泰加保險(控股)有限公司

TARGET INSURANCE (HOLDINGS) LIMITED

(incorporated in Hong Kong with limited liability)

Stock Code : 6161

2018

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 "Stock Exchange") 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 has 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 ("IA")*

2018 CORPORATE SOCIAL RESPONSIBILITY (“CSR”) AWARD LIST

Date	Organization	Award
16/3/2018	香港社會服務聯會 The Hong Kong Council of Social Service	商界展關懷 2017/18 Caring Company 2017/18
10/6/2018	新城電台 Metro Broadcast Corporation	新城慈善足球王盃 2018 季軍 Metro Broadcast Charity Cup 2018 2nd runner-up
29/9/2018	屯門商會 Tuen Mun Chamber of Commerce	國慶盃港深四角足球賽 殿軍 National Day Cup Hong Kong Shenzhen Football Match 3rd runner-up
9/10/2018	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
19/11/2018	世界綠色組織 World Green Organisation	綠色辦公室獎勵計劃 Green Office Awards Labelling Scheme (GOALS) 健康工作間獎勵計劃 Eco-Healthy Workplace Awards Labelling Scheme
8/12/2018	民政事務局、家庭議會 Home Affairs Bureau, Family Council	家庭友善僱主獎勵計劃2017/18特別嘉許 Family-Friendly Employers Award Scheme 2017/18 Special Mention


Annual General Meeting 2018

Green Office and Eco-Healthy Workplace Award Labelling Scheme 2018

41st Anniversary Annual Dinner


Christmas Party 2018

2018 LIST OF CSR ACTIVITIES

Date	Organization	Activity
16/3/2018	香港社會服務聯會 The Hong Kong Council of Social Service	商界展關懷 社區伙伴合作展 2018 Caring Company Partnership Expo 2018
17/4/2018	協康會 Heep Hong Society	協康會55周年慈善晚宴 2018 Heep Hong Society 55th Anniversary Charity Dinner 2018
08-10/06/2018	新城電台 Metro Broadcast Corporation	新城慈善足球王盃 2018 Metro Broadcast Charity Cup 2018
7/7/2018	商業電台馬路的事 Commercial Broadcasting – Roadcoop	馬路的事捐血日 2018 Road Co-Op Blood Donation Day 2018
29/9/2018	屯門商會 Tuen Mun Chamber of Commerce	國慶盃港深四角足球賽 National Day Cup Hong Kong Shenzhen Football Match
9/11/2018	柯尼卡美能達商業系統(香港)有限公司 Konica Minolta Business Solutions (HK) Ltd	格蘭披治單車賽 Grand Cycle Challenge Prix
26/11/2018	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

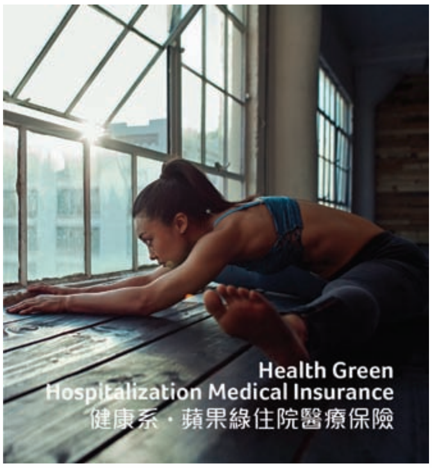
Road Co-Op Blood Donation Day 2018

Metro Broadcast Charity Football Cup 2018


Grand Cycle Challenge Prix


Heep Hong Society 55th Anniversary Charity Dinner 2018

PERSONAL INSURANCE PRODUCTS



COMMERCIAL INSURANCE PRODUCTS

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

CHEUNG Haywood *(Chairman)*
LAI Bing Leung
CHIU Sun Ting
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
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

