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
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.

TARGET'S COMPETITIVE ADVANTAGES

- The first Hong Kong based general insurance company listed on the Hong Kong Stock Exchange
- Leading market position in motor insurance for taxi and public light bus
- Top 3 rankings* from 2010 till now in the Hong Kong motor insurance market
- With more than 40 Years of experience
- Experienced management team integrated from international insurance companies in developing other general insurance products
- Professional claims expertise in handling insurance claims in an effective and efficient manner
- Good corporate image

** Information Source: Insurance Authority*

2017 CORPORATE SOCIAL RESPONSIBILITY ("CSR") AWARD LIST

Date	Organization	Award
10/3/2017	香港社會服務聯會 The Hong Kong Council of Social Service	商界展關懷 2016/17 Caring Company 2016/17
26/9/2017	強制性公積金計劃管理局 Mandatory Provident Fund Schemes Authority	積金好僱主 Good MPF Employer Award
		積金供款電子化獎 e-Contribution Award
20/11/2017	世界綠色組織 World Green Organisation	綠色辦公室獎勵計劃 2017 Green Office Awards Labelling Scheme 2017
		健康工作間獎勵計劃 Eco-Healthy Workplace Awards Labelling Scheme

Green Office Awards Labelling Scheme 2017

Office Cocktail Reception

40th Anniversary Employees Outing

New Brand Image Press Conference

2017 LIST OF CSR ACTIVITIES

Date	Organization	Activity
5/3/2017	國際扶輪3450地區 Rotary International District 3450	扶輪香港超級馬拉松 2017 Rotary HK Ultramarathon 2017
10/3/2017	香港社會服務聯會 The Hong Kong Council of Social Service	商界展關懷社區夥伴合作展 2017 Caring Company Partnership Expo 2017
10/8/2017	商業電台馬路的事 Commercial Broadcasting - Road Co-Op	馬路的事捐血日 2017 Road Co-Op Blood Donation Day 2017
16/9/2017	金銀業貿易場慈善基金 The Chinese Gold & Silver Exchange Society Charity Fund	「跳出未來」慈善跳繩接力挑戰日 “Jump into the future” Charitable Rope Skipping Relay
20/11/2017	世界綠色組織 World Green Organisation	綠色辦公室獎勵計劃頒獎禮 Green Office GOALS Awards Presentation Ceremony
10/11/2017	柯尼卡美能達商業系統(香港)有限公司 Konica Minolta Business Solutions (HK) Ltd	VR單車電玩賽 VR Bike Power Challenge
27/11/2017	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

Rotary HK Ultramarathon 2017

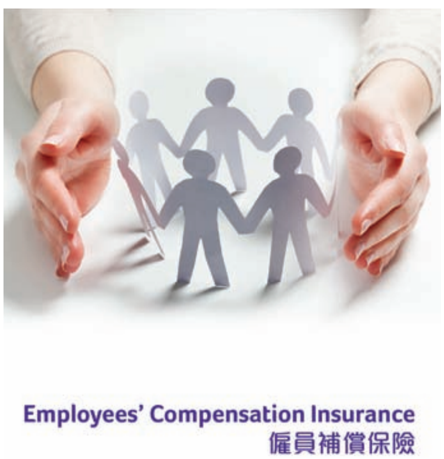
Road Co-Op Blood Donation Day 2017

“Jump into the future” Charitable Rope Skipping Relay

VR Bike Power Challenge

PERSONAL INSURANCE PRODUCTS

COMMERCIAL INSURANCE PRODUCTS



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

5/F, Low Block
Grand Millennium Plaza
No. 181 Queen's Road Central
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKER

Bank of China (Hong Kong) Limited

STOCK CODE

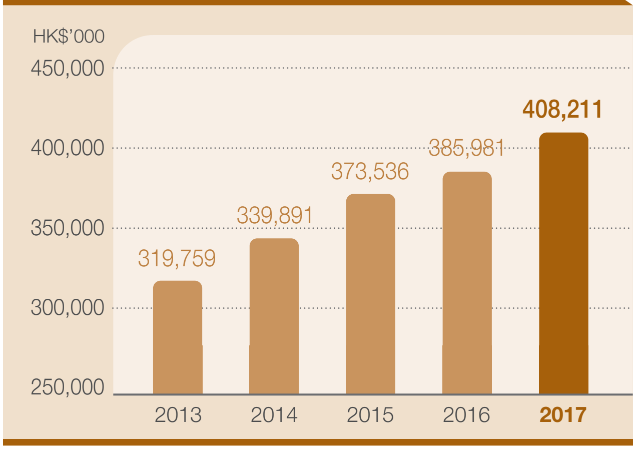
6161

WEBSITE

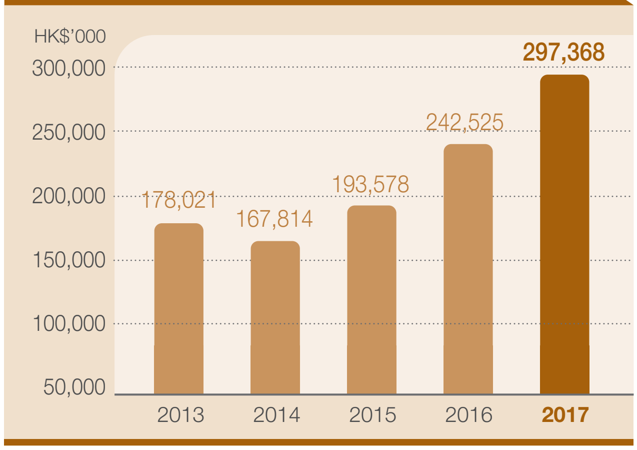
http://www.targetinsholdings.com

FIVE-YEAR FINANCIAL SUMMARY

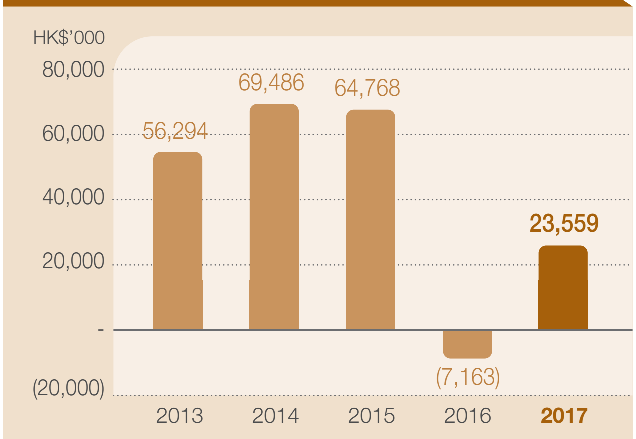
GROSS PREMIUM WRITTEN



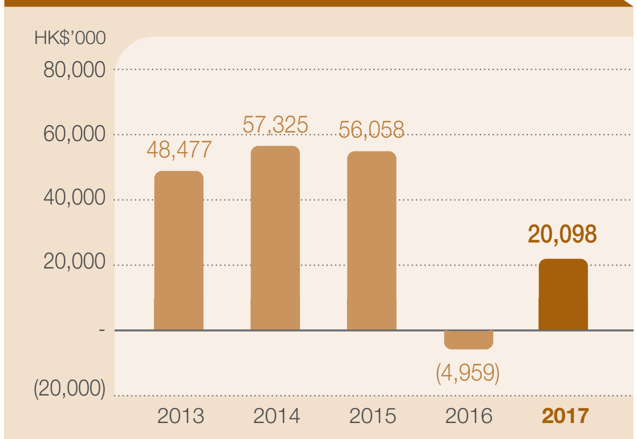
NET CLAIMS INCURRED



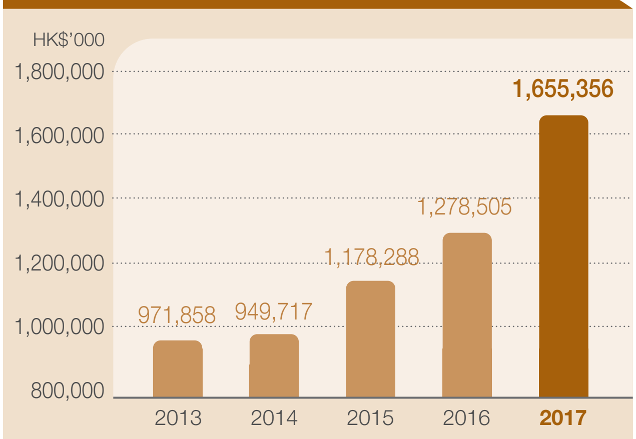
PROFIT BEFORE TAX



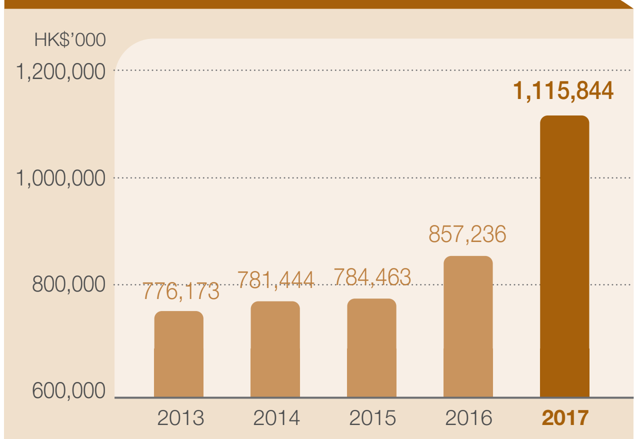
PROFIT FOR THE YEAR



TOTAL ASSETS



TOTAL LIABILITIES



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 2017 to our shareholders.

2017 AT A GLANCE

2017 was a year of change for our Group. We obtained formal authorization on additional classes of general insurance in January, launched our new website in May and moved into our permanent head office in Sheung Wan in September. We are progressively approaching our target to be the most preferred local general insurance company in Hong Kong.

Our Group turned deficit into profit of HK$20.1 million in 2017. This year, our investment performance was substantially improved. The Group made recorded an investment income of HK$67.5 million. However, while we focus on investing for our future development, we continued to experience tough market for motor insurance business.

Our net insurance premium revenue increased by 4.7% at HK$361.6 million. Due to the increase in claims frequency and severity, our net insurance claims and loss adjustment expenses increased by 22.6% to HK$297.4 million. This proves our strategy to diversify into other lines of business is felicitous for the sustainability of our Group. During 2017, we invested in our people, promoted our brand image and relocated to our new office. Our operating costs increased by 60.7% to HK$77.2 million. As a result, our combined ratio increased by 19.5% to 113.5%.

OUR BUSINESS OBJECTIVES

With the volatile and competitive insurance market in Hong Kong, we continue 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

LOOKING INTO THE FUTURE

With the new regulator Insurance Authority ("IA") commencing their roles in June 2017, new regulatory developments on insurance levy, risk-based capital, policyholder protection fund are in full speed. We considered these are the opportunities to strengthen our corporate governance and risk management - it will promote confidence in the insurance industry and consumer protection. Our Group made significant investments into our people and information systems to ensure we stay ahead of the game.

We remain resolute in the face of the uncertainties and challenges as we seek to continually balancing short term returns and investing for the future development of our Group. We shall continue to our journey on improvements on operational efficiency and build our talent pool and ensuring remuneration is closely linked to performance. We shall also continue to deepen our market footing and achieve thoughtfully-managed organic growth in general insurance business.

REWARDS TO OUR SHAREHOLDERS

On 27 December 2017, the Board has declared a special interim dividend of HK5 cents per share, amounting to HK$26.1 million for the year ended 31 December 2017.

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 sponsor of Commercial Broadcasting Road Co-op Blood Donation Day 2017 and gold sponsor of The Chinese Gold & Silver Exchange Society Charity Fund "Jump into the future" Charitable Rope Skipping Relay.

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 2017 and Eco-Healthy Workplace Awards by the World Green Organization.

THANK YOU

To our employees for their commitment and passion; to our customers and business partners for the continued support and patronage; and most of all to our shareholders for the trust and confidence.

Cheung Haywood
Chairman

Hong Kong, 22 March 2018

FINANCIAL RESULTS

Our Group recorded a net profit of HK$20.1 million (2016: net loss HK$5.0 million) from net income of HK$434.2 million (2016: HK$317.7 million). Basic earnings per share was HK3.86 cents (2016: Loss per share was HK0.95 cents).

Our results were mainly influenced by the substantial increase on the investment income which was partly offset by (a) the increase in claims frequency which led to a significant increase on our net insurance claims and loss adjustment expenses and (b) the increase of operating expenses driven by the strengthened investment on human resources, information system and permanent office.

PERFORMANCE REVIEW

In 2017, our other general business was at its infant stage and new products were being developed and launched. Motor insurance for taxi and PLB remained our core business segments while our business on other motor vehicles were growing its share in our portfolio mix.

TAXI

Our taxi business was stagnant. The net insurance premium mildly increased by 3.3% to HK$230.7 million (2016: HK$223.4 million). However, due to the increase in claims frequency, the net insurance claims and loss adjustment expenses increased by 12.8% to HK$181.1 million (2016: HK$160.6 million), leading the segment result decreased by 30.9% to HK$30.7 million (2016: HK$44.4 million). During this year, the loss ratio for taxi increased to 78.5% (2016: 71.9%).

PUBLIC LIGHT BUSES ("PLB")

We had a competitive year for our PLB business in 2017. The premium rates for PLB further decreased due to market competition, the net insurance premium revenue reduced by 3.0% to HK$79.9 million (2016: HK$82.4 million). The net insurance claims and loss adjustment expenses increased by 20.3% to HK$57.5 million (2016: HK$47.8 million). The segment result decreased by 42.3% to HK$16.3 million (2016: HK$28.3 million). The loss ratio for PLB increased to 71.9% (2016: 58.0%).

OTHER MOTOR VEHICLES

Our portfolio of other motor vehicles grew significantly due to our expansion of direct online private cars and goods carrying vehicles business. The net insurance premium revenue of other motor vehicles increased by 27.1% to HK$50.2 million (2016: HK$39.5 million). The net insurance claims and loss adjustment expenses increased by 71.1% to HK$58.4 million (2016: HK$34.1 million). The segment result further deteriorated by 357.0% to a loss HK$19.0 million (2016: loss HK$4.2 million). The loss ratio for other motor vehicles increased from 86.4% to 116.3% due to significant claims development on prior years' claims and increase in claims frequency and severity for goods carrying vehicles.

OTHER GENERAL INSURANCE BUSINESS

We were at the product development stage in 2017. The net insurance premium revenue was HK$0.8 million (2016: Nil). The net insurance claims and loss adjustment expenses was HK$0.4 million (2016: Nil). The segment result was HK$0.2 million (2016: Nil). The loss ratio was 47.9% (2016: Nil).

INVESTMENTS

As at 31 December 2017, we had cash and deposits of HK$625.2 million (2016: HK$283.8 million), certificates of deposit of HK$34.6 million (2016: HK$99.2 million), available-for-sale financial assets of HK$308.5 million (2016: HK$414.8 million) and financial assets at fair value through profit or loss of HK$0.8 million (2016: Nil). The total value of investment portfolio increased by 21.5% to HK$969.1 million (2016: HK$797.8 million).

