

14(A) PREMIUM RECEIVABLES

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

| | At 30 June 2017 (Unaudited) HK\$'000 | At 31 December 2016 (Audited) HK\$'000 |
|----------------|--|--|
| Within 30 days | 30,809 | 25,080 |
| 31 – 60 days | 21,147 | 22,629 |
| 61 – 90 days | 9,082 | – |
| 91 – 120 days | 19 | 7,934 |
| | 61,057 | 55,643 |

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.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

14. INSURANCE AND OTHER RECEIVABLES (Continued)

14(A) PREMIUM RECEIVABLES (Continued)

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

| | At 30 June 2017 (Unaudited) HK\$'000 | At 31 December 2016 (Audited) HK\$'000 |
|--------------------------------------|--|--|
| Balances exceed normal credit period | | |
| Within 30 days | 18,242 | 20,303 |
| 31 – 60 days | 6,977 | 6,108 |
| 61 – 90 days | 19 | – |
| | 25,238 | 26,411 |

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

15. INSURANCE LIABILITIES AND REINSURANCE ASSETS

| | At 30 June 2017 (Unaudited) HK\$'000 | At 31 December 2016 (Audited) HK\$'000 |
|--|--|--|
| Gross | | |
| Outstanding claims | 514,485 | 477,123 |
| IBNR | 165,654 | 157,854 |
| | 680,139 | 634,977 |
| Provision for unearned premium | 197,844 | 195,921 |
| Total gross insurance liabilities | 877,983 | 830,898 |
| Recoverable from reinsurers | | |
| Claims reported and loss adjustment expenses | 28,635 | 29,041 |
| Provision for IBNR recoveries | 51,520 | 45,559 |
| | 80,155 | 74,600 |
| Provision for unearned premium | 6,216 | – |
| Total insurance liabilities recoverable | 86,371 | 74,600 |
| Net | | |
| Outstanding claims | 485,850 | 448,082 |
| IBNR | 114,134 | 112,295 |
| | 599,984 | 560,377 |
| Provision for unearned premium | 191,628 | 195,921 |
| Total net insurance liabilities | 791,612 | 756,298 |

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

16. SHARE CAPITAL

| | At 30 June 2017 (Unaudited) | | At 31 December 2016 (Audited) | |
|---|--------------------------------|----------------|----------------------------------|----------|
| | No. of shares | HK\$'000 | No. of shares | HK\$'000 |
| Issued and fully paid | | | | |
| At beginning of the period/year | 520,872,000 | 367,375 | 518,750,000 | 364,286 |
| Issue of shares under share option scheme (Note 16(A)) | 538,000 | 784 | 2,122,000 | 3,089 |
| At end of the reporting period | 521,410,000 | 368,159 | 520,872,000 | 367,375 |

16(A) ISSUE OF SHARES UNDER SHARE OPTION SCHEME

During the six months ended 30 June 2017, 538,000 options were exercised to subscribe for 538,000 ordinary shares of the Company at a total consideration of HK\$693,000 which was credited to share capital. In addition, HK\$91,000 has been transferred from the share option reserve to share capital.

17. SHARE OPTION SCHEME

The Company adopted a pre-IPO share option scheme (the "Scheme") pursuant to a resolution passed on 30 September 2014. The purpose of the Scheme is to recognise and acknowledge the contributions that participants (directors, senior management and other employees) have made or may make to the Group, to provide participants with an opportunity to have a personal stake in the Company with the view to achieve motivating the participants to optimise their performance and efficiency for the benefit of the Group, to attract and retain or otherwise maintain ongoing business relationship with participant, whose contributions are or will be beneficial to the long term growth of the Group. A summary of the principal terms and conditions of the Scheme is set out in the "Interest in Share Options" section of the Directors' Report in 2016 Annual Report.

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

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

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

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

The weighted average share price at dates of share options exercised during the six months ended 30 June 2017 was HK\$1.98 (six months ended 30 June 2016: HK\$2.12).