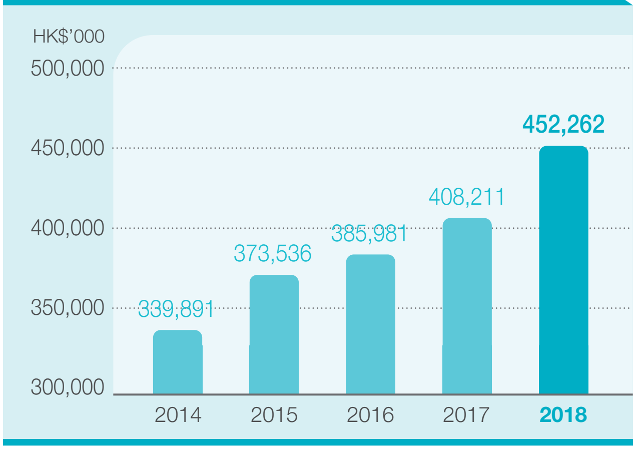
6161

WEBSITE

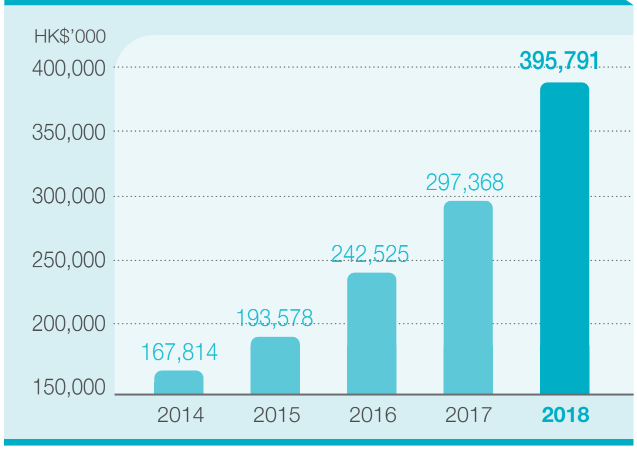
http://www.targetinsholdings.com

FIVE-YEAR FINANCIAL SUMMARY

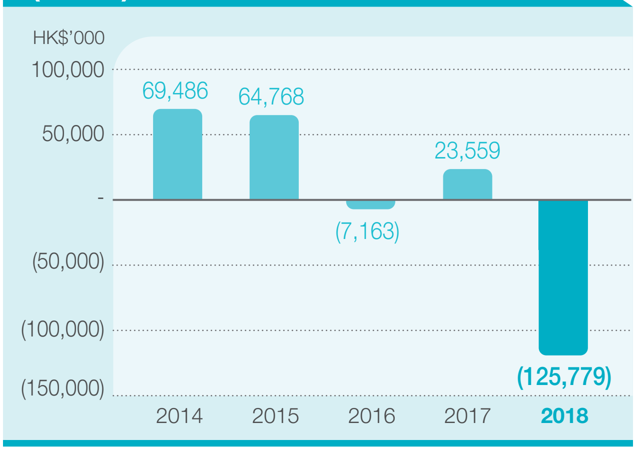
GROSS PREMIUM WRITTEN



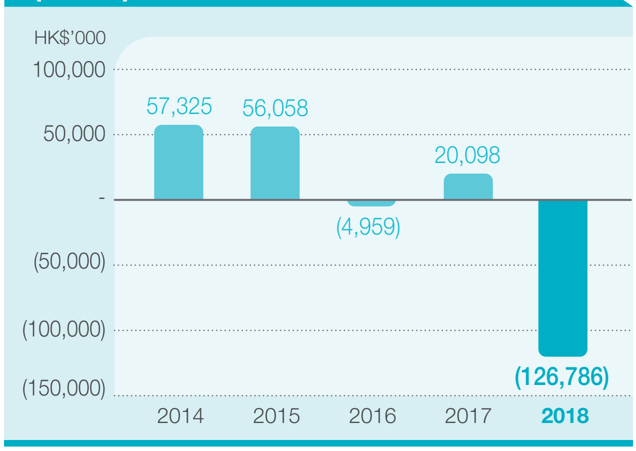
NET CLAIMS INCURRED



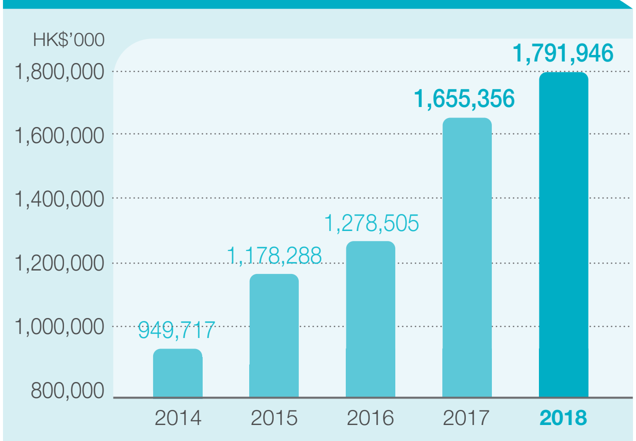
(LOSS) PROFIT BEFORE TAX



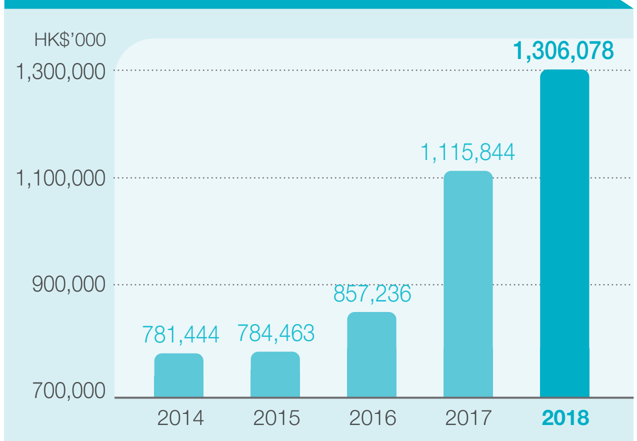
(LOSS) PROFIT FOR THE YEAR



TOTAL ASSETS



TOTAL LIABILITIES



On behalf of the board of directors (the "Board") of Target Insurance (Holdings) Limited (our "Company", together with its subsidiaries, collectively the "Group"), I would like to present this annual report for the year ended 31 December 2018 to our shareholders.