The investment income increased by 330.3% to HK$67.5 million (2016: loss of HK$29.3 million). The main reason was that we have made a significant gain on disposal available-for-sale financial assets of HK$42.6 million.

After the normalization of the one-off impairment loss, the average investment yield of the portfolio increased to 8.0% in 2017 (2016: 2.5%).

REGULATORY DEVELOPMENT

The IA took over the Office of Commissioner of Insurance's statutory functions in June 2017. The IA commenced the collection of levies on insurance policy premiums from policyholders as prescribed under the Insurance Companies (Amendment) Ordinance from 1 January 2018. The IA also made progress on the establishment of the risk-based capital framework and Policyholders' Protection Fund. As mentioned in our Chairman's Statement, we ensure sufficient resources are in place and prepare for these regulatory developments.

In addition, Hong Kong Institute of Certified Public Accountants (the "Institute") has approved Hong Kong Financial Reporting Standards 17 Insurance Contracts which aims to improve the quality and transparency of insurance contracts information by making insurers' financial statements more useful and insurance accounting practices consistent across jurisdictions. Its effective date is the financial year beginning on or after 1 January 2021. In view of the major changes to the way we currently report and manage any information systems, we will allocate resources to tackle this unprecedented situation.

OUTLOOK

We expect that the general insurance market will continue to be highly competitive. It will remain as a buyers' market in 2018.

MOTOR INSURANCE BUSINESS

Competition in both taxi and PLB segments will further intensify. Coupled with the increasing number of accidents involving taxi and PLB, we expect business from these two segments will become even more challenging. 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 regain 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 online 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 have developed basic general insurance products which satisfy the needs of local enterprises and individual clients. For personal products, we will continue our effort on the online distribution channel which provide a convenient customer journey to our customers. For commercial products, we will expand our distribution channels to different insurance intermediaries and provide professional and quality services to our customers. Our goal is to be the most preferred local general insurance company in Hong Kong.

INVESTMENTS

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 2018

For 2018, 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

It is clear from the 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. Transitioning from mono motor insurance business to all general insurance business, Target is to rebrand itself for its capability to write a comprehensive range of general business in Hong Kong.

To continue with the rebranding effort, 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 website such as Yahoo, Google, Newspaper websites, Ad banner networks, YouTube), advertorial (pitch decks, proposal templates, brochures etc) and events/roadshow to launch new insurance products and reinforce current products.

BUILDING UP INTERNAL CAPACITY

There are two areas which we will continue to invest in 2018 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 policyholders, support the adoption risk-based capital framework and new accounting standards, 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.

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. In addition to online business platforms for private cars and commercial vehicles which provide a channel for us to reach out to our customers directly, we will also explore different distribution channels to further grow our motor business.

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 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 become the key to maintain our market position. We will continue to participate in and sponsor activities by industry organizations and media partners.

Muk Wang Lit Jimmy
Chief Executive Officer

Hong Kong, 22 March 2018

EXECUTIVE DIRECTORS

Dr. CHEUNG HAYWOOD ("Dr. Cheung"), aged 65, 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 (the "Society") from June 2010 to December 2014 and January 2017 to present. 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 present.

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 71, 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 72, 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.

Dr. CHOI CHIU FAI STANLEY ("Dr. Choi"), aged 49, 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 was appointed as an executive director of Daqing Dairy Holdings Limited (Stock Code: 1007) on 29 January 2016 and was subsequently appointed as the chairman and the chief executive officer on 19 February 2016. He was also appointed as an executive director of International Entertainment Corporation (Stock Code: 1009) on 15 May 2017 and was subsequently appointed as the chairman on 10 June 2017.

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 63, 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 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 38 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 55, is an executive Director of the Company. He joined the Group in July 2010 as the assistant to chairman. Mr. Chan is also a member of each of the Remuneration Committee and the Risk Committee of the Company. Mr. Chan is an executive director of Target, and chairman of the underwriting committee, a member of each of the investment committee and the reinsurance committee of Target. He is responsible for assisting the chairman in performing his duties in all areas. Mr. Chan has been appointed as an executive director of Target since June 2012. Mr. Chan has over 28 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 present.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. WAN KAM TO ("Mr. Wan"), aged 65, 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 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
A-Living Services Co., Ltd.	3319	Stock Exchange	August 2017 to present
China Resources Land Limited	1109	Stock Exchange	March 2009 to present
China World Trade Centre 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 June 2017
Fairwood Holdings Limited	52	Stock Exchange	September 2009 to present
Huaneng Renewables Corporation Limited	958	Stock Exchange	August 2010 to present
KFM Kingdom Holdings Limited	3816	Stock Exchange	September 2012 to present

Company	Stock code	Which stock exchange the company is listed	Duration
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 July 2017
Harbin Bank Co., Ltd.	6138	Stock Exchange	October 2013 to present
Kerry Logistics Network Limited	636	Stock Exchange	November 2013 to present

Mr. WONG SHIU HOI PETER ("Mr. Wong"), aged 77, 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 43 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 59, 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 had worked in a few law firms in Hong Kong, including Messrs Chan & Co., Y.T. and Messrs Cheung & Co., Edmund. In 2003, he founded Messrs W.S Szeto & Lee (now known as Sun Lawyers LLP) and has been its senior partner to-date. He is also a Notary Public. In 2002, Mr. Szeto completed a course (jointly organised by Tsinghua University and The University of Hong Kong) leading to a Professional Certificate in Chinese Civil & Commercial Law. He obtained the Financial Times Non-Executive Director Professional Diploma in 2015 and is a fellow at The Hong Kong Institute of Directors. He has 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 64, 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 38, 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. CHAN PAK YIP JEFFERY ("Mr. J Chan"), aged 54, is the Director of Business Development and Reinsurance of the Group. He is also a member of the reinsurance committee of Target. Mr. J Chan has over 29 years of experience in insurance and reinsurance in general insurance industry of Hong Kong and China markets. Prior to joining our Group, Mr. J Chan worked in several international reinsurance companies and reinsurance brokerages. He graduated from Morrison Hill Technical Institute in 1987. He is a senior associate of ANZIIF.

Mr. LEUNG CHI HUNG ("Mr. Leung"), aged 51, is the Head of Distribution of the Group. He is also a member of the underwriting committee of Target. Mr. Leung was appointed as the Head of Business Development and Underwriting of the Group in September 2016. Mr. Leung has over 24 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 61, was appointed as the senior claims manager of the Claims Department of the Group in March 2017. She is also a member of the claims settlement committee of Target. 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.

Mr. LEE KA WAH ("Mr. Lee"), aged 47, joined the Group on 1 January 2017 and was appointed as the senior claims manager of the Claims Department of the Group in November 2017. Mr. Lee has more than 20 years of experience in claims management for general insurance companies. Prior to joining this Group, he was the Head of Claims of QBE General Insurance (Hong Kong) Limited. Mr. Lee graduated from University of Manitoba with a Bachelor of Arts degree majoring in Economics and Statistics. He is a senior associate of ANZIIF.

COMPANY SECRETARY

Mr. TSE KAM FAI ("Mr. Tse"), aged 54, was appointed as the company secretary of the Company in August 2014. Mr. Tse is a fellow member of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. He is also a member of The Hong Kong Institute of Directors. Mr. Tse has more than 20 years of experience in handling listed company secretarial and compliance related matters. Mr. Tse is currently the company secretary of each of SH Group (Holdings) Limited and Synertone Communication Corporation, both companies are listed on the Main Board of the Stock Exchange, and each of China Hanya Group Holdings Limited and Heng Xin China Holdings Limited, both companies are listed on the GEM 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. With the formal authorization on additional classes obtained on 17 January 2017, Target is principally engaged in underwriting motor and other general insurance policies in Hong Kong.

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

	For the year ended 31 December		
	2017 **HK$'000**	2016 HK$'000	% Change
Gross premium written	**408,211**	385,981	5.8%
Net premium written	**362,886**	349,872	3.7%
Net insurance premium revenue	**361,632**	345,329	4.7%
Net insurance claims and loss adjustment expenses	**(297,368)**	(242,525)	22.6%
Acquisition costs and other underwriting expenses, net	**(36,056)**	(34,268)	5.2%
Operating profit	**28,208**	68,536	(58.8%)
Investment income (loss)	**67,486**	(29,308)	330.3%
Other income	**5,103**	1,681	203.6%
Employee benefit expenses	**(34,671)**	(22,529)	53.9%
Other operating expenses	**(41,538)**	(25,543)	62.6%
Finance costs	**(1,029)**	–	n/a
Profit (Loss) before tax	**23,559**	(7,163)	428.9%
Profit (Loss) for the year	**20,098**	(4,959)	505.3%
EBITDA	**36,148**	(6,610)	646.9%
Basic earnings (loss) per share (1)	**3.86 cents**	(0.95 cent)	506.3%
Diluted earnings (loss) per share (1)	**3.84 cents**	(0.95 cent)	504.2%

	For the year ended 31 December		
	2017	2016	Difference
Retention ratio (2)	**88.9%**	90.6%	(1.7%)
Loss ratio (3)	**82.2%**	70.2%	12.0%
Expense ratio (3)	**31.3%**	23.8%	7.5%
Combined ratio (4)	**113.5%**	94.0%	19.5%
Investment yield (5)	**8.0%**	2.5%	5.5%

Notes:

(1) The weighted average number of shares for the year ended 31 December 2017 is 521,338,000 ordinary shares (2016: 520,462,000 ordinary shares). The weighted average number of shares for the purpose of calculating diluted earnings (loss) per share is 523,495,000 ordinary shares (2016: 520,462,000 ordinary shares).

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

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

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

(5) The investment yield is normalized by excluding the impairment loss of available-for-sale financial assets of HK$3.0 million in 2017 (2016: HK$52.0 million).

GROSS PREMIUM WRITTEN

Gross premium written increased by 5.8% to HK$408.2 million (2016: HK$386.0 million). During the year ended 31 December 2017, the motor business on taxi and PLB were stagnant and the growth was mainly driven by motor business on other motor vehicles, which included private cars and goods carrying vehicles. The other general insurance business was at infant stage and new products were being developed and launched. The detailed breakdown of gross premium written is as follows:

	For the year ended 31 December				
	2017 HK$'000	**% of Total**	2016 HK$'000	% of Total	% Change
Taxi	**249,046**	**61.0%**	246,832	64.0%	0.9%
PLB	**85,229**	**20.9%**	87,033	22.5%	(2.1%)
Other motor vehicles (1)	**71,876**	**17.6%**	52,116	13.5%	37.9%
Others (2)	**2,060**	**0.5%**	–	–	n/a
	408,211	**100.0%**	385,981	100.0%	5.8%

Notes:

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

(2) Others include other general insurance business except motor business

NET INSURANCE PREMIUM REVENUE

During the year ended 31 December 2017, our retention ratio slightly reduced to 88.9% (2016: 90.6%). 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. As a result, the net insurance premium revenue is broken down as follows:

	For the year ended 31 December				
	2017 HK$'000	**% of Total**	2016 HK$'000	% of Total	% Change
Taxi	**230,686**	**63.8%**	223,417	64.7%	3.3%
PLB	**79,942**	**22.1%**	82,408	23.9%	(3.0%)
Other motor vehicles (1)	**50,211**	**13.9%**	39,504	11.4%	27.1%
Others (2)	**793**	**0.2%**	–	–	n/a
	361,632	**100.0%**	345,329	100.0%	4.7%

Notes:

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

(2) Others include other general insurance business except motor business

NET INSURANCE CLAIM AND LOSS RATIO

In respect of the net insurance claims, we note a substantial increase across all motor vehicle types due to the increase of claim frequency and severity. As a result, the net insurance claim and adjustment expenses increased by 22.6% to HK$297.4 million (2016: HK$242.5 million). The loss ratio increased to 82.2% (2016: 70.2%).

	For the year ended 31 December		
	2017 HK$'000	2016 HK$'000	% Change
Taxi	**181,116**	160,611	12.8%
PLB	**57,492**	47,790	20.3%
Other motor vehicles (1)	**58,380**	34,124	71.1%
Others (2)	**380**	–	n/a
	297,368	242,525	22.6%

Notes:

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

(2) Others include other general insurance business except motor business

UNDERWRITING AND OTHER ADMINISTRATIVE EXPENSES

The underwriting and other administrative expenses significantly increased by 37.6% to HK$113.3 million (2016: HK$82.3 million). Our net acquisition costs and other underwriting expenses increased by 5.2% to HK$36.1 million (2016: HK$34.3 million). The employee benefit expenses significantly increased by 53.9% to HK$34.7 million (2016: HK$22.5 million) due to the recruitment of a team of top-tier experienced professionals from international insurance companies for diversifying our general insurance products. The depreciation and amortization significantly increased by 1,990.4% to HK$11.6 million (2016: HK$0.6 million) because of the depreciation charges on permanent office premises. The advertising and promotion expenses increased significantly by 54.6% to HK$10.9 million (2016: HK$7.1 million) arising from the rebranding campaign and promotion for other general insurance products. The underwriting and other administration expenses are summarized as follows:

	For the year ended 31 December		
	2017 HK$'000	2016 HK$'000	% Change
Acquisition costs and other underwriting expenses, net	**36,056**	34,268	5.2%
Employee benefit expenses	**34,671**	22,529	53.9%
Depreciation and amortization	**11,560**	553	1,990.4%
Advertising and promotion expenses	**10,923**	7,067	54.6%
Rental charges	**5,496**	5,418	1.4%
Professional charges	**4,151**	7,657	(45.8%)
Finance costs	**1,029**	–	n/a
Entertainment	**1,027**	937	9.6%
Donation	**354**	539	(34.3%)
Others	**8,027**	3,372	138.0%
	113,294	82,340	37.6%

INVESTMENT PERFORMANCE

Our Group invests in accordance to our investment policy. During the year ended 31 December 2017, our Group liquidated most of its available-for-sale equity securities to rebalance our investment portfolio and prepare for the implementation of Hong Kong Financial Reporting Standards 9 Financial Instruments. The composition of our investment portfolio is as follows:

	As at 31 December				
	2017 HK$'000	**% of Total**	2016 HK$'000	% of Total	% Change
Equity securities [1]	**39,576**	**4.1%**	162,704	20.4%	(75.7%)
Debt securities	**269,739**	**27.8%**	252,081	31.6%	7.0%
Certificates of deposit	**34,551**	**3.6%**	99,212	12.4%	(65.2%)
Cash and bank deposits	**625,232**	**64.5%**	283,795	35.6%	120.3%
	969,098	**100.0%**	797,792	100.0%	21.5%

Note: (1) Equity securities included HK$38.8 million available-for-sale financial assets and HK$0.8 million financial assets at fair value through profit or loss

The investment yield (before impairment loss of available-for-sale financial assets) increased to 8.0% (2016: 2.5%). The increase in investment income was mainly driven by the gain on disposal of available-for-sale financial assets of HK$42.6 million (2016: Loss of HK$4.7 million). The total investment income on a pre-tax basis recognized in Consolidated Income Statement is as follows:

	For the year ended 31 December		
	2017 HK$'000	2016 HK$'000	% Change
Interest income from bank deposits	**4,410**	3,993	10.4%
Interest income from certificates of deposit	**1,064**	1,550	(31.4%)
Interest income from listed available-for-sale financial assets	**13,471**	16,681	(19.2%)
Interest income from unlisted available-for-sale financial assets	**307**	97	216.5%
Dividend income from listed available-for-sale financial assets	**4,889**	6,253	(21.8%)
Gain (Loss) on disposal of available-for-sale financial assets	**42,578**	(4,728)	1,000.5%
Net fair value gain of financial assets at fair value through profit or loss	**111**	–	n/a
Net foreign exchange gain (loss)	**3,666**	(1,173)	412.5%
Impairment loss for available-for-sale financial assets	**(3,010)**	(51,981)	(94.2%)
	67,486	(29,308)	330.3%

OTHER INCOME

The other income increased by 203.6% to HK$5.1 million (2016: HK$1.7 million) due to rental income from tenants of the permanent office premises during the notice period.