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

17. SHARE OPTION SCHEME (Continued)

Movements of share options during the six months ended 30 June 2017 are as follows:

| Type | Date of grant | Exercise period | Exercise price per share HK\$ | Fair value per share HK\$ | Number of share option | | | End of period '000 |
|-------------------------|----------------|-------------------------------------|----------------------------------|------------------------------|-----------------------------|-------------------|-------------------|-----------------------|
| | | | | | Beginning of period '000 | Exercised '000 | Forfeited '000 | |
| Directors: | | | | | | | | |
| Mr. Muk Wang Lit Jimmy | 7 October 2014 | 15 January 2016 – 6 October 2024 | 1.288 | 0.169 | 1,640 | – | – | 1,640 |
| Mr. Chan Hok Ching | 7 October 2014 | 15 January 2016 – 6 October 2024 | 1.288 | 0.169 | 1,300 | – | – | 1,300 |
| Mr. Wong Shiu Hoi Peter | 7 October 2014 | 15 January 2016 – 6 October 2024 | 1.288 | 0.169 | 500 | – | – | 500 |
| Mr. Wan Kam To | 7 October 2014 | 15 January 2016 – 6 October 2024 | 1.288 | 0.169 | 500 | – | – | 500 |
| Mr. Szeto Wai Sun | 7 October 2014 | 15 January 2016 – 6 October 2024 | 1.288 | 0.169 | 500 | – | – | 500 |
| Senior management | 7 October 2014 | 15 January 2016 – 6 October 2024 | 1.288 | 0.169 | 894 | (270) | (188) | 436 |
| Other employees | 7 October 2014 | 15 January 2016 – 6 October 2024 | 1.288 | 0.167 | 5,434 | (268) | (38) | 5,128 |

Movements of share options during the six months ended 30 June 2016 are as follows:

| Type | Date of grant | Exercise period | Exercise price per share HK\$ | Fair value per share HK\$ | Number of share option | | | End of period '000 |
|-------------------------|----------------|-------------------------------------|----------------------------------|------------------------------|-----------------------------|-------------------|-------------------|-----------------------|
| | | | | | Beginning of period '000 | Exercised '000 | Forfeited '000 | |
| Directors: | | | | | | | | |
| Mr. Muk Wang Lit Jimmy | 7 October 2014 | 15 January 2016 – 6 October 2024 | 1.288 | 0.169 | 2,000 | (360) | – | 1,640 |
| Mr. Chan Hok Ching | 7 October 2014 | 15 January 2016 – 6 October 2024 | 1.288 | 0.169 | 1,300 | – | – | 1,300 |
| Mr. Wong Shiu Hoi Peter | 7 October 2014 | 15 January 2016 – 6 October 2024 | 1.288 | 0.169 | 500 | – | – | 500 |
| Mr. Wan Kam To | 7 October 2014 | 15 January 2016 – 6 October 2024 | 1.288 | 0.169 | 500 | – | – | 500 |
| Mr. Szeto Wai Sun | 7 October 2014 | 15 January 2016 – 6 October 2024 | 1.288 | 0.169 | 500 | – | – | 500 |
| 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 |

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

18. CASH GENERATED FROM OPERATIONS

| | For the six months ended 30 June | |
|--|----------------------------------|---------------------------------|
| | 2017 (Unaudited) HK\$'000 | 2016 (Unaudited) HK\$'000 |
| Profit before tax | 23,578 | 20,363 |
| Depreciation and amortisation | 5,214 | 138 |
| Impairment loss of available-for-sale financial assets | – | 3,073 |
| (Gain) Loss on disposal of property, plant and equipment | (20) | 2 |
| (Gain) Loss on disposal of available-for-sale financial assets | (14,783) | 1,886 |
| Dividend income from available-for-sale financial assets | (2,249) | (4,382) |
| Interest income from available-for-sale financial assets and certificates of deposit | (7,476) | (9,361) |
| Interest income from bank deposits | (2,180) | (2,118) |
| Interest expenses | 269 | – |
| Equity-settled share-based payments | 131 | 326 |
| Changes in working capital: | | |
| Insurance and other receivables | (7,532) | (4,607) |
| Reinsurance assets | (11,771) | (6,329) |
| Deferred acquisition costs | (763) | 295 |
| Insurance liabilities | 47,085 | 40,050 |
| Deferred commission income | 1,871 | – |
| Reinsurance premium payables | (3,638) | (7,248) |
| Insurance and other payables | (2,192) | (20) |
| Cash generated from operations | 25,544 | 32,068 |

19. 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\$1,825,000 (31 December 2016: HK\$3,447,000), which is payable in next 12 months.