2018 AT A GLANCE

2018 was a year of transition for our Group.

The journey of diversification is not always smooth. We are finding our ways to be more versatile, while all the time maintaining a clear focus on the customer. It takes time and effort for the market to recognize our development and our determination to be the most preferred local general insurance company in Hong Kong.

With our effort in business diversification into other general insurance business, we managed to grow our gross premium written by 10.8% to HK$452.3 million (2017: HK$408.2 million). However, our net insurance claims and loss adjustment expenses continued to soar by 33.1% to HK$395.8 million (2017: HK$297.4 million). This is the major driver leading to a net loss of HK$126.8 million in 2018.

OUR BUSINESS OBJECTIVES

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

The general insurance industry is currently undergoing fundamental transformation. The ongoing regulatory developments on risk-based capital and insurance related financial reporting standards had been given a clearer implementation timeframe in 2018. As we are preparing for these regulatory compliance projects, we will also take these opportunities to review our operations and decision-making process and convert regulatory necessity into business value.

In addition, we see opportunities from the blueprint of Greater Bay Area plan which promotes a number of initiatives involving the insurance industry. Although its impact will depend on future implementing regulations, the blueprint is an important endorsement of existing key initiatives that pose significant growth opportunities for insurers in Hong Kong.

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

– Deepening our market footing and achieving thoughtfully-managed organic growth in general insurance business.
– Building differentiating capabilities to enable our Group to focus on what truly matters and develop a powerful growth engine.
– Retaining the best of our traditional distribution channels while optimizing operational efficiency through wholeheartedly embracing digital.

CORPORATE SOCIAL RESPONSIBILITY

Through acting responsibly, we believe we can create sustainable value for all our stakeholders. During the year under review, our Company continued to invest in the community, particularly in education and sports promotion to the local community. We were the sponsor of Heep Hong Society 55th Anniversary Charity Dinner 2018, Commercial Broadcasting Road Co-op Blood Donation Day 2018 and supporter of various sports events.

Our effort in corporate social responsibility are well-recognized by the public. We are awarded Caring Company 2017/18 by the Hong Kong Council and Social Services, Green Office Awards and Eco-Healthy Workplace Awards 2018 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, 25 March 2019

FINANCIAL RESULTS

Our Group recorded a net loss of HK$126.8 million (2017: net profit of HK$20.1 million) from net income of HK$384.3 million (2017: HK$434.2 million). Basic loss per share was HK24.32 cents (2017: basic earnings per share was HK3.86 cents). Our results were mainly influenced by the increase in claims frequency and severity which led to a significant increase on our net insurance claims and loss adjustment expenses.

PERFORMANCE REVIEW

In 2018, our other general business was at its early developing stage. The insurance products we launched in 2017 were more focused on local enterprises and individual clients. We also explored and launched other commercial insurance products in 2018 to enhance the comprehensiveness of our offerings.

Motor insurance for taxi and Public Light Bus ("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 faced increasing competition. The net insurance premium decreased by 4.8% to HK$219.6 million (2017: HK$230.7 million). On the other hand, due to the increase in claims frequency and severity, the net insurance claims and loss adjustment expenses increased by 46.5% to HK$265.3 million (2017: HK$181.1 million), turning the segment result into a loss of HK$63.7 million (2017: profit of HK$30.7 million). During this year, the loss ratio for taxi increased to 120.8% (2017: 78.5%) due to significant claims development on prior years' claims and increase in claims frequency and severity for taxi.

PLB

We had a competitive year for our PLB business in 2018. The premium rates for PLB further decreased due to market competition, the net insurance premium revenue reduced by 6.3% to HK$74.9 million (2017: HK$79.9 million). The net insurance claims and loss adjustment expenses decreased by 36.9% to HK$36.3 million (2017: HK$57.5 million). The segment result increased by 99.0% to HK$32.5 million (2017: HK$16.3 million). The loss ratio for PLB reduced to 48.4% (2017: 71.9%).

OTHER MOTOR VEHICLES

Our portfolio of other motor vehicles continued to grow due to our expansion of distribution channels for private cars and goods carrying vehicles business via direct online and intermediaries. The net insurance premium revenue of other motor vehicles increased by 19.7% to HK$60.1 million (2017: HK$50.2 million). The net insurance claims and loss adjustment expenses increased by 46.7% to HK$85.7 million (2017: HK$58.4 million). The segment result further deteriorated by 95.1% to a loss of HK$37.1 million (2017: loss of HK$19.0 million). The loss ratio for other motor vehicles increased from 116.3% to 142.5% due to significant claims development on prior years' claims and increase in claims frequency and severity for goods carrying vehicles.