OPERATING PROFIT

Our operating profit decreased by 58.8% to HK$28.2 million (2016: HK$68.5 million). We recorded a profit before tax at HK$23.6 million (2016: Loss HK$7.2 million), representing an increase of 428.9% from the prior year. Our profit for the year was HK$20.1 million (2016: Loss HK$5.0 million), representing an increase of 505.3% from the prior year.

	For the year ended 31 December		
	2017 **HK$'000**	2016 HK$'000	% Change
Operating profit	**28,208**	68,536	(58.8%)
Profit (loss) before tax	**23,559**	(7,163)	428.9%
Profit (loss) for the year	**20,098**	(4,959)	505.3%

LIQUIDITY AND FINANCIAL RESOURCES

Our Group's cash and bank deposits as at 31 December 2017 amounted to HK$625.2 million (2016: HK$283.8 million).

FINANCIAL LEVERAGE

As at 31 December 2017, our Group has interest-bearing borrowing of HK$96.3 million (2016: Nil) and no bank overdrafts (2016: Nil).

CAPITAL STRUCTURE

During the year ended 31 December 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 31 December 2017, the Group had a total of 64 employees (2016: 49 employees), an increase of 15 employees. Total remuneration for 2017 amounted to HK$34.7 million (2016: HK$22.5 million), an increase of 53.9%. It is mainly due to the annual salary adjustment and the recruitment of top-tier experienced professionals from international insurance companies for diversifying our general insurance products. Bonuses are linked to the performance of the Group and the performance of the individual.

CONTINGENT LIABILITIES

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

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 2017.

PRINCIPAL ACTIVITIES

The Company is an investment company and the subsidiaries are principally engaged in writing motor and other general insurance in Hong Kong with leading market position on motor insurance for taxi and PLB. Details of the principal activities of its subsidiaries are set out in note 17 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 2017 and 2016.

	For the year ended 31 December				
	2017 HK$'000	**% of Total**	2016 HK$'000	% of Total	% Change
Taxi	**249,046**	**61.3%**	246,832	64.0%	0.9%
PLB	**85,229**	**21.0%**	87,033	22.5%	(2.1%)
Other motor vehicles [(1)]	**71,876**	**17.7%**	52,116	13.5%	37.9%
	406,151	**100.0%**	385,981	100.0%	5.2%

Note:

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

Our motor business on taxi and PLB were stagnant. The gross premium written on taxi and PLB motor insurance presented 82.3% of gross premium written on motor insurance for the year ended 31 December 2017 (2016: 86.5%). Our taxi motor insurance mildly increased by 0.9% to HK$249.0 million (2016: HK$246.8 million). Our PLB motor insurance reduced by 2.1% to HK$85.2 million (2016: HK$87.0 million) due to market competition, which led to a reduction of premium rates.

Our business on other motor vehicles was our major source of growth and was mainly driven by our online business platform. The gross premium written increased by 37.9% to HK$71.9 million (2016: HK$52.1 million).

OTHER GENERAL INSURANCE BUSINESS

With the formal authorization on additional classes obtained on 17 January 2017, Target began to write other general business in March 2017 and launched our new website in May 2017. For the insurance products Target offers, please refer to "Insurance Products" section.

For the year ended 31 December 2017, the gross premium written was HK$2.1 million (2016: Nil).

INVESTMENTS

We invest premiums and other income generated from our insurance business. The total value of investment portfolio increased by 21.5% to HK$969.1 million (2016: HK$797.8 million).

During the year ended 31 December 2017, our Group liquidated most of its available-for-sale equity securities to rebalance our investment portfolio and prepare for the implementation of Hong Kong Financial Reporting Standards 9 Financial Instruments. As a result, our investment in equity securities decreased by 75.7% to HK$39.6 million (2016: HK$162.7 million). The equity securities classified by type are as follows:

	For the year ended 31 December		
	2017 HK$'000	2016 HK$'000	% Change
Listed in Hong Kong	**24,078**	161,969	(85.1%)
Listed outside Hong Kong	**15,498**	735	2,008.6%
	39,576	162,704	(75.7%)

Our Group's debt portfolio increased by 7.0% to HK$269.7 million (2016: HK$252.1 million). The debt securities classified by type are as follows:

	As at 31 December		
	2017 HK$'000	2016 HK$'000	% Change
Listed in Hong Kong			
- Corporate entities (USD)	**138,610**	118,951	16.5%
- Government (HKD)	**8,296**	8,166	1.6%
Listed outside Hong Kong			
- Corporate entities (USD)	**104,004**	108,100	(3.8%)
- Corporate entities (AUD)	**12,433**	11,108	11.9%
Unlisted			
- Corporate entities (AUD)	**6,396**	5,756	11.1%
	269,739	252,081	7.0%

The certificates of deposit classified by type are as follows:

	As at 31 December		
	2017 HK$'000	2016 HK$'000	% Change
Certificates of deposit (HKD)	**30,000**	94,955	(68.4%)
Certificates of deposit (CNY)	**4,551**	4,257	6.9%
	34,551	99,212	(65.2%)

FINANCIAL KEY PERFORMANCE INDICATORS

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

	For the year ended 31 December		
	2017 HK$'000	2016 HK$'000	% Change
Gross premium written	**408,211**	385,981	5.8%
Net premium written	**362,886**	349,872	3.7%
Net insurance premium revenue	**361,632**	345,329	4.7%
Net insurance claims and loss adjustment expenses	**(297,368)**	(242,525)	22.6%
Acquisition costs and other underwriting expenses, net	**(36,056)**	(34,268)	5.2%
Operating profit	**28,208**	68,536	(58.8%)
Investment income (loss)	**67,486**	(29,308)	330.3%
Other income	**5,103**	1,681	203.6%
Employee benefit expenses	**(34,671)**	(22,529)	53.9%
Other operating expenses	**(41,538)**	(25,543)	62.6%
Finance costs	**(1,029)**	–	n/a
Profit (Loss) before tax	**23,559**	(7,163)	428.9%
Profit (Loss) for the year	**20,098**	(4,959)	505.3%
EBITDA	**36,148**	(6,610)	646.9%
Basic earnings (loss) per share (1)	**3.86 cents**	(0.95 cent)	506.3%
Diluted earnings (loss) per share (1)	**3.84 cents**	(0.95 cent)	504.2%

	For the year ended 31 December		
	2017	2016	Difference
Retention ratio (2)	**88.9%**	90.6%	(1.7%)
Loss ratio (3)	**82.2%**	70.2%	12.0%
Expense ratio (3)	**31.3%**	23.8%	7.5%
Combined ratio (4)	**113.5%**	94.0%	19.5%
Investment yield (5)	**8.0%**	2.5%	5.5%

Notes:

(1) The weighted average number of shares for the year ended 31 December 2017 is 521,338,000 ordinary shares (2016: 520,462,000 ordinary shares). The weighted average number of shares for the purpose of calculating diluted earnings (loss) per share is 523,495,000 ordinary shares (2016: 520,462,000 ordinary shares).

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

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

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

(5) The investment yield is normalized by excluding the impairment loss of available-for-sale financial assets of HK$3.0 million in 2017 (2016: HK$52.0 million).

PRINCIPAL RISKS AND UNCERTAINTIES

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

We have traditionally been relying on our agents, most of which are motor trading/management companies and insurance agents, to sell our insurance products. During the year ended 31 December 2017, the gross premiums written by our Group from those insurance policies sold through our agents represented approximately 95.4% of the total gross premium written by our Group respectively (2016: 96.9%).

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 2017 under the record of the Hong Kong Federation of Insurers is 158 (2016: 147).

In addition, with the growth of other general insurance business, we are expanding our broker network. The total number of brokers with broker agreements is 15 (2016: Nil).

(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 2017, the gross premium written by us on the insurance policies for taxi and PLB represented approximately 81.9% of the total gross premium written by us (2016: 86.5%).

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 and severity of claims, the loss ratio for taxi increased to 78.5% (2016: 71.9%) and the loss ratio for PLB increased to 71.9% (2016: 58.0%).

(C) DIVERSIFICATION OF OUR INSURANCE PRODUCTS

In order to reduce our reliance on motor vehicles insurance, we are in the progress of diversifying 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 premiums. Being a new player in the market of those insurance products, our Group may only be able to charge a relatively lower insurance premium for such products in comparison with the existing players. The loss ratio for those new insurance businesses may also be higher than that of motor vehicles insurance. Further, it is also possible that there are some other risks which we are not aware of at this stage.

(D) HIGHLY REGULATED INSURANCE INDUSTRY

The insurance industry in Hong Kong is highly regulated. Companies carrying on insurance business in or from Hong Kong must obtain authorization from the IA. Authorization will only be granted to insurers meeting certain requirements under the Insurance Ordinance (Chapter 41, the Laws of Hong Kong) ("IO"), 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 IO to maintain certain amount of assets in Hong Kong, a substantial portion of which is managed through our investment portfolio. Our investment returns, and thus our results of operations, may be adversely affected from time to time by various factors affecting our specific investments and, more generally, by the overall economic environment. Those factors include, inter alia, currency exchange rates, credit and liquidity conditions, the performance and volatility of capital markets, asset values, inflation rates, etc. Any significant deterioration in one or more of these factors could have an adverse impact on the value of, and the income generated by, our investment portfolio and could have a material adverse effect on our business, financial condition and results of operations. We are exposed to the risk of fluctuations in interest rates because of the substantial amount of bank deposits we hold as investment and cash. During periods of declining interest rates, the interest to be received from our bank deposits may decrease, which may in turn reduce our return on investments and affect our results of operations. Our investments are denominated in a number of currencies, including HK dollar, US dollar and RMB and we are exposed to foreign exchange rate risk. Changes in exchange rates between HK dollar and US dollar, between HK dollar and AU and between HK dollar and RMB will be directly reflected in our financial results. We cannot predict future exchange rate fluctuations and such fluctuations could materially and adversely affect our financial condition and results of operations.

IMPORTANT EVENTS SINCE THE END OF THE FINANCIAL YEAR

Our Group did not note any important events since the end of our financial year ended 31 December 2017.

FUTURE DEVELOPMENT OF OUR BUSINESS

For 2018, 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

It is clear from the 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. Transitioning from mono motor insurance business to all general insurance business, Target is to rebrand itself for its capability to write a comprehensive range of general business in Hong Kong.

To continue with the rebranding effort, 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 website such as Yahoo, Google, Newspaper websites, Ad banner networks, YouTube), advertorial (pitch decks, proposal templates, brochures etc) and events/roadshow to launch new insurance products and reinforce current products.

BUILDING UP INTERNAL CAPACITY

There are two areas which we will continue to invest in 2018 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 policyholders, support the adoption risk-based capital framework and new accounting standards, 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.

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. In addition to online business platforms for private cars and commercial vehicles which provide a channel for us to reach out to our customers directly, we will also explore different distribution channels to further grow our motor business.

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 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 become the key to maintain our market position. We will continue to participate in and sponsor activities by industry organizations and media partners.

RESULTS AND APPROPRIATIONS

The Group's profit for the year ended 31 December 2017 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 75 to 138.

On 27 December 2017, the Directors declared a special interim dividend of HK$0.05 per share and was paid on 30 January 2018. The Directors do not recommend the payment of final dividend in respect of the year ended 31 December 2017. The Company maintains its dividend policy 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 forthcoming annual general meeting of the Company to be held on Wednesday, 23 May 2018 (the "2018 AGM"), the register of members of the Company will be closed from Wednesday, 16 May 2018 to Wednesday, 23 May 2018, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2018 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, 15 May 2018.

SHARE CAPITAL

Details of movements in the Company's share capital for the year ended 31 December 2017 are set out in note 26 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 2017.

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 2017, our Group has complied, to the best of our knowledge, with the Listing Rules and SFO.

INSURANCE ORDINANCE (CHAPTER 41, LAWS OF HONG KONG) (THE "IO") AND THE INSURANCE (GENERAL BUSINESS (VALUATION) RULES (CHAPTER 41G, LAWS OF HONG KONG)

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 IO, 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 IO requirements and the risk of non-compliance with such requirements could lead to the termination of operating licenses.

During 2017, 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 2017, the Group made charitable donations amounting to approximately HK$354,000 (2016: HK$539,000). The Group focuses on contribution to sports, education, health and environment and the breakdown of the donations were as follows:

	For the year ended 31 December		
	2017 HK$'000	2016 HK$'000	% Change
Education	**230**	200	15.0%
Sports	**100**	329	(69.6%)
Health/Environment	**24**	10	140.0%
	354	539	(34.3%)

ENVIRONMENTAL POLICY AND PERFORMANCE

The Board adopted Environmental, Social and Governance Policy on 22 March 2016. Please refer to "Environmental, Social and Governance Report" section.

DISTRIBUTABLE RESERVES

As at 31 December 2017, the Company's reserves available for distribution to Shareholders amounted approximately HK$26.6 million (2016: HK$7.7 million).

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 ("Dr. Cheung")
Mr. Lai Bing Leung ("Mr. Lai")
Mr. Chiu Sun Ting ("Mr. Chiu")
Dr. Choi Chiu Fai Stanley ("Dr. Choi")
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 fixed period of appointment of Dr. Cheung, Mr. Lai, Mr. Chiu, Dr. Choi, Mr. Muk Wang Lit Jimmy and Mr. Chan Hok Ching expired on 15 January 2018. Each of them has entered into a renewed service contract with the Company on 13 December 2017 for the renewal of the term of appointment for three years with effect from 15 January 2018 and ending on 14 January 2021.