The leasehold land and buildings 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 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\$259,000 (31 December 2016: HK\$2,315,000), which is receivable in next 12 months.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

20. RELATED PARTY TRANSACTIONS

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

| | | For the six months ended 30 June | |
|---|------------------------------|-------------------------------------|---------------------------------|
| | | 2017 (Unaudited) HK\$'000 | 2016 (Unaudited) HK\$'000 |
| Related party relationship | Nature of transaction | | |
| Key management personnel, excluding directors | Short-term employee benefits | 2,568 | 1,445 |
| | Post-employment benefits | 102 | 27 |
| | | 2,670 | 1,472 |
| The Oscar Motors Company Limited, a company controlled by Lai Bing Leung, a director of the Company | Commission paid | 441 | 445 |
| Head & Shoulders Securities Limited, a company controlled by Choi Chiu Fai Stanley, a director of the Company | Brokerage paid | 23 | 21 |

21. FAIR VALUE MEASUREMENT

The following presents the assets and liabilities measured at fair value or required to disclose their fair value in this condensed interim financial information 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.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

21. FAIR VALUE MEASUREMENT (Continued)

| | At 30 June 2017 (Unaudited) HK\$'000 | At 31 December 2016 (Audited) HK\$'000 |
|--|--|--|
| Assets measured at fair value | | |
| Level 1 | | |
| Available-for-sale financial assets | | |
| Listed equity securities | 149,609 | 162,704 |
| Listed debt securities | 251,197 | 246,325 |
| | 400,806 | 409,029 |
| Level 2 | | |
| Available-for-sale financial assets | | |
| Unlisted debt securities | 6,290 | 5,756 |
| Certificates of deposit | 69,430 | 99,212 |
| | 75,720 | 104,968 |
| Level 3 | | |
| Leasehold land and buildings | | |
| Commercial properties and car parking spaces located in Hong Kong | 273,367 | 278,000 |

During the six months ended 30 June 2017 and the year ended 31 December 2016, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

MOVEMENT IN LEVEL 3 FAIR VALUE MEASUREMENTS

Fair value measurement at the end of the reporting period:

| | Leasehold land and buildings | |
|--|--|--|
| | At 30 June 2017 (Unaudited) HK\$'000 | At 31 December 2016 (Audited) HK\$'000 |
| At beginning of the reporting period | 278,000 | – |
| Additions | – | 265,840 |
| Revaluation surplus recognised in other comprehensive income | – | 12,160 |
| Depreciation | (4,633) | – |
| At end of the reporting period | 273,367 | 278,000 |

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

21. FAIR VALUE MEASUREMENT (Continued)

MOVEMENT IN LEVEL 3 FAIR VALUE MEASUREMENTS (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 of Hong Kong Limited 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

The Group's leasehold land and buildings were stated at valuation made at 31 December 2016 less accumulated depreciation. The leasehold land and buildings were last revalued by an independent professional qualified valuer at 31 December 2016 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.

In the opinion of the directors, the impact of changes in significant unobservable input on the Level 3 fair value measurement and the Group's other comprehensive income for the period were not significantly different with those in the Group's annual financial statements for the year ended 31 December 2016, as there was no significant change in the reasonably possible range of significant unobservable input for Level 3 fair value measurements as at 30 June 2017 comparing to 31 December 2016.

22. APPROVAL OF CONDENSED INTERIM FINANCIAL INFORMATION

The condensed interim financial information was approved by the Board of Directors on 24 August 2017.