OTHER GENERAL INSURANCE BUSINESS

Our portfolio of other general insurance grew significantly in 2018. The net insurance premium revenue was HK$6.2 million (2017: HK$0.8 million). The net insurance claims and loss adjustment expenses was HK$8.6 million (2017: HK$0.4 million). The segment result was a loss of HK$3.6 million (2017: profit of HK$0.2 million). The loss ratio was 138.5% (2017: 47.9%).

INVESTMENTS

As at 31 December 2018, we had cash and deposits of HK$467.2 million (2017: HK$625.2 million), certificates of deposit of HK$24.3 million (2017: HK$34.6 million), equity securities of HK$113.4 million (2017: HK$39.6 million) and debt securities of HK$373.1 million (2017: HK$269.7 million). The total value of investment portfolio mildly increased by 0.9% to HK$978.0 million (2017: HK$969.1 million).

The investment income decreased by 67.4% to HK$22.0 million (2017: HK$67.5 million). The main reasons were the absence of gain on disposal of financial assets at HK$42.6 million in 2017 and a net fair value loss on financial assets at fair value through profit or loss of HK$16.0 million in 2018.

After the normalization of the one-off impairment loss in 2017, the average investment yield of the portfolio decreased to 2.3% in 2018 (2017: 8.0%).

REGULATORY AND INDUSTRY DEVELOPMENT

Since IA's establishment in June 2017, there have been a significant volume of regulatory developments in Hong Kong insurance market. The three main areas of focus were:

– Developing the new risk-based capital ("RBC") regime for Hong Kong.
– Implementing the new direct licensing regime for insurance intermediaries that is due to take effect by mid-2019.
– Working with industry stakeholders in helping implement the new policyholders' protection scheme.

As part of the RBC regime, the draft guideline on enterprise risk management ("ERM Guideline") is scheduled to be effective in 2020. This ERM Guideline sets out the supervisory objectives, guidance and expectations for the IA in assessing the overall competence of an insurer's enterprise risk management framework and Own Risk Solvency Assessment ("ORSA"). Separately, following the second Quantitative Impact Study ("QIS") for the development of RBC regime, the IA is expected to conduct the third QIS in the second half of 2019. This third QIS will also form the basis for ORSA under ERM Guideline.

The implementation of Hong Kong Financial Reporting Standard 17 Insurance Contracts ("HKFRS 17") is proposed to defer for one year to 1 January 2022. This highlighted the unreadiness in the industry including a shortage of actuaries within the insurance sector in Hong Kong, the lack of appropriate IT solutions available in the market to cope with the new accounting requirements and the competing demands of overlapping regulatory initiatives for RBC and HKFRS 17.

In addition, Hong Kong Federation of Insurers will establish a centralized Insurance Fraud Prevention Claims Database ("IFPCD"). Big data analytics technology will be used to analyze and examine the data collected so as to enable the industry to detect patterns of fraudulent insurance claims and take early preventive measures where appropriate. It aims to combat insurance fraud and claims leakage, which cause insurance companies to suffer unnecessary underwriting loss, drive up premiums, and ultimately affect consumers and undermine the sustainable development of the insurance industry.

We will ensure sufficient resources on risk management, finance and IT are in place and prepare for these regulatory and industry developments.

OUTLOOK

We expect that the general insurance market will continue to be soft and highly competitive. To navigate through the severe impacts of soft market, we commit to proactive price monitoring and disciplined underwriting.

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 provides a convenient customer journey to our customers. For commercial products, we will expand our underwriting capabilities and 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 2019

For 2019, we will hone our focus on the strategies to stay competitive in the market:

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 throughout the year.

STRENGTHENING INTERNAL CAPACITY

There are three areas which we will continue to invest in 2019 to strengthen our internal capacity to prepare for the future:

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

– **Claims Management:** To enhance claims handling and settling, we will continue to develop resources to guard against fraudulent claims and strive to have fraudulent claims reported to Police.

– **Information Technology:** To support the adoption of IFPCD, 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, 25 March 2019

EXECUTIVE DIRECTORS

Dr. CHEUNG HAYWOOD ("Dr. Cheung"), aged 66, 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 35 years' experience in metals trading, securities and futures brokerage and forex dealings in Hong Kong. Dr. Cheung has extensive business connections in Hong Kong and the PRC. He has served as the President of the Executive and Supervisory Committees of Chinese Gold & Silver Exchange Society ("Society") from June 2010 to December 2014 and January 2017 to present. Since then, he has also become the Chairman of the Supervisory Committee of the Society from January 2015 to December 2016. He is the President of the New Territories General Chamber of Commerce for the year 2012 to 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 72, is one of the founders of the Group. Mr. Lai has about 41 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, 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 73, is one of the founders of the Group. Mr. Chiu has about 41 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 corporate image, exploring market opportunities, supervising the accounting operation of our Group.