In accordance with Article 72(1) of the Articles, Dr. Cheung, Mr. Lai, Mr. Chiu, Dr. Choi, Mr. Muk Wang Lit Jimmy and Mr. Chan Hok Ching shall retire at the forthcoming 2018 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
Mr. Muk Wang Lit Jimmy
Mr. Chan Hok Ching
Ms. Lau Ka Yee

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 has entered into a renewed service contract with the Company on 13 December 2017 for the renewal of the term of appointment for three years commencing from 15 January 2018 and ending on 14 January 2021. 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 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	Interest of a controlled corporation	Long position	183,750,000 (Note 1)	35.24%
Mr. Lai Bing Leung	Interest of a controlled corporation	Long position	56,250,000 (Note 2)	10.79%
Mr. Chiu Sun Ting	Interest of a controlled corporation	Long position	56,250,000 (Note 3)	10.79%
	Interest held jointly with another person	Long position	670,000 (Note 4)	0.13%
Dr. Choi Chiu Fai Stanley	Interest of a controlled corporation	Long position	6,125,000 (Note 5)	1.17%
Mr. Muk Wang Lit Jimmy	Beneficial owner	Long position	2,000,000 (Note 6)	0.38%
Mr. Chan Hok Ching	Beneficial owner	Long position	1,300,000 (Note 7)	0.25%
Mr. Wong Shiu Hoi Peter	Beneficial owner	Long position	500,000 (Note 7)	0.10%
Mr. Wan Kam To	Beneficial owner	Long position	500,000 (Note 7)	0.10%
Mr. Szeto Wai Sun	Beneficial owner	Long position	500,000 (Note 7)	0.10%

Notes:

1. Independent Assets Management Limited ("Independent Assets") is the registered and beneficial owner of these Shares. Independent Assets is wholly-owned by Dr. Cheung. Moreover, Independent Assets is accustomed to act in accordance with Dr. Cheung's directions. By virtue of the SFO, Dr. Cheung is deemed to be interested in the same parcel of Shares in which Independent Assets is interested.

2. Champion City Holdings Limited ("Champion City") is the registered and beneficial owner of these Shares. Champion City is wholly-owned by Mr. Lai. Moreover, Champion City is accustomed to act in accordance with Mr. Lai's directions. By virtue of the SFO, Mr. Lai is deemed to be interested in the same parcel of Shares in which Champion City is interested.

3. Generous Rich Limited ("Generous Rich") is the registered and beneficial owner of these Shares. Generous Rich is wholly-owned by Mr. Chiu. Moreover, Generous Rich is accustomed to act in accordance with Mr. Chiu's directions. By virtue of the SFO, Mr. Chiu is deemed to be interested in the same parcel of Shares in which Generous Rich is interested.

4. These Shares are jointly held by Mr. Chiu and Mrs. Chiu Choi Yu Hing.

5. 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.

6. 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".

7. 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 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.

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 2017	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as at 31 December 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)	–	(356,000)	3,432,000	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)	–	(356,000)	9,874,000		

Note:

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

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

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

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

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

SHARE OPTION SCHEME

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

The principal terms of the Scheme are 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 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 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:

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	35.24%
Convoy Collateral Limited (Note 2)	Beneficial owner	Long position	75,484,000	14.48%
Convoy Global Holdings Limited (Note 2)	Interest of controlled corporation	Long position	75,484,000	14.48%
Champion City Holdings Limited (Note 3)	Beneficial owner	Long position	56,250,000	10.79%
Generous Rich Limited (Note 4)	Beneficial owner	Long position	56,250,000	10.79%
Mrs. Chiu Choi Yu Hing (Note 5)	Interest held jointly with another person	Long position	670,000	0.13%
	Interest of spouse	Long position	56,250,000	10.79%

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.

5. (i) Mrs. Chiu Choi Yu Hing held these 670,000 Shares jointly with Mr. Chiu Sun Ting and therefore Mrs. Chiu is deemed to be interested in these 670,000 Shares pursuant to the SFO; and (ii) Mrs. Chiu is the spouse of Mr. Chiu and therefore, Mrs. Chiu is deemed to be interested in these 56,250,000 Shares held by Mr. Chiu 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 2017.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code since the Listing Date up to 31 December 2017.

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 insurance services 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 insurance services are certain Directors, namely Dr. Cheung, Mr. Lai, and/or their associates, being private companies controlled by them or their family members and a substantial shareholder, Convoy Global Holdings Limited.

   For the year ended 31 December 2017, the aggregate annual premium paid to the Group from the relevant connected persons were approximately HK$0.4 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 3 January 2017 (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 2017 and ended on 31 December 2019. Either Target or Oscar may terminate the Oscar Agency Agreement at any time by giving to the other party 30 days' notice in writing.

For the year ended 31 December 2017, 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$67,000 (2016: HK$58,000) 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 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 15 December 2016 (the "Atlantic Ocean Agreement") regarding the renewal of the provision of insurance agency services by Atlantic Ocean to the Group for a term of three years from 1 January 2017 and ending on 31 December 2019. Under the Atlantic Ocean Agreement and Target shall pay to Atlantic Ocean commissions in respect of 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.

For the year ended 31 December 2017, the aggregate amount of commission paid to Atlantic Ocean was approximately HK$6.1 million.

Annual Cap
The annual cap under the Atlantic Ocean Agreement for the financial year ended 31 December 2017 is HK$7.7 million.

The commission payable to Atlantic Ocean under the Atlantic Ocean Agreement constituted continuing connected transaction of the Company under Rule 14A.31 of the Listing Rules and are therefore subject to reporting, announcement and annual review requirements under Rules 14A.35, 14A.49 and 14A.55 to 14A.59 of the Listing Rules, but is exempted from independent Shareholders' approval under Rule 14A.76(2) of the Listing Rules.

PROVISION OF INSURANCE BROKERAGE SERVICES BY CONVOY FINANCIAL SOLUTIONS LIMITED

Convoy Financial Solutions Limited ("Convoy") engages in the provision of insurance brokerage services, and is a wholly-owned subsidiary of Convoy Global Holdings Limited (a company whose shares are listed on the Stock Exchange (stock code: 1019), a substantial shareholder of the Company. Accordingly, Convoy is regarded as a connected person of the Company under the Listing Rules.

Target and Convoy entered into a broker agreement (the "Broker Agreement") on 1 March 2017 and an addendum no.1 to amend the content of schedule 1 to the Broker Agreement on 24 August 2017. Under the Broker Agreement, Convoy shall submit and Target shall receive and consider the insurance proposals to be made by Convoy on behalf of its clients in respect of the general insurance business. Target shall pay to Convoy commissions in respect of general insurance business successfully arranged by Convoy which are entered into by Target at the rate from 15% to 50% of the premium paid by the clients of Convoy. The rates of the commissions payable to Convoy 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 Broker Agreement is for a term from 1 March 2017 to 31 December 2019 and may be terminated by (1) the withdrawal of Target from the territory in which Convoy is operating, or (2) either party upon 30 days' notice in writing.

For the year ended 31 December 2017, the aggregate amount of commission paid to Convoy was approximately HK$0.4 million.

Annual Cap
The annual cap under the Broker Agreement for the financial year ended 31 December 2017 is HK$9.75 million.

As the applicable percentage ratios under Chapter 14 of the Listing Rules for the transactions under the respective Atlantic Ocean Agreement and Broker 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 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 transactions regarding each of the provision of insurance agency services by Atlantic Ocean and provision of insurance brokerage services by Convoy, nothing has come to their attention that causes them to believe that the respective 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 annual cap.

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 shareholders 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 2017.

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 at 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 2017.

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 2017, the percentage of gross premium written attributable to the largest customer and the five largest customers of the Group is 2.4% and 6.5% respectively.

During 2017, the largest reinsurer and the five largest reinsurers of the Group accounted for approximately 46.5% and 89.2% 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 2017.

AUDIT COMMITTEE

The Company established an audit committee ("Audit Committee") on 23 December 2014 with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee during the year 2017 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 2017.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 48 to 59 of the 2017 Annual Report.

AUDITOR

The consolidated financial statements for the year ended 31 December 2017 have been audited by Mazars CPA Limited, who term of appointment shall expire at the conclusion of the 2018 AGM. A resolution will be submitted to the 2018 AGM for the re-appointment of Mazars CPA Limited as auditor of the Company.

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

Hong Kong, 22 March 2018

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 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 2017, the Company has complied with the relevant provisions of the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct regarding directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, all the Directors have confirmed that they have complied with the required standards as set out in the Model Code during the year ended 31 December 2017.

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 15 to 20 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 2017, and the Company considers each of them was independent under Rule 3.13 of the Listing Rules.

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

BOARD MEETINGS

During the financial year ended 31 December 2017, the Board held six 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	6/6
Mr. Lai Bing Leung	6/6
Mr. Chiu Sun Ting	6/6
Dr. Choi Chiu Fai Stanley	6/6
Mr. Muk Wang Lit Jimmy	6/6
Mr. Chan Hok Ching	6/6
Mr. Wan Kam To	6/6
Mr. Wong Shiu Hoi Peter	6/6
Mr. Szeto Wai Sun	6/6
Mr. Yuen Tak Tim Anthony	6/6

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 2017, the 2017 annual general meeting was held on 23 May 2017.

Name of Director	Number of attendance
Dr. Cheung Haywood	1/1
Mr. Lai Bing Leung	1/1
Mr. Chiu Sun Ting	1/1
Dr. Choi Chiu Fai Stanley	1/1
Mr. Muk Wang Lit Jimmy	1/1
Mr. Chan Hok Ching	1/1
Mr. Wan Kam To	1/1
Mr. Wong Shiu Hoi Peter	1/1
Mr. Szeto Wai Sun	1/1
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 2017 to the Company.

The individual training record of each Director received for the year ended 31 December 2017 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 2016 and delegated certain duties under the Policy to the Nomination Committee. The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Company will also take into consideration its own business model and specific needs from time to time in determining the optimum composition of the Board.

During the financial year ended 31 December 2017, 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 2017, the Remuneration Committee held one meeting and have reviewed: (i) the salary adjustment and bonus of the Directors and senior management and (ii) the remuneration policy of the Company.

Name of Director	Number of attendance
Mr. Wong Shiu Hoi Peter *(chairman)*	1/1
Mr. Chan Hok Ching	1/1
Mr. Szeto Wai Sun	1/1

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 2017 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 2017, the Audit Committee held three meetings and reviewed, among others, the 2016 annual results and 2017 interim results of the Group and the internal control review report.

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 revised CG Code requirement under the Listing Rules which applies to accounting period beginning on or after 1 January 2016.

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

During the financial year ended 31 December 2017, the Risk Committee held three meetings and reviewed, among others, (i) the annual and interim risk assessments of the Company; (ii) the financial impact of proposed salary adjustment; (iii) business continuity and information technology disaster recovery plans and (iv) risk assessment on the deployment of new insurance system.

Name of Director	Number of attendance
Mr. Wong Shiu Hoi Peter *(chairman)*	3/3
Mr. Szeto Wai Sun	3/3
Mr. Yuen Tak Tim Anthony	3/3
Mr. Muk Wang Lit Jimmy	3/3
Mr. Chan Hok Ching	3/3

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 2017, the Board has reviewed the Company's policies and practices on corporate governance.

AUDITORS' REMUNERATION

For the year ended 31 December 2017, 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)	1,050
– Non-audit services (Note 2)	150
Total	1,200

Notes:

1. The audit services provided by Mazars include the audit of the financial statements of Target for the six months ended 30 June 2017 and the audit of the consolidated financial statements of the Group for the year ended 31 December 2017.

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 2017, tax services, report on the continuing connected transactions of the Company for the year ended 31 December 2017 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, has taken no less than 15 hours of relevant professional training for the financial year ended 31 December 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 2016. 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 investorrelations@6161.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 2017, 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 2018 AGM will be voted by poll.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

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

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Company's consolidated financial statements for each financial year which give a true and fair view of the state of affairs of the Group and the Company and of the results and cash flows of the Group for that year. In preparing the consolidated financial statements for the year ended 31 December 2017, 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 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 2017, 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 GOVERNANCE ("ESG") APPROACH

The Company's overall approach to ESG is guided by Environmental, Social and Governance Reporting Guide (Appendix 27) of the Listing Rules of the HKEx. 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 the Company and other requirements to which the Company 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 through the influence of both suppliers and customers.

ENERGY EFFICIENCY

To meet our expanding needs in writing all classes of general insurance, we are glad that more and more individuals with strong industry knowledge to join us and enhance our teams. Notwithstanding occupation of an additional office, the energy consumption was effectively controlled by our energy use policy. At both of our existing and newly renovated offices, we have started replacing ordinary light with energy-saving lamps 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 replace most of the old printers that consume more energy. However, due to the expansion of our business to other general insurance products, we have rented additional office space and total energy consumption increased by 15.0% to 92,550 kWh in 2017 (2016: 80,494 kWh). Our internal environmental guidelines helped to reduce the energy consumption per office area by 11.1% to 8 kWh/ft^2 (2016: 9 kWh/ft^2).

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

PAPERLESS DAILY OPERATION

Target proactively advocate the use of electronic platforms in daily operation to reduce the consumption on papers. We developed a comprehensive company platform (www.6161.com.hk) and launched a mobile service hotline *6161 in 2016 to promote our company and 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 immediate quotation and purchase motor policy on our website instead of filling forms to submit the applications, we have launched our online travel insurance platform in October 2017. The insurance policies/ cover notes will be sent to our customers' e-mail accounts immediately. In 2017, more than 7,100 motor cover notes and 400 travel insurance policies were issued 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. "Konica Minolta VR Bike Power Challenge" breaks boundaries with the traditional power generation and cycling through the amazing integration of a virtual reality game More than 10 colleagues joined this event and challenge their own physical limits, while demonstrating their team spirit. The competition spreads the message of environmental protection through power generating by cycling.

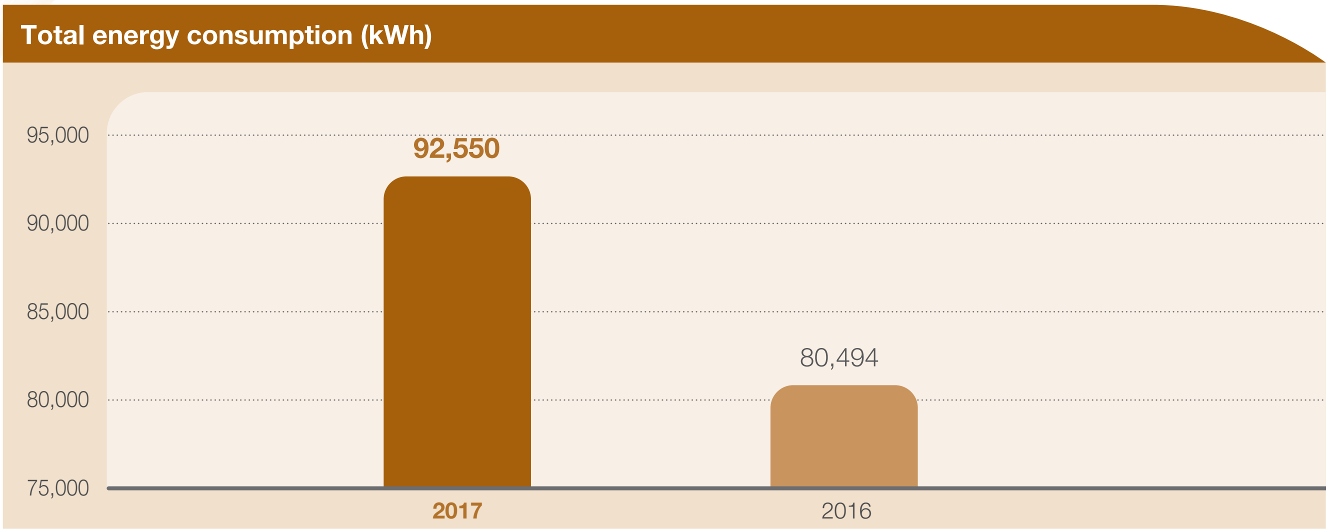
To promote the message of "Green Lifestyle", we donated 4 printers, 1 server and 6 boxes of toners and other computer equipments to Caritas in 2017, and the refurbished computers will be deployed to the deprived people or non-profit making organizations for educational or social purposes. The unusable computers and parts will also be dismantled in an environmentally-friendly method to avoid producing electronic waste harmful to the environment.

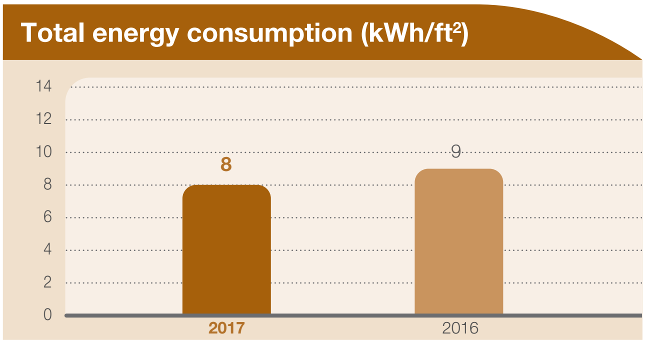
Environmental Performance	**2017**	2016
Paper		
Paper purchases		
Total paper used (kg)[1]	**Immaterial**	Immaterial
Total energy consumption		
Total electricity consumption (kWh)	**92,550**	80,494
Energy intensity		
By floor area (kWh/ft^2)	**8**	9
By number of employees (kWh/person)	**119**	138
Greenhouse Gas GHG emissions		
Direct emissions (Scope 1) (tonnes)	**–**	–
Indirect emissions (Scope 2) (tonnes)	**53**	46
Other indirect emissions (Scope 3) (tonnes)[1]	**Immaterial**	Immaterial
Water		
Total Water consumption (cubic metres)[1]	**Immaterial**	Immaterial

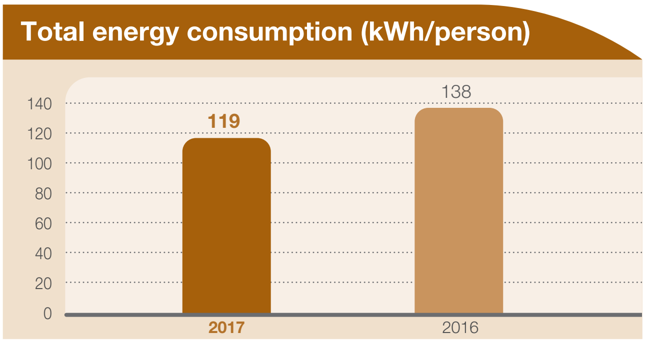
Note:

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

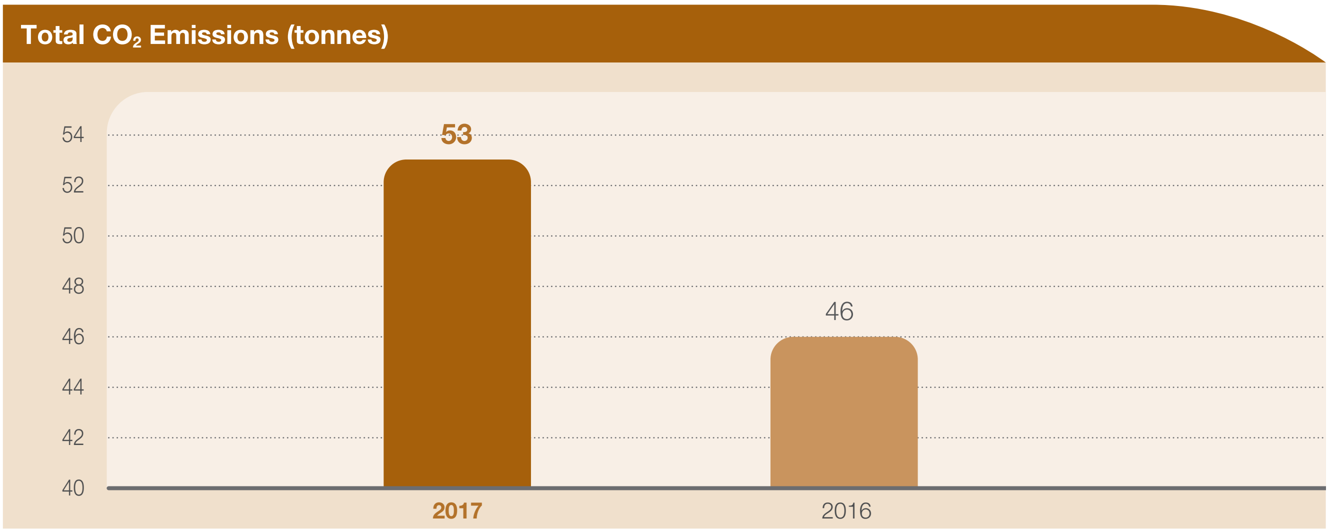
RESOURCES CONSUMPTION







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 anticorruption 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 responsibilities the Audit Committee of the Company.

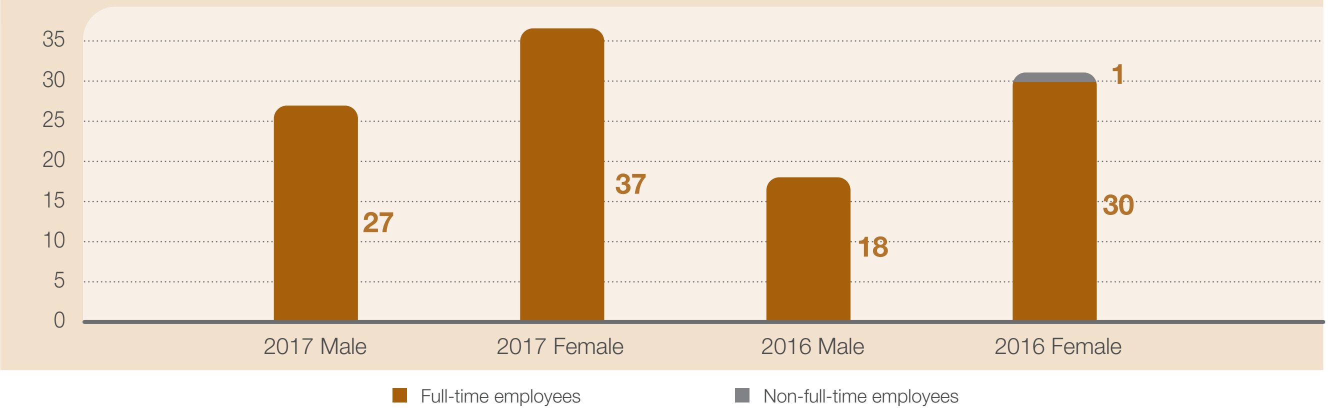
Our Group is committed to providing a healthy and safe work environment for all employees. Safety is to be given primary importance in every aspect of planning and performing all activities. Any potential health or safety hazards and all injuries or accidents should be reported to senior management immediately.

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' complaints are resolved in an effective and efficient manner. We received 2 complaints in 2017 (2016: 3) and all complaints have been resolved.

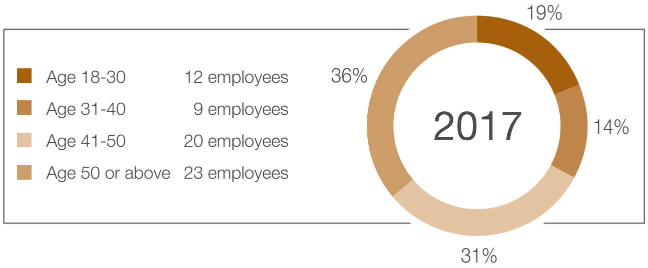
Our customers are our most important assets. Target has adopted a cybersecurity policy on 22 August 2016 to inform our employees and contractors (the "Users") on time to protect and identify threats to our technology and information assets (including consumer data). It also describes the User's responsibilities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

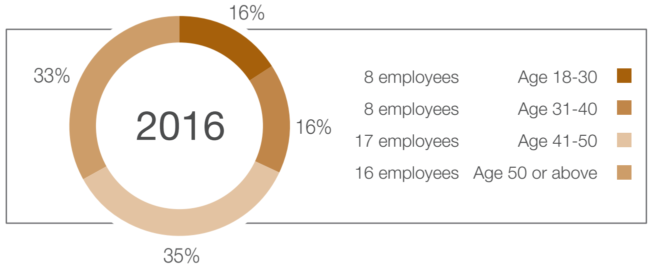
Since our operation is in Hong Kong, all our staff are located in Hong Kong. We summarize our performance indicators in respect of our workplace as below:

Total Workforce (by Employment Contract and Gender)



Total Workforce (By age)





RATE OF EMPLOYEE TURNOVER (BY GENDER AND AGE)

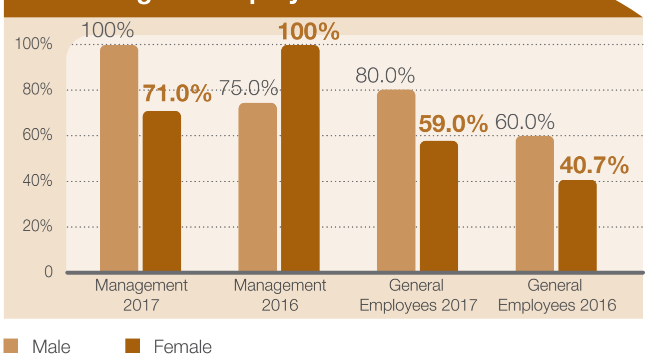
2017

Male	Female	Age 18-30	Age 31-40	Age 41-50	Age 50 or above	Turnover rate
1	4	1	2	1	1	7.8%

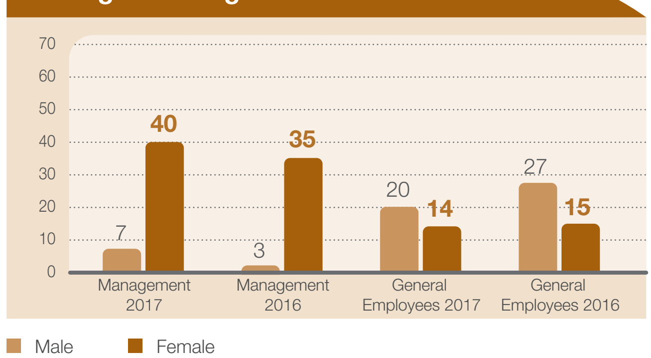
2016

Male	Female	Age 18-30	Age 31-40	Age 41-50	Age 50 or above	Turnover rate
2	0	1	1	0	0	4.1%

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		
	2017 HK'000	2016 HK'000	% Change
Education	**230**	200	15.0%
Sports	**100**	329	(69.6%)
Health/Environment	**24**	10	140.0%
	354	539	(34.3%)

SPONSORSHIPS

	For the year ended 31 December		
	2017 HK'000	2016 HK'000	% Change
Environment	**16**	30	(46.7%)
Sports	**5**	301	(98.3%)
	21	331	(93.7%)

HKEx ESG Reporting Guide Index		Page Number
A. Environmental		
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 60
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 61
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 60 to 61
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	Not applicable(1)
Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials	Pages 60 to 61
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 61
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 60
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)
The Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer’s significant impact on the environment and natural resources	Page 60
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	Page 60 to 61

Notes:

(1) Our Group does not have manufacturing operations, there is no other emissions (except greenhouse 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		
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 63
KPI B1.1	Total workforce by gender, employment type, age group and geographical region	Page 64
KPI B1.2	Employee turnover rate by gender, age group and geographical region	Page 64
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 63
KPI B2.1	Number and rate of work-related fatalities	2017: None 2016: None
KPI B2.2	Lost days due to work injury	2017: None 2016: None
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	Page 63
Development and Training		
General disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. (Description of training activities)	Page 63
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management)	Page 64
KPI B3.2	The average training hours completed per employee by gender and employee category	Page 64
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 issues on child and forced labour.

HKEx ESG Reporting Guide Index			Page Number
B.	**Social**		
	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]
	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 63
	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 63
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	Page 33
	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 63
	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 63
	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	2017: None 2016: None
	KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	Page 63
C.	**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 65
	KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Pages 2 to 5 and 65
	KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Page 65

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 on product recalls.

MAZARS

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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 75 to 138, which comprise the consolidated statement of financial position as at 31 December 2017, 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 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 2017, 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 21 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 estimation of the ultimate liability 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 for the motor vehicle segments 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 of the Group, 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 18 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 were stated at a carrying amount of HK$308,501,000 as shown in Note 18. 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.