Mr. MUK WANG LIT JIMMY ("Mr. Muk"), aged 64, 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 39 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 56, 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, chairman of the underwriting committee and the investment committee, and a member of the reinsurance committee of Target. He is responsible for assisting the Chairman of the Board 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 29 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 66, 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 with extensive experience in auditing and financial management. Mr. Wan was a non-executive director of Taikang Life Insurance Company Limited during the period between November 2009 and March 2011. Mr. Wan also serves or has served as an independent non-executive director/independent director of the following listed companies:

Company	Stock code	Which stock exchange the company is listed	Duration
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
Haitong International Securities Group Limited	665	Stock Exchange	June 2018 to present
Harbin Bank Co., Ltd.	6138	Stock Exchange	October 2013 to present
Huaneng Renewables Corporation Limited	958	Stock Exchange	August 2010 to present
Kerry Logistics Network Limited	636	Stock Exchange	November 2013 to present
KFM Kingdom Holdings Limited	3816	Stock Exchange	September 2012 to present
S. Culture International Holdings Limited	1255	Stock Exchange	May 2013 to July 2017
Shanghai Pharmaceuticals Holding Co., Ltd.	2607 601607	Stock Exchange Shanghai Stock Exchange	June 2013 to present

Mr. WONG SHIU HOI PETER ("Mr. Wong"), aged 78, 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 60, was appointed as an independent non-executive Director on 1 November 2014. Mr. Szeto is also an independent non-executive director and a member of the audit committee of Target, the chairman of the Nomination Committee, a member of each of the Audit Committee, the Remuneration Committee and the Risk Committee of the Company. Mr. Szeto graduated from The University of Hong Kong with a Degree of Bachelor of Laws in 1982, and obtained the Postgraduate Certificate in Laws from the same university in 1983. He was admitted as a solicitor in Hong Kong in 1985 and has worked in a number of law firms in Hong Kong including Messrs Chan & Co., Y.T. and Messrs Cheung & Co., Edmund before founding Messrs Sun Lawyers (formerly known as Messrs W.S Szeto & Lee) and becoming a partner of that firm in 2003. He is also a Notary Public. Mr. Szeto has completed a course of Professional Certificate in Chinese Civil & Commercial Law, which was jointly organised by Tsinghua University of the PRC and the School of Professional and Continuing Education of The University of Hong Kong in 2002. He also holds a Professional Diploma for the Financial Times Non-Executive Director issued in May 2015, and is a fellow of the Institute of Directors. He has also been an independent non-executive director of Bright Smart Securities & Commodities Group Limited (Stock code: 1428) since August 2010.

Mr. YUEN TAK TIM ANTHONY MH, J.P. ("Mr. Yuen"), aged 65, 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 39, 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 15 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 and associate of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators. She graduated from Hong Kong Polytechnic University with a Master of Corporate Governance (with Distinction) in 2018 and Chinese University of Hong Kong with a Bachelor of Business Administration majoring in Professional Accountancy in 2003. She is a fellow of ANZIIF.

Mr. CHAN PAK YIP JEFFERY ("Mr. J Chan"), aged 55, is the Director of Business Development and Reinsurance of the Group. He is also a member of the underwriting and reinsurance committees of Target. Mr. J Chan has over 30 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 52, 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 25 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 62, 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 48, 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 55, 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 O-Net Technologies (Group) Limited, SH Group (Holdings) Limited and Synertone Communication Corporation, companies listed on the Main Board of the Stock Exchange, and each of Heng Xin China Holdings Limited and Rui Feng Group 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.

FINANCIAL REVIEW

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

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

	For the year ended 31 December		
	2018 HK$'000	2017 HK$'000	% Change
Gross premium written	**452,262**	408,211	10.8%
Net premium written	**391,085**	362,886	7.8%
Net insurance premium revenue	**360,802**	361,632	(0.2%)
Net insurance claims and loss adjustment expenses	**(395,791)**	(297,368)	33.1%
Acquisition costs and other underwriting expenses, net	**(36,893)**	(36,056)	2.3%
Operating (loss) profit	**(71,882)**	28,208	(354.8%)
Net investment income	**22,003**	67,486	(67.4%)
Other income	**1,532**	5,103	(70.0%)
Employee benefit expenses	**(35,624)**	(34,671)	2.7%
Other operating expenses	**(40,057)**	(41,538)	(3.6%)
Finance costs	**(1,751)**	(1,029)	70.2%
(Loss) Profit before tax	**(125,779)**	23,559	(633.9%)
(Loss) Profit for the year	**(126,786)**	20,098	(730.8%)
EBITDA	**(104,701)**	36,148	(389.6%)
Basic (loss) earnings per share [1]	**(24.32 cents)**	3.86 cents	(730.1%)
Diluted (loss) earnings per share [1]	**(24.32 cents)**	3.84 cents	(733.3%)

	For the year ended 31 December		
	2018	2017	Difference
Retention ratio [2]	**86.5%**	88.9%	(2.4%)
Loss ratio [3]	**109.7%**	82.2%	27.5%
Expense ratio [3]	**31.7%**	31.3%	0.4%
Combined ratio [4]	**141.4%**	113.5%	27.9%
Investment yield [5]	**2.3%**	8.0%	(5.7%)

(1) The weighted average number of shares for the year ended 31 December 2018 is 521,410,000 ordinary shares (2017: 521,338,000 ordinary shares). The weighted average number of shares for the purpose of calculating diluted (loss) earnings per share is 521,410,000 ordinary shares (2017: 523,495,000 ordinary shares).