VALUATION OF LEASEHOLD LAND AND BUILDINGS

Refer to Note 15 to the consolidated financial statements and the accounting policies in Note 2.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2017, leasehold land and buildings held by the Group were stated at fair value of HK$408,000,000. Significant estimation and judgement are required by management to determine the fair value of the leasehold land and buildings, including the determination of valuation techniques and assumptions applied. Management has engaged an independent professional valuer whose work has been relied on in the estimation of the fair value of the leasehold land and buildings.	Our key audit procedures included: – Evaluating the competence, capabilities and objectivity of the independent professional valuer. – Assessing the appropriateness of the work of the independent professional valuer by making enquiries on the bases of valuation and obtaining corroborative evidence on the input data. – Assessing the relevance and reasonableness of key assumptions and methods used in valuation, and the relevance and accuracy of the source data used in valuation.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the Company's 2017 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, 22 March 2018

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 2017

	Note	2017 HK$'000	2016 HK$'000
Net insurance premium revenue	4	**361,632**	345,329
Investment income (loss)	5	**67,486**	(29,308)
Other income	6	**5,103**	1,681
Net income		**434,221**	317,702
Net insurance claims and loss adjustment expenses	7	**(297,368)**	(242,525)
Acquisition costs and other underwriting expenses, net	8	**(36,056)**	(34,268)
Employee benefit expenses		**(34,671)**	(22,529)
Other operating expenses		**(41,538)**	(25,543)
Finance costs	9	**(1,029)**	–
Expenses		**(410,662)**	(324,865)
Profit (Loss) before tax	9	**23,559**	(7,163)
Income tax (expense) credit	12	**(3,461)**	2,204
Profit (Loss) for the year		**20,098**	(4,959)
		HK cents	HK cents
Earnings (Loss) per share	14		
Basic		**3.86**	(0.95)
Diluted		**3.84**	(0.95)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2017

	2017 HK$'000	2016 HK$'000
Profit (Loss) for the year	**20,098**	(4,959)
Other comprehensive income		
Item that will not be reclassified to profit or loss:		
Revaluation of property, plant and equipment	**139,266**	12,160
Effect of deferred tax arising from revaluation	**(23,389)**	–
	115,877	12,160
Items that are reclassified or may be reclassified subsequently to profit or loss:		
Available-for-sale financial assets		
Gains (Losses) on changes in fair value arising during the year	**51,087**	(4,487)
Reclassification of net changes in fair value to profit or loss	**(42,268)**	56,709
Effect of deferred tax arising from changes in fair value	**(1,434)**	(6,716)
Net movement in fair value of available-for-sale financial assets	**7,385**	45,506
Other comprehensive income for the year, net of tax	**123,262**	57,666
Total comprehensive income for the year	**143,360**	52,707

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Assets			
Property, plant and equipment	15	**421,158**	281,121
Intangible assets	16	**3,545**	–
Available-for-sale financial assets	18	**308,501**	414,785
Certificates of deposit	18	**34,551**	99,212
Deferred tax assets	19	**6,084**	9,825
Insurance and other receivables	20	**138,719**	92,479
Reinsurance assets	21	**89,381**	74,600
Deferred acquisition costs	22	**21,256**	18,753
Tax recoverable		**6,115**	3,935
Financial assets at fair value through profit or loss	18	**814**	–
Statutory deposit	23	**100,000**	100,000
Time deposits with original maturity over 3 months	23	**31,946**	53,162
Bank balances and cash	23	**493,286**	130,633
TOTAL ASSETS		**1,655,356**	1,278,505
Liabilities			
Deferred tax liabilities	19	**23,389**	–
Insurance liabilities	21	**944,258**	830,898
Interest-bearing borrowing	24	**96,313**	–
Deferred commission income	22	**2,663**	–
Reinsurance premium payable		**8,777**	8,388
Insurance and other payables	25	**14,041**	17,637
Dividend payable		**26,071**	–
Tax payable		**332**	313
TOTAL LIABILITIES		**1,115,844**	857,236
EQUITY			
Share capital	26	**368,159**	367,375
Other reserves	28	**134,137**	10,705
Retained earnings		**37,216**	43,189
TOTAL EQUITY		**539,512**	421,269
TOTAL LIABILITIES AND EQUITY		**1,655,356**	1,278,505

These consolidated financial statements on pages 75 to 138 were approved and authorised for issue by the Board of Directors on 22 March 2018 and signed on its behalf by

Cheung Haywood
Director

Muk Wang Lit Jimmy
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

	Share capital HK$'000 (Note 26)	Property revaluation reserve HK$'000 (Note 28)	Available-for-sale investment reserve HK$'000 (Note 28)	Merger relief reserve HK$'000 (Note 28)	Other reserve HK$'000 (Note 28)	Share option reserve HK$'000 (Note 27)	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 26)	3,089	–	–	–	–	(356)	–	2,733
Equity-settled share-based transaction (Note 27)	–	–	–	–	–	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

	Share capital HK$'000 (Note 26)	Property revaluation reserve HK$'000 (Note 28)	Available-for-sale investment reserve HK$'000 (Note 28)	Merger relief reserve HK$'000 (Note 28)	Other reserve HK$'000 (Note 28)	Share option reserve HK$'000 (Note 27)	Retained earnings HK$'000	Total HK$'000
At 1 January 2017	367,375	12,160	(3,078)	24,936	(24,936)	1,623	43,189	421,269
Profit for the year	–	–	–	–	–	–	20,098	20,098
Other comprehensive income								
Revaluation of property, plant and equipment	–	115,877	–	–	–	–	–	115,877
Net movement in fair value of available-for-sale financial assets	–	–	7,385	–	–	–	–	7,385
	–	115,877	7,385	–	–	–	–	123,262
Total comprehensive income for the year	–	115,877	7,385	–	–	–	20,098	143,360
Transactions with equity owners								
Contributions and distribution								
Dividend (Note 13)	–	–	–	–	–	–	(26,071)	(26,071)
Shares issued under share option scheme (Note 26)	784	–	–	–	–	(91)	–	693
Equity-settled share-based transaction (Note 27)	–	–	–	–	–	261	–	261
	784	–	–	–	–	170	(26,071)	(25,117)
At 31 December 2017	368,159	128,037	4,307	24,936	(24,936)	1,793	37,216	539,512

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	Note	**2017 HK$'000**	2016 HK$'000
OPERATING ACTIVITIES			
Cash generated from operations	29(A)	**61,430**	84,420
Income tax paid		**(3,315)**	(8,893)
Net cash from operating activities		**58,115**	75,527
INVESTING ACTIVITIES			
Interest received		**20,255**	23,179
Dividend received from available-for-sale financial assets		**4,889**	6,253
Proceeds from disposal of available-for-sale financial assets		**215,825**	245,035
Proceeds from disposal of certificates of deposit		**95,000**	16,755
Purchase of available-for-sale financial assets		**(100,674)**	(176,972)
Purchase of certificates of deposit		**(30,000)**	(44,960)
Proceeds from disposal of financial assets at fair value through profit or loss		**4,673**	–
Purchase of financial assets at fair value through profit or loss		**(6,190)**	–
Maturity of statutory and time deposits with original maturity over 3 months		**198,162**	258,644
Placement of statutory and time deposits with original maturity over 3 months		**(176,946)**	(203,162)
Proceeds from disposal of property, plant and equipment		**20**	–
Purchase of property, plant and equipment		**(12,154)**	(2,568)
Additions of intangible assets		**(4,299)**	–
Net cash outflow from acquisition of net assets through acquisition of a subsidiary		**–**	(264,732)
Net cash from (used in) investing activities		**208,561**	(142,528)
FINANCING ACTIVITIES			
Dividend paid		**–**	(28,648)
Issue of shares under share option scheme		**693**	2,733
New bank loan raised		**100,000**	–
Repayment of bank loan		**(3,687)**	–
Interest paid		**(1,029)**	–
Net cash from (used in) financing activities		**95,977**	(25,915)
Net increase (decrease) in cash and cash equivalents		**362,653**	(92,916)
Cash and cash equivalents at beginning of year		**130,633**	223,549
Cash and cash equivalents at end of year, represented by bank balances and cash	23	**493,286**	130,633

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 5/F, Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong. The principal activity of the Company is investment holding. The principal activities of its subsidiaries are detailed in Note 17 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 2016 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 7: DISCLOSURE INITIATIVE

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The adoption of the amendments results in the additional disclosures in Note 29 to the consolidated financial statements. In accordance with the transitional provisions therein, the comparative information is not presented in the first year of adoption.

AMENDMENTS TO HKAS 12: RECOGNITION OF DEFERRED TAX ASSETS FOR UNREALISED LOSSES

The amendments clarify, among others, how to account for deferred tax assets related to debt instruments measured at fair value.

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

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

BASIS OF MEASUREMENT

The measurement basis used in the preparation of these consolidated financial statements is historical cost, except for financial assets at fair value through profit or loss, 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.

BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries. 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 earnings.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

PROPERTY, PLANT AND EQUIPMENT (Continued)

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

Leasehold land and buildings	Over the remaining term of the lease or 50 years, whichever is shorter
Computer equipment	20% per annum
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.

INTANGIBLE ASSETS

Computer software is amortised on a straight-line basis at a rate of 30% per annum, which represent the estimated useful life of the software. Capitalised computer software is stated at cost less accumulated amortisation and impairment losses.

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.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

FINANCIAL INSTRUMENTS (Continued)

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) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss include financial assets held for trading. They are carried at fair value, with any resultant gain and loss recognised in profit or loss, which includes any dividend or interest earned on the financial assets.

Financial assets are classified as held for trading if they are (i) acquired principally for the purpose of selling in the near future; (ii) part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or (iii) derivatives that are not financial guarantee contracts or not designated and effective hedging instruments.

(2) 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.

(3) AVAILABLE-FOR-SALE FINANCIAL ASSETS (INCLUDING CERTIFICATES OF DEPOSIT)

Available-for-sale financial assets (including 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.

(4) FINANCIAL LIABILITIES

The Group's financial liabilities include reinsurance premium payable, insurance and other payables, and interest-bearing borrowing. 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.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

FINANCIAL INSTRUMENTS (Continued)

IMPAIRMENT OF FINANCIAL ASSETS

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

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

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

IMPAIRMENT OF NON-FINANCIAL ASSETS

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

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense 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.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash equivalents represent cash at banks and in hand and 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.

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.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

INSURANCE CONTRACTS (Continued)

(B) DEFERRED ACQUISITION COSTS ("DAC") AND COMMISSION INCOME

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.

Reinsurance commission income arising on ceded reinsurance contracts is deferred and amortised over the terms of the reinsurance policies to profit or loss.

(C) REINSURANCE ASSETS

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

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

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

(D) PROVISION FOR UNEXPIRED RISK

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

(E) UNEARNED PREMIUMS

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

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

INSURANCE CONTRACTS (Continued)

(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 the reporting period. Claims are not discounted.

PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of obligation can be made. Expenditures for which a provision has been recognised are charged against the related provision in the year in which the expenditures are incurred. Provisions are reviewed at the end of 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.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

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.

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.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

SHARE-BASED PAYMENT TRANSACTIONS

EQUITY-SETTLED TRANSACTIONS

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

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

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

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

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.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

RELATED PARTIES

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

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

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

(b) 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.

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

SEGMENT REPORTING

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

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(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$83,781,000 *(2016: HK$82,939,000)*.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(1) KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(D) DEFERRED TAX ASSETS

As at the end of the reporting period, a deferred tax asset of HK$6,084,000 *(2016: HK$9,825,000)* in relation to temporary deductible differences and unused tax losses 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) CRITICAL JUDGEMENTS MADE IN APPLYING ACCOUNTING POLICIES

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

The Group determines that available-for-sale 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 assets may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

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.

Annual Improvements to HKFRSs	2014-2016 Cycle: HKFRS 1 and HKAS 28 [1]
Amendments to HKAS 40	Transfers of Investment Property [1]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions [1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts [1]
HKFRS 9	Financial Instruments [1]
HKFRS 15	Revenue from Contracts with Customers [1]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration [1]
Annual Improvements to HKFRSs	2015-2017 Cycle: HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23 [2]
HKFRS 16	Leases [2]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments [2]
Amendments to HKAS 28	Investments in Associates and Joint Ventures [2]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation [2]
HKFRS 17	Insurance Contracts [3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [4]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 The effective date to be determined

The directors are in the process of assessing the possible impact on the future adoption of these new/revised HKFRSs. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. While the assessment has been substantially completed for HKFRS 9, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial information for the six months ending 30 June 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that financial report.

HKFRS 9 FINANCIAL INSTRUMENTS

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39 Financial instruments: Recognition and measurement.

HKFRS 9 introduces new requirements for classification and measurement of financial assets, including the measurement of impairment for financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification and measurement of financial liabilities.

2. PRINCIPAL ACCOUNTING POLICIES(Continued)

FUTURE CHANGES IN HKFRSs (Continued)

HKFRS 9 FINANCIAL INSTRUMENTS (Continued)

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to use the exemption from restating comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018.

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018:

The majority of the Group's debt securities and certificates of deposit that are currently classified as available-for-sale ("AFS") financial assets will satisfy the conditions for classification as financial assets at fair value through other comprehensive income ("FVOCI") and hence there will be no change to the accounting for these assets. However, investments in equity securities which are currently classified as AFS financial assets do not meet the criteria to be classified either as financial assets at FVOCI or financial assets at amortised cost and HK$38,762,000 will have to be reclassified to financial assets at fair value through profit or loss ("FVPL"). Related fair value losses of HK$1,061,000 will have to be transferred from the AFS investment reserve to retained earnings on 1 January 2018.

The other financial assets held by the Group include equity investments currently measured at FVPL which will continue to be measured on the same basis under HKFRS 9.

Fair value gains or losses realised on the disposal of financial assets at FVOCI will no longer be transferred to profit or loss on disposal, but instead reclassified directly from the FVOCI reserve to retained earnings. During the year ended 31 December 2017, such gains of HK$42,578,000 were recognised in profit or loss in relation to the disposal of available-for-sale financial assets.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. The Group expects that the application of the expected credit loss model will result in earlier recognition of credit losses and will need to perform a more detailed analysis to determine the impact on the Group's consolidated financial statements.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

3. SEGMENT INFORMATION

The Group is principally engaged in the writing of direct 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, 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 insurance as follows.

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

Segment assets include insurance receivables, reinsurance assets and deferred acquisition costs. Segment liabilities include insurance payables, insurance liabilities, deferred commission income and reinsurance premium payable. 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. There are no transactions between reportable segments.

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 gross written premium.

3. SEGMENT INFORMATION (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

	Taxi HK$'000	PLB HK$'000	Other motor vehicles HK$'000	Others HK$'000	Total HK$'000
Net insurance premium revenue	230,686	79,942	50,211	793	361,632
Net insurance claims and loss adjustment expenses	(181,116)	(57,492)	(58,380)	(380)	(297,368)
Acquisition costs and other underwriting expenses, net	(18,895)	(6,110)	(10,847)	(204)	(36,056)
Segment results	30,675	16,340	(19,016)	209	28,208
Unallocated investment income and other income					72,589
Unallocated corporate expenses and finance costs					(77,238)
Profit before tax					23,559
Income tax expense					(3,461)
Profit for the year					20,098
Assets					
Segment assets	108,343	36,773	48,709	593	194,418
Unallocated assets					1,460,938
Total assets					1,655,356
Liabilities					
Segment liabilities	587,925	217,519	156,430	1,584	963,458
Unallocated liabilities					152,386
Total liabilities					1,115,844
Other profit or loss information					
Interest income from bank deposits					4,410
Interest income from available-for-sale financial assets					13,778
Interest income from certificates of deposit					1,064
Dividend income from available-for-sale financial assets					4,889
Gain on disposal of available-for-sale financial assets					42,578
Impairment loss of available-for-sale financial assets					3,010
Net fair value gain of financial assets at fair value through profit or loss					111
Interest on bank loan					1,029
Depreciation and amortisation					11,560

3. SEGMENT INFORMATION (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

	Taxi HK$'000	PLB HK$'000	Other motor vehicles HK$'000	Others HK$'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 and finance costs					(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 profit or loss 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 and amortisation					553

4. NET INSURANCE PREMIUM REVENUE

	2017 **HK$'000**	2016 HK$'000
Gross premium written	**408,211**	385,981
Reinsurance premium ceded	**(45,325)**	(36,109)
Net premium written	**362,886**	349,872
Change in provision for unearned premium	**(10,100)**	(4,543)
Change in unearned premium on reinsurance ceded	**8,846**	–
Change in net provision for unearned premium	**(1,254)**	(4,543)
Net insurance premium revenue	**361,632**	345,329

5. INVESTMENT INCOME (LOSS)

	2017 **HK$'000**	2016 HK$'000
Interest income from bank deposits	**4,410**	3,993
Interest income from certificates of deposit	**1,064**	1,550
Interest income from listed available-for-sale financial assets	**13,471**	16,681
Interest income from unlisted available-for-sale financial assets	**307**	97
Dividend income from listed available-for-sale financial assets	**4,889**	6,253
Gain (Loss) on disposal of available-for-sale financial assets	**42,578**	(4,728)
Net fair value gain of financial assets at fair value through profit or loss	**111**	–
Net foreign exchange gain (loss)	**3,666**	(1,173)
Impairment loss of available-for-sale financial assets	**(3,010)**	(51,981)
Net investment income (loss)	**67,486**	(29,308)

6. OTHER INCOME

	2017 **HK$'000**	2016 HK$'000
Rental income	**3,820**	571
Handling fee income	**1,241**	1,041
Others	**42**	69
	5,103	1,681

7. NET INSURANCE CLAIMS AND LOSS ADJUSTMENT EXPENSES

	2017 **HK$'000**	2016 HK$'000
Gross claims paid	**227,475**	215,875
Claims recovered	**(27,432)**	(27,330)
Net claims paid	**200,043**	188,545
Change in provision for gross outstanding claims and incurred but not reported claims ("IBNR")	**103,260**	61,486
Change in claims recoverable (including IBNR recoveries)	**(5,935)**	(7,506)
Change in net outstanding claims	**97,325**	53,980
Net insurance claims	**297,368**	242,525

8. ACQUISITION COSTS AND OTHER UNDERWRITING EXPENSES, NET

	2017 **HK$'000**	2016 HK$'000
Acquisition costs and other underwriting expenses		
Insurance commission	**32,212**	27,631
Other underwriting expenses	**9,309**	9,336
Change in deferred acquisition costs	**(2,503)**	(415)
Acquisition costs and other underwriting expenses, gross	**39,018**	36,552
Commission income		
Insurance commission from reinsurers	**(5,625)**	(2,284)
Change in deferred commission income	**2,663**	–
Commission income	**(2,962)**	(2,284)
Acquisition costs and other underwriting expenses, net	**36,056**	34,268

9. PROFIT (LOSS) BEFORE TAX

This is stated after charging:

	2017 HK$'000	2016 HK$'000
Finance costs		
Interest on bank loan	1,029	–
Other items		
Employee benefit expenses (including directors' emoluments)		
Salaries, bonus and allowances	33,168	21,308
Equity-settled share-based payments	261	652
Contributions to defined contribution plan	1,242	569
	34,671	22,529
Auditor's remuneration		
Audit services	1,050	1,040
Other services	150	285
Depreciation	10,806	553
Amortisation (included in other operating expenses)	754	–
Loss on disposal of property, plant and equipment	557	3
Operating lease payments for premises	4,778	4,689

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 2017

	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	1,092	–	–	23	1,211
Choi Chiu Fai Stanley	96	1,092	–	–	30	1,218
Chan Hok Ching	96	1,406	134	29	30	1,695
Chiu Sun Ting	96	1,092	–	–	–	1,188
Lai Bing Leung	96	1,092	–	–	–	1,188
Muk Wang Lit Jimmy *(Chief executive)*	96	1,502	143	44	30	1,815
Independent non-executive directors						
Wong Shiu Hoi Peter	189	–	–	11	–	200
Wan Kam To	189	–	–	11	–	200
Szeto Wai Sun	189	–	–	11	–	200
Yuen Tak Tim Anthony	214	–	–	–	–	214
	1,357	7,276	277	106	113	9,129

10. INFORMATION ABOUT THE BENEFITS OF DIRECTORS (Continued)

A) *DIRECTORS' REMUNERATIONS* (Continued)

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

No directors or shadow directors have waived emoluments in respect of the years ended 31 December 2017 and 2016. 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 that were entered into or subsisted during the year *(2016: 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 2017

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	**912**
Head & Shoulders Securities Limited	Choi Chiu Fai Stanley	Brokerage paid	**67**

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

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 two directors *(2016: four)* whose emoluments are set out in Note 10 above. Details of the emoluments of the remaining highest paid individuals are as follows:

	2017 HK$'000	2016 HK$'000
Salaries and allowances	**3,888**	1,196
Discretionary bonus	**318**	120
Equity-settled share-based payments	**5**	11
Contributions to defined contribution plan	**208**	18
	4,419	1,345

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

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

	2017	2016
HK$1,000,001-HK$1,500,000	**2**	1
HK$1,500,001-HK$2,000,000	**1**	–
	3	1

No non-director individuals have waived emoluments in respect of the years ended 31 December 2017 and 2016. 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:

	2017 HK$'000	2016 HK$'000
Salaries and allowances	**4,765**	2,479
Discretionary bonus	**353**	245
Equity-settled share-based payments	**15**	49
Contributions to defined contribution plan	**218**	54
	5,351	2,827

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

	2017	2016
Nil to HK$1,000,000	**4**	2
HK$1,000,001-HK$1,500,000	**1**	1
HK$1,500,001-HK$2,000,000	**1**	–
	6	3

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 2017 and 2016.

	2017 HK$'000	2016 HK$'000
Current tax		
Hong Kong Profits Tax		
Current year	**901**	5,842
Under provision in prior years	**253**	531
	1,154	6,373
Deferred taxation		
Origination and reversal of temporary differences (Note 19)	**2,307**	(8,577)
	3,461	(2,204)

RECONCILIATION OF TAX EXPENSE (CREDIT)

	2017 HK$'000	2016 HK$'000
Profit (Loss) before tax	**23,559**	(7,163)
Income tax at applicable tax rate of 16.5% *(2016: 16.5%)*	**3,887**	(1,182)
Non-deductible expenses	**111**	1,255
Tax exempt revenue	**(1,727)**	(2,184)
Unrecognised tax losses	**218**	–
Unrecognised temporary differences	**719**	(285)
Under provision in prior years	**253**	531
Others	**–**	(339)
Tax expense (credit) for the year	**3,461**	(2,204)

13. DIVIDEND

	2017 HK$'000	2016 HK$'000
Dividend attributable to the year		
Interim dividend declared of HK5.0 cents *(2016:Nil)* per ordinary share	**26,071**	–
Dividend approved and paid during the year		
Final dividend in respect of 2016 of Nil (2015: HK5.5 cents) per ordinary share	**–**	28,648

14. EARNINGS (LOSS) PER SHARE

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

(A) BASIC EARNINGS (LOSS) PER SHARE

	2017	2016
Profit (Loss) attributable to equity owners (HK$'000)	**20,098**	(4,959)
Weighted average number of ordinary shares ('000)	**521,338**	520,462
Basic earnings (loss) per share (HK cents)	**3.86**	(0.95)

(B) DILUTED EARNINGS (LOSS) PER SHARE

	2017	2016
Profit (Loss) attributable to equity owners (HK$'000)	**20,098**	(4,959)
Weighted average number of ordinary shares (diluted) ('000)		
Weighted average number of ordinary shares	**521,338**	520,462
Effect of the Company's share option scheme	**2,157**	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings (loss) per share	**523,495**	520,462
Diluted earnings (loss) per share (HK cents)	**3.84**	(0.95)

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$'000	Computer equipment HK$'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 2016						
At beginning of year	–	–	1,062	47	–	1,109
Additions	–	–	2,131	437	–	2,568
Acquisition of net assets	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
Reconciliation of carrying amount – year ended 31 December 2017						
At beginning of year	**278,000**	**–**	**2,671**	**450**	**–**	**281,121**
Additions	**–**	**672**	**70**	**10,892**	**520**	**12,154**
Revaluation	**139,266**	**–**	**–**	**–**	**–**	**139,266**
Disposal	**–**	**–**	**(193)**	**(384)**	**–**	**(577)**
Depreciation	**(9,266)**	**(79)**	**(561)**	**(813)**	**(87)**	**(10,806)**
At the end of the reporting period	**408,000**	**593**	**1,987**	**10,145**	**433**	**421,158**
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
At 31 December 2017						
Cost/Valuation	**408,000**	**672**	**7,721**	**10,892**	**520**	**427,805**
Accumulated depreciation	**–**	**(79)**	**(5,734)**	**(747)**	**(87)**	**(6,647)**
	408,000	**593**	**1,987**	**10,145**	**433**	**421,158**

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

The leasehold land and buildings, which consist of commercial properties and car parking spaces situated in Hong Kong, were revalued at 31 December 2017, by Crowe Horwath First Trust Appraisal Pte Ltd., independent professional qualified valuer, with reference to recent market transaction prices of similar properties. The revaluation gave rise to a revaluation surplus of HK$139,266,000 *(2016: HK$12,160,000)* 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$256,979,000 *(2016: HK$265,840,000)* had they been stated at cost less accumulated depreciation and accumulated impairment losses.

16. INTANGIBLE ASSETS

	Computer software HK$
Reconciliation of carrying amount – year ended 31 December 2017	
At beginning of year	–
Additions	4,299
Amortisation	(754)
At the end of the reporting period	**3,545**
At 31 December 2017	
Cost	4,299
Accumulated amortisation	(754)
	3,545

17. 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 general 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

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS, CERTIFICATES OF DEPOSIT AND FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 HK$'000	2016 HK$'000
At fair value		
Equity securities		
Listed in Hong Kong	**23,264**	161,969
Listed outside Hong Kong	**15,498**	735
Listed debt securities		
Bonds listed in Hong Kong	**146,906**	127,117
Bonds listed outside Hong Kong	**116,437**	119,208
Unlisted debt securities		
Bonds with fixed maturity dates	**6,396**	5,756
Available-for-sale financial assets	**308,501**	414,785
Certificates of deposit	**34,551**	99,212
Financial assets at fair value through profit or loss		
Equity securities		
Listed in Hong Kong	**814**	–
	343,866	513,997

All financial assets at fair value through profit or loss are held for trading.

19. DEFERRED TAXATION

Deferred tax assets and liabilities are offset when taxes relate to the same taxation authority and where offsetting is legally enforceable. The movements for the year in the Group's net deferred tax position are as follows:

	Assets		Liabilities	
	Tax losses HK$'000	**Changes in fair value of available-for-sale financial assets** HK$'000	**Revaluation of property, plant and equipment** HK$'000	**Total** HK$'000
At 1 January 2016	–	7,964	–	7,964
Charge to other comprehensive income	–	(6,716)	–	(6,716)
Credit to profit or loss (Note 12)	–	8,577	–	8,577
At 31 December 2016	–	9,825	–	9,825
Charge to other comprehensive income	–	(1,434)	(23,389)	(24,823)
(Charge) Credit to profit or loss (Note 12)	6,737	(9,044)	–	(2,307)
At 31 December 2017	**6,737**	**(653)**	**(23,389)**	**(17,305)**

Despite recording tax losses in the current period, the Group expects the tax losses will be utilised in the coming tax years. A deferred tax asset arising from the unused tax losses of HK$6,084,000 has therefore been recognised during the year. The unused tax losses have no expiry date.

20. INSURANCE AND OTHER RECEIVABLES

	Note	**2017** **HK$'000**	2016 HK$'000
Insurance receivables			
Premium receivables			
From third parties		**61,536**	54,942
From related parties		**673**	701
	20(A)	**62,209**	55,643
Claims receivable from reinsurers and others	20(B)	**21,572**	27,296
		83,781	82,939
Other receivables			
Sales proceeds receivable from securities brokers and financial institutions		**39,181**	–
Deposits, prepayments and other receivables		**15,757**	9,540
		54,938	9,540
		138,719	92,479

20. INSURANCE AND OTHER RECEIVABLES (Continued)

20(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:

	2017 **HK$'000**	2016 HK$'000
Within 30 days	**26,631**	25,080
31 – 60 days	**28,193**	22,629
61 – 90 days	**7,262**	7,934
91 – 120 days	**123**	–
	62,209	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.

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

	2017 **HK$'000**	2016 HK$'000
Balances exceed normal credit period		
Within 30 days	**25,225**	20,303
31 – 60 days	**4,188**	6,108
61 – 90 days	**116**	–
	29,529	26,411

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.

20. INSURANCE AND OTHER RECEIVABLES (Continued)

20(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.

21. INSURANCE LIABILITIES AND REINSURANCE ASSETS

	Note	2017 HK'000	2016 HK$'000
Gross			
Outstanding claims		584,135	477,123
Claims incurred but not reported ("IBNR")		154,102	157,854
	21(i)	738,237	634,977
Provision for unearned premium	21(ii)	206,021	195,921
Total gross insurance liabilities		944,258	830,898
Recoverable from reinsurers			
Claims reported and loss adjustment expenses		35,724	29,041
Provision for IBNR recoveries		44,811	45,559
	21(i)	80,535	74,600
Provision for unearned premium	21(ii)	8,846	–
Total insurance liabilities recoverable		89,381	74,600
Net			
Outstanding claims		548,411	448,082
IBNR		109,291	112,295
	21(i)	657,702	560,377
Provision for unearned premium	21(ii)	197,175	195,921
Total net insurance liabilities		854,877	756,298

21. INSURANCE LIABILITIES AND REINSURANCE ASSETS (Continued)

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

	Gross HK$'000	Recoverable from reinsurers HK$'000	Net HK$'000
At 1 January 2016	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
Provision incurred	330,735	(33,367)	297,368
Claims paid	(227,475)	27,432	(200,043)
At 31 December 2017	**738,237**	**(80,535)**	**657,702**

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

	Gross HK$'000	Recoverable from reinsurers HK$'000	Net HK$'000
At 1 January 2016	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
Premium written	408,211	(45,325)	362,886
Premium earned	(398,111)	36,479	(361,632)
At 31 December 2017	**206,021**	**(8,846)**	**197,175**

22. DEFERRED ACQUISITION COSTS AND DEFERRED COMMISSION INCOME

	Deferred acquisition costs HK$'000	**Deferred commission income** HK$'000	**Net** HK$'000
At 1 January 2016	18,338	–	18,338
Commission expense (income)	36,967	(2,284)	34,683
Charged to income statement	(36,552)	2,284	(34,268)
At 31 December 2016	18,753	–	18,753
Commission expense (income)	41,521	(5,625)	35,896
Charged to income statement	(39,018)	2,962	(36,056)
At 31 December 2017	**21,256**	**(2,663)**	**18,593**

23. BANK BALANCES AND CASH AND BANK DEPOSITS

	2017 **HK$'000**	2016 HK$'000
Bank balances and cash		
Time deposits with original maturity within 3 months	**127,984**	99,868
Cash at banks and in hand	**365,302**	30,765
	493,286	130,633
Statutory deposit	**100,000**	100,000
Time deposits with original maturity over 3 months	**31,946**	53,162
	625,232	283,795

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 *(2016: HK$100,000,000)* at 31 December 2017 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 Ordinance (formerly known as the Hong Kong Insurance Companies Ordinance before being renamed on 26 June 2017). 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 *(2016: HK$330,000,000)* with the banks in Hong Kong pursuant to the instruction given by the Insurance Authority.

24. INTEREST-BEARING BORROWING

	2017 **HK$'000**	2016 HK$'000
Interest-bearing borrowing		
Secured bank loan	**96,313**	–

The bank loan facility was granted in 2016 but the loan was only drawn down in 2017.