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

(3) Both the loss ratio and 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 financial assets of HK$3.0 million in 2017 (2018: Nil).

GROSS PREMIUM WRITTEN

Gross premium written increased by 10.8% to HK$452.3 million (2017: HK$408.2 million). During the year ended 31 December 2018, the motor business on taxi and PLB were stagnant and the growth was mainly driven by motor business on other motor vehicles and other general insurance business. The detailed breakdown of gross premium written is as follows:

	For the year ended 31 December				
	2018		2017		
	HK$'000	**% of Total**	HK$'000	% of Total	% Change
Taxi	**246,820**	**54.6%**	249,046	61.0%	(0.9%)
Public Light Bus ("PLB")	**82,375**	**18.2%**	85,229	20.9%	(3.3%)
Other motor vehicles (1)	**98,800**	**21.8%**	71,876	17.6%	37.5%
Others (2)	**24,267**	**5.4%**	2,060	0.5%	1078.0%
	452,262	**100.0%**	408,211	100.0%	10.8%

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 2018, our retention ratio reduced to 86.5% (2017: 88.9%). We arranged quota share reinsurance treaties for part of our other motor vehicles business and most of our other general insurance business to diversify our risk as we grow our portfolio. In addition, 58% of other motor vehicle business and 75% of other general insurance business were written in the second half of 2018. Combining with our change in methodology of calculating unearned premium from fractional value 1/24th method to 365-day model, the net insurance premium revenue is reduced by 0.2% to HK$360.8 million (2017: HK$361.6 million). The detailed breakdown of net insurance premium revenue is as follows:

	For the year ended 31 December				
	2018		2017		
	HK$'000		HK$'000		% Change
Taxi	**219,568**	**60.8%**	230,686	63.8%	(4.8%)
PLB	**74,916**	**20.8%**	79,942	22.1%	(6.3%)
Other motor vehicles (1)	**60,121**	**16.7%**	50,211	13.9%	19.7%
Others (2)	**6,197**	**1.7%**	793	0.2%	681.5%
	360,802	**100.0%**	361,632	100.0%	(0.2%)

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 continuous substantial increase for taxi and other motor vehicles due to the increase of claim frequency, how often people had accidents, and claims severity, which is the cost per accident. Both of those went up quite suddenly and substantially. As a result, the net insurance claims and loss adjustment expenses increased by 33.1% to HK$395.8 million (2017: HK$297.4 million). The loss ratio increased to 109.7% (2017:82.2%).

	For the year ended 31 December		
	2018 HK$'000	2017 HK$'000	% Change
Taxi	**265,255**	181,116	46.5%
PLB	**36,293**	57,492	(36.9%)
Other motor vehicles (1)	**85,664**	58,380	46.7%
Others (2)	**8,579**	380	2,157.6%
	395,791	297,368	33.1%

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 mildly increased by 0.9% to HK$114.3 million (2017: HK$113.3 million). Our net acquisition costs and other underwriting expenses increased by 2.3% to HK$36.9 million (2017: HK$36.1 million). The employee benefit expenses increased by 2.7% to HK$35.6 million (2017: HK$34.7 million). The depreciation and amortization increased by 67.2% to HK$19.3 million (2017: HK$11.6 million) because of the increased depreciation charges on permanent office premises after revaluation. The advertising and promotion expenses reduced by 18.5% to HK$8.9 million (2017: HK$10.9 million). The underwriting and other administration expenses are summarized as follows:

	For the year ended 31 December		
	2018 HK$'000	2017 HK$'000	% Change
Acquisition costs and other underwriting expenses, net	**36,893**	36,056	2.3%
Employee benefit expenses	**35,624**	34,671	2.7%
Depreciation and amortization	**19,327**	11,560	67.2%
Advertising and promotion expenses	**8,907**	10,923	(18.5%)
Professional charges	**4,153**	4,151	0.0%
Finance costs	**1,751**	1,029	70.2%
Entertainment	**981**	1,027	(4.5%)
Rental charges	**–**	5,496	(100%)
Donation	**206**	354	(41.8%)
Others	**6,483**	8,027	(19.2%)
	114,325	113,294	0.9%

INVESTMENT PERFORMANCE

Our Group invests in accordance to our investment policy. During the year ended 31 December 2018, our Group classified our equity investment as financial assets at fair value through profit or loss and debt securities as financial assets at fair value through other comprehensive income pursuant to Hong Kong Financial Reporting Standard 9 Financial Instruments. The composition of our investment portfolio is as follows:

	As at 31 December				
	2018		2017		
	HK$'000	**% of Total**	HK$'000	% of Total	% Change
Equity securities	**113,379**	**11.6%**	39,576	4.1%	186.5%
Debt securities	**373,126**	**38.2%**	269,739	27.8%	38.3%
Certificates of deposit	**24,317**	**2.5%**	34,551	3.6%	(29.6%)
Cash and bank deposits	**467,189**	**47.7%**	625,232	64.5%	(25.3%)
	978,011	**100.0%**	969,098	100.0%	0.9%

The investment yield decreased to 2.3% (2017: 8.0%). The decrease was mainly driven by the reduction in gain on disposal of financial assets by 86.6% to HK$5.7 million (2017: HK$42.6 million) and the net fair value loss of financial assets at fair value through profit and loss ("FVPL") of HK$16.0 million due to market volatility. The net investment income is as follows:

	For the year ended 31 December		
	2018	2017	
	HK$'000	HK$'000	% Change
Interest income	**27,020**	19,252	40.3%
Dividend income	**4,264**	4,889	(12.8%)
Gain on disposal of financial assets	**5,707**	42,578	(86.6%)
Net fair value (loss) gain on financial assets at FVPL	**(16,007)**	111	(14,520.7%)
Net foreign exchange gain	**1,019**	3,666	(72.2%)
Impairment loss for available-for-sale financial assets	**–**	(3,010)	(100.0%)
	22,003	67,486	(67.4%)

OTHER INCOME

The other income decreased by 70.0% to HK$1.5 million (2017: HK$5.1 million) as the permanent office premises is now self-occupied.

OPERATING LOSS

We recorded an operating loss at HK$71.9 million (2017: profit of HK$28.2 million), a loss before tax at HK$125.8 million (2017: profit of HK$23.6 million) and a loss for the year at HK$126.8 million (2017: profit of HK$20.1 million).

	For the year ended 31 December		
	2018 HK$'000	2017 HK$'000	% Change
Operating (loss) profit	**(71,882)**	28,208	(354.8%)
(Loss) Profit before tax	**(125,779)**	23,559	(633.9%)
(Loss) Profit for the year	**(126,786)**	20,098	(730.8%)

LIQUIDITY AND FINANCIAL RESOURCES

Our Group's cash and bank deposits as at 31 December 2018 amounted to HK$467.2 million (2017: HK$625.2 million).

FINANCIAL LEVERAGE

As at 31 December 2018, our Group has an outstanding loan facility of HK$90.4 million (2017: HK$96.3 million) and no bank overdrafts.

CAPITAL STRUCTURE

During the year ended 31 December 2018, no options were exercised to subscribe for ordinary shares of the Company. Details of the share options were disclosed in the prospectus of the Company dated 31 December 2014 (the "Prospectus").

STAFF AND STAFF REMUNERATION

As at 31 December 2018, the Group had a total of 67 employees (2017: 64 employees), an increase of 3 employees. Total remuneration for 2018 amounted to HK$35.6 million (2017: HK$34.7 million), an increase of 2.7%. It is mainly due to the annual salary adjustment. 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 2018 and 2017.

The board of directors ("Directors") of the Company would like to submit their report together with the audited financial statements of the Group for the year ended 31 December 2018.

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 2018 and 2017.

	For the year ended 31 December				
	2018		2017		
	HK$'000	**% of Total**	HK$'000	% of Total	% Change
Taxi	**246,820**	57.7%	249,046	61.3%	(0.9%)
Public Light Bus ("PLB")	**82,375**	19.2%	85,229	21.0%	(3.3%)
Other motor vehicles [1]	**98,800**	23.1%	71,876	17.7%	37.5%
	427,995	100.0%	406,151	100.0%	5.4%

Note:

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

Our business on other motor vehicles motor insurance was picking up while our business on taxi and PLB motor insurance was facing increased competitions from new and existing competitors. The gross premium written on taxi and PLB motor insurance presented 76.9% of gross premium written on motor insurance for the year ended 31 December 2018 (2017: 82.3%). These two business segments were saturated and our taxi motor insurance mildly decreased by 0.9% to HK$246.8 million (2017: HK$249.0 million). Our PLB motor insurance reduced by 3.3% to HK$82.4 million (2017: HK$85.2 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 and development of new insurance intermediaries. The gross premium written increased by 37.5% to HK$98.8 million (2017: HK$71.9 million).

OTHER GENERAL INSURANCE BUSINESS

Our group continued to develop other general insurance products and we now offer different personal and commercial insurance products.

PERSONAL INSURANCE PRODUCTS

– Home Protection
– Travel Insurance
– Fire Insurance
– Interior Decoration Insurance
– Health Green Hospitalization Medical Insurance
– Health Red Cancer Insurance

COMMERCIAL INSURANCE PRODUCTS

– SME Business Insurance
– Fire Insurance
– Public Liability Insurance
– Employees' Compensation Insurance
– Interior Decoration Insurance
– Contractors' All Risks Insurance
– Directors' & Officers' Liability Insurance
– Group Personal Accident Insurance

For the year ended 31 December 2018, the gross premium written increased by 1,078.0% to HK$24.3 million (2017: HK$2.1 million). More than 75% of business was written in the second half of 2018.