The bank loan bears interest at the lower of Hong Kong Inter-bank Offered Rate ("HIBOR") plus 1.2% and HK$ Prime Rate less 3.15%. The average effective interest rate per annum for the year ended 31 December 2017 is 1.67% *(2016: Nil)*.

The bank loan is secured by the leasehold land and buildings with carrying value of HK$408,000,000 *(2016: HK$278,000,000)* (Note 15) and the principal plus accrued interest are repayable by 180 equal monthly instalments (Note 31(v)).

25. INSURANCE AND OTHER PAYABLES

	2017 **HK$'000**	2016 HK$'000
Insurance payables		
Premium surcharge and other payables	**7,760**	6,663
Other payables		
Professional fee payables	**1,099**	2,509
Property agency fee payables	**–**	2,236
Deposit received from tenants	**–**	1,321
Other accruals and payables	**5,182**	4,908
	6,281	10,974
	14,041	17,637

26. SHARE CAPITAL

	2017		2016	
	No. of shares	**HK$'000**	No. of shares	HK$'000
Issued and fully paid				
At beginning of the year	**520,872,000**	**367,375**	518,750,000	364,286
Issue of shares under share option scheme (Note 26(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

26(A) ISSUE OF SHARES UNDER SHARE OPTION SCHEME

During the year ended 31 December 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.

27. SHARE OPTION SCHEME

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

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

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

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

27. SHARE OPTION SCHEME (Continued)

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 exercised during the year ended 31 December 2017 was HK$1.98 *(2016: HK$2.12)*.

Movements of share options during the year ended 31 December 2017 are as follows:

Type	Date of grant	Exercise period	Exercise price per share HK$	Fair value per share HK$	Number of share options: Outstanding at beginning of year '000	Exercised '000	Forfeited '000	Outstanding at end of year '000	Exercisable at end of year '000
Directors	7 October 2014	15 January 2016 – 6 October 2024	1.288	0.169	4,440	–	–	4,440	2,840
Senior management	7 October 2014	15 January 2016 – 6 October 2024	1.288	0.169	894	(270)	(188)	436	211
Other employees	7 October 2014	15 January 2016 – 6 October 2024	1.288	0.167	5,434	(268)	(168)	4,998	2,820

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

Type	Date of grant	Exercise period	Exercise price per share HK$	Fair value per share HK$	Number of share options: Outstanding at beginning of year '000	Exercised '000	Forfeited '000	Outstanding at end of year '000	Exercisable at end of year '000
Directors	7 October 2014	15 January 2016 – 6 October 2024	1.288	0.169	4,800	(360)	–	4,440	1,240
Senior management	7 October 2014	15 January 2016 – 6 October 2024	1.288	0.169	1,234	(340)	–	894	71
Other employees	7 October 2014	15 January 2016 – 6 October 2024	1.288	0.167	6,856	(1,422)	–	5,434	863

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.

28. 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 2017, 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$26,591,000 *(2016: HK$7,676,000)*.

29. OTHER CASH FLOW INFORMATION

29(A) CASH GENERATED FROM OPERATIONS

	2017 **HK$'000**	2016 HK$'000
Profit (Loss) before tax	**23,559**	(7,163)
Depreciation and amortisation	**11,560**	553
Impairment loss of available-for-sale financial assets	**3,010**	51,981
Net fair value gain of financial assets at fair value through profit or loss	**(111)**	–
Loss on disposal of property, plant and equipment	**557**	3
(Gain) Loss on disposal of available-for-sale financial assets	**(42,578)**	4,728
Dividend income from available-for-sale financial assets	**(4,889)**	(6,253)
Interest income from available-for-sale financial assets and certificates of deposit	**(14,842)**	(18,328)
Interest income from bank deposits	**(4,410)**	(3,993)
Interest expenses	**1,029**	–
Equity-settled share-based payments	**261**	652
Changes in working capital:		
Insurance and other receivables	**(7,248)**	(926)
Reinsurance assets	**(14,781)**	(7,506)
Deferred acquisition costs	**(2,503)**	(415)
Insurance liabilities	**113,360**	66,029
Deferred acquisition income	**2,663**	–
Reinsurance premium payables	**389**	(1,738)
Insurance and other payables	**(3,596)**	6,796
Cash generated from operations	**61,430**	84,420

29(B) CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Details of the changes in the Group's liabilities from financing activities are as follows:

Year ended 31 December 2017	**Interest-bearing borrowing** HK$'000	**Dividend payable** HK$'000	**Total** HK$'000
At beginning of the year	–	–	–
Net cash flows			
New bank loan raised	100,000	–	100,000
Repayment of bank loan	(3,687)	–	(3,687)
	96,313	–	96,313
Other changes			
Dividend declared	–	26,071	26,071
At the end of the reporting period	**96,313**	**26,071**	**122,384**

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	2017 HK$'000	2016 HK$'000
The Oscar Motors Company Limited, a company controlled by Lai Bing Leung, a director of the Company	Commission paid (ii)	912	909
Head & Shoulders Securities Limited, a company controlled by Choi Chiu Fai Stanley, a director of the Company	Brokerage paid (ii)	67	58

(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 and non-motor businesses. 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.

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

INSURANCE RISK (Continued)

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

(I) FREQUENCY AND SEVERITY OF CLAIMS

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

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

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 insurance risk accepted is summarised below, with reference to the carrying amount of the insurance claims liabilities (gross and net of reinsurance) arising from these insurance contracts:

At 31 December		**Type of risk**				
		Taxi HK$'000	**PLB** HK$'000	**Other motor vehicles** HK$'000	**Others** HK$'000	**Total** HK$'000
2017	**Gross**	**456,037**	**173,586**	**108,214**	**400**	**738,237**
	Net	**414,326**	**152,999**	**90,124**	**253**	**657,702**
2016	Gross	401,255	162,905	70,817	–	634,977
	Net	357,281	139,493	63,603	–	560,377

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 and non-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 employees of the insured or 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 *(2016: 5%)*; and

- an increase or decrease of 5% in the risk margin *(2016: 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:

	2017 **HK$'000**	2016 HK$'000
Increase (decrease) in net outstanding claims and decrease (increase) in profit/loss after tax and equity		
– as a result of 5% increase in ultimate loss ratio	**20,644**	19,224
– as a result of 5% decrease in ultimate loss ratio	**(20,646)**	(19,219)

	2017 **HK$'000**	2016 HK$'000
Increase (decrease) in net outstanding claims and decrease (increase) in profit/loss after tax and equity		
– as a result of 5% increase in risk margin	**30,020**	20,273
– as a result of 5% decrease in risk margin	**(30,021)**	(20,200)

(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 development 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 – 2017

	2013 HK$'000	**2014** HK$'000	**2015** HK$'000	**2016** HK$'000	**2017** HK$'000	**Total** HK$'000
Development Year	210,080	206,337	228,168	262,425	297,136	
One year later	215,374	216,196	233,413	276,339		
Two years later	216,329	214,435	239,542			
Three years later	230,108	219,743				
Four years later	232,154					
Current estimate of cumulative gross claims	232,154	219,743	239,542	276,339	297,136	**1,264,914**
Cumulative gross payments to date	(204,788)	(162,710)	(140,367)	(81,889)	(25,667)	**(615,421)**
Sub-total	27,366	57,033	99,175	194,450	271,469	**649,493**
Gross insurance claims in respect of years prior to 2013						**10,678**
Unallocated loss adjustment expenses and risk margin						**78,066**
Total gross general insurance claims liability						**738,237**

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

INSURANCE RISK (Continued)

(IV) LOSS DEVELOPMENT TRIANGLE (Continued)

Net insurance claims – 2017

	2013 HK$'000	**2014** HK$'000	**2015** HK$'000	**2016** HK$'000	**2017** HK$'000	**Total** HK$'000
Development Year	192,238	188,778	212,121	237,630	261,620	
One year later	193,254	187,018	206,575	247,891		
Two years later	195,010	181,428	213,177			
Three years later	199,871	190,649				
Four years later	206,898					
Current estimate of cumulative net claims	206,898	190,649	213,177	247,891	261,620	**1,120,235**
Cumulative net payments to date	(188,030)	(148,232)	(123,529)	(64,895)	(17,036)	**(541,722)**
Sub-total	18,868	42,417	89,648	182,996	244,584	**578,513**
Net insurance claims in respect of years prior to 2013						**8,098**
Unallocated loss adjustment expenses and risk margin						**71,091**
Total net general insurance claims liability						**657,702**

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
Development 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
Development 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

The prior year net reserve estimates increased by HK$33,111,000 *(2016: decreased by HK$4,848,000)* for the year ended 31 December 2017. This is primarily attributable to case reserve strengthening for claims 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 liabilities, interest-bearing borrowings, reinsurance premium payable, insurance and other 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 2017, if there had been a 5% *(2016: 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$17,153,000 *(2016: HK$25,700,000)*, of which the decrease of HK$107,000 *(2016: HK$6,865,000)* will be reclassified to profit or loss, as a result of impairment loss of available-for-sale investments.

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

(II) INTEREST RATE RISK

Interest rate risk is the risk that the Group's position may be adversely affected by a change of market interest rates. It arises from time deposits with banks and financial institutions, available-for-sale financial assets and interest-bearing borrowings. 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. Details of interest rates of the Group's interest-bearing borrowings at the end of the reporting period are set out in Note 24. The Group's policy is to monitor closely its interest rate exposure in consideration of economic atmosphere and the strategies of the Group. Management does not expect any significant interest rate risk as at the end of the reporting period under current economic environment.

31. INSURANCE AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

FINANCIAL RISK (Continued)

(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") 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 and RMB are as follows.

	As at 31 December	
	2017 HK$'000	2016 HK$'000
Time deposits with original maturity over 3 months	**1,946**	23,161
Bank balances and cash	**40,424**	14,870
Available-for-sale financial assets and certificates of deposit	**38,835**	21,856
Overall net exposure	**81,205**	59,887

The following information indicates the approximate change in the Group's net profit/loss and reserve 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 and RMB had weakened/strengthened by 5% against HKD, the Group's net profit and the available-for-sale investment reserve for the reporting period would have been approximately decreased/increased by HK$3,287,000 *(2016: net loss increased/decreased by HK$2,957,000)* and decreased/increased by HK$773,000 *(2016: decreased/increased by HK$37,000)* 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 38% *(2016: 40%)* of the insurance receivables were due from the Group's five largest intermediaries at 31 December 2017.

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 financial institutions 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 2017				
Debt securities and certificates of deposit	**44,890**	**65,088**	**194,312**	**304,290**
Insurance and other receivables	**138,719**	**–**	**–**	**138,719**
Reinsurance assets	**28,334**	**49,575**	**2,626**	**80,535**
Statutory deposits	**100,000**	**–**	**–**	**100,000**
Time deposits	**31,946**	**–**	**–**	**31,946**
Bank balances and cash	**493,286**	**–**	**–**	**493,286**
	837,175	**114,663**	**196,938**	**1,148,776**
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

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 2017				
Outstanding claims and IBNR	**278,892**	**442,010**	**17,335**	**738,237**
Interest-bearing borrowing	**109,762**	**–**	**–**	**109,762**
Reinsurance premium payable	**8,777**	**–**	**–**	**8,777**
Insurance and other payables	**40,112**	**–**	**–**	**40,112**
	437,543	**442,010**	**17,335**	**896,888**
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

The amounts repayable under a loan agreement that includes a clause that gives the lender the unconditional right to call the loan at any time are classified under the "on demand" bracket. In this regard, interest-bearing borrowing with the carrying amount of HK$96,313,000 *(2016: Nil)* as at the end of the financial period have been so classified even though the director do not expect that the lender would exercise its rights to demand repayment and thus this borrowing, together with accrued interest, would be repaid according to the following schedule as set out in the loan agreement:

	2017 **HK$'000**	2016 HK$'000
Interest-bearing borrowing		
Within 1 year	**6,782**	–
1 – 5 years	**27,689**	–
Over 5 years	**75,291**	–
	109,762	–

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 2017 and 2016.

Target is required by the Hong Kong Insurance Ordinance (the "IO") 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 IO (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 IO 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 IO 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.

33. FAIR VALUE MEASUREMENT (Continued)

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
Assets measured at fair value		
Level 1		
Available-for-sale financial assets		
Listed equity securities	**38,762**	162,704
Listed debt securities	**263,343**	246,325
Financial assets at fair value through profit or loss		
Trading securities – Insurance industry	**814**	–
	302,919	409,029
Level 2		
Available-for-sale financial assets		
Unlisted debt securities	**6,396**	5,756
Certificates of deposit	**34,551**	99,212
	40,947	104,968
Level 3		
Leasehold land and buildings		
Commercial properties and car parking spaces located in Hong Kong	**408,000**	278,000

During the years ended 31 December 2017 and 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.

Movements in Level 3 fair value measurements

	Leasehold land and buildings	
	2017	2016
	HK$'000	HK$'000
At beginning of the year	**278,000**	–
Additions	**–**	265,840
Revaluation surplus	**139,266**	12,160
Depreciation charge	**(9,266)**	–
	408,000	278,000

33. FAIR VALUE MEASUREMENT (Continued)

The revaluation surplus has been recognised in other comprehensive income and recorded in property revaluation reserve.

(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 First Trust Appraisal Pte Ltd., 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 11% *(2016: 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	2017 HK$'000	2016 HK$'000
Assets			
Investments in subsidiaries		**397,176**	396,915
Financial assets at fair value through profit or loss		**814**	–
Other receivables		**959**	–
Bank balances and cash		**48,811**	4,901
TOTAL ASSETS		**447,760**	401,816
Liabilities			
Dividend payable		**26,071**	–
Other payables		**210**	206
TOTAL LIABILITIES		**26,281**	206
EQUITY			
Share capital	26	**368,159**	367,375
Available-for-sale investment reserve	34(A)	**–**	–
Share option reserve	34(A)	**1,793**	1,623
Merger relief reserve	34(A)	**24,936**	24,936
Retained earnings	34(A)	**26,591**	7,676
TOTAL EQUITY		**421,479**	401,610
TOTAL LIABILITIES AND EQUITY		**447,760**	401,816

This statement of financial position was approved and authorised for issue by the Board of Directors on 22 March 2018 and signed on its behalf by

Cheung Haywood
Director

Muk Wang Lit Jimmy
Director

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

34(A) RESERVES

	Available-for-sale investment reserve HK$'000 (Note 28)	Merger relief reserve HK$'000 (Note 28)	Share option reserve HK$'000 (Note 27)	Retained earnings HK$'000	Total HK$'000
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
At 1 January 2017	**–**	**24,936**	**1,623**	**7,676**	**34,235**
Profit for the year and **total comprehensive income for the year**	**–**	**–**	**–**	**44,986**	**44,986**
Transactions with equity owners					
Contributions and distribution					
Dividend	**–**	**–**	**–**	**(26,071)**	**(26,071)**
Shares issued under share option scheme	**–**	**–**	**(91)**	**–**	**(91)**
Equity-settled share-based transaction	**–**	**–**	**261**	**–**	**261**
	–	**–**	**170**	**(26,071)**	**(25,901)**
At 31 December 2017	**–**	**24,936**	**1,793**	**26,591**	**53,320**