INVESTMENTS

We invest premiums and other income generated from our insurance business. The total value of investment portfolio increased by 0.9% to HK$978.0 million (2017: HK$969.1 million).

	As at 31 December				
	2018		2017		
	HK$'000	% of Total	HK$'000	% of Total	% Change
Equity securities	**113,379**	**11.6%**	39,576	4.1%	186.5%
Debt securities	**373,126**	**38.2%**	269,739	27.8%	38.3%
Certificates of deposit	**24,317**	**2.5%**	34,551	3.6%	(29.6%)
Cash and bank deposits	**467,189**	**47.7%**	625,232	64.5%	(25.3%)
	978,011	**100.0%**	969,098	100.0%	0.9%

Our Group's equity portfolio is increased by 186.5% to HK$113.4 million (2017: HK$39.6 million). Over 90% of equity securities invested are listed on the Hong Kong Stock Exchange. The equity securities classified by locations are as follows:

	For the year ended 31 December		
	2018 **HK$'000**	2017 HK$'000	% Change
Listed in Hong Kong	**103,236**	24,078	328.8%
Listed outside Hong Kong	**10,143**	15,498	(34.5%)
	113,379	39,576	186.5%

Our Group's debt portfolio is increased by 38.3% to HK$373.1 million (31 December 2017: HK$269.7 million). The debt securities classified by type are as follows:

	As at 31 December		
	2018 **HK$'000**	2017 HK$'000	% Change
Bonds listed in Hong Kong	**226,146**	146,906	53.9%
Bond listed outside Hong Kong	**131,302**	116,437	12.8%
Unlisted bonds	**15,678**	6,396	145.1%
	373,126	269,739	38.3%

Our Group reduced our certificates of deposits by 29.6% to HK$24.3 million (2017: HK$34.6 million).

FINANCIAL KEY PERFORMANCE INDICATORS

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

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

	For the year ended 31 December		
	2018 HK$'000	2017 HK$'000	% Change
Gross premium written	**452,262**	408,211	10.8%
Net premium written	**391,085**	362,886	7.8%
Net insurance premium revenue	**360,802**	361,632	(0.2%)
Net insurance claims and loss adjustment expenses	**(395,791)**	(297,368)	33.1%
Acquisition costs and other underwriting expenses, net	**(36,893)**	(36,056)	2.3%
Operating (loss) profit	**(71,882)**	28,208	(354.8%)
Net investment income	**22,003**	67,486	(67.4%)
Other income	**1,532**	5,103	(70.0%)
Employee benefit expenses	**(35,624)**	(34,671)	2.7%
Other operating expenses	**(40,057)**	(41,538)	(3.6%)
Finance costs	**(1,751)**	(1,029)	70.2%
(Loss) Profit before tax	**(125,779)**	23,559	(633.9%)
(Loss) Profit for the year	**(126,786)**	20,098	(730.8%)
EBITDA	**(104,701)**	36,148	(389.6%)
Basic (loss) earnings per share [(1)]	**(24.32 cents)**	3.86 cents	(730.1%)
Diluted (loss) earnings per share [(1)]	**(24.32 cents)**	3.84 cents	(733.3%)

	For the year ended 31 December		
	2018	2017	Difference
Retention ratio [(2)]	**86.5%**	88.9%	(2.4%)
Loss ratio [(3)]	**109.7%**	82.2%	27.5%
Expense ratio [(3)]	**31.7%**	31.3%	0.4%
Combined ratio [(4)]	**141.4%**	113.5%	27.9%
Investment yield [(5)]	**2.3%**	8.0%	(5.7%)

(1) The weighted average number of shares for the year ended 31 December 2018 is 521,410,000 ordinary shares (2017: 521,338,000 ordinary shares). The weighted average number of shares for the purpose of calculating diluted (loss) earnings per share is 521,410,000 ordinary shares (2017: 523,495,000 ordinary shares).

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

(3) Both the loss ratio and 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 financial assets of HK$3.0 million in 2017 (2018: Nil).

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's principal risks and uncertainties are exposed to a variety of key risks with financial impacts and operational risks.

Risks with financial including insurance risk, market price risk, interest rate risk, foreign exchange risk, credit risk and liquidity risk. Details of these risks and sensitivity analysis are elaborated in the Note 31 "Insurance and Financial Risk Management Objectives and Policies" to the Consolidated Financial Statements of our Group in this annual report.

The key operational risks are detailed as follows:

(A) REGULATORY COMPLIANCE

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.

(B) ROAD SAFETY RISK

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.

Emerging trends on road safety poses treats on increasing number of traffic accidents, such as (i) the growing number of cyclists requires new approaches to traffic management and investment into safe cycling infrastructure to improve road safety and reduce fatalities and injuries and (ii) the rise of distracted driving leading to a marked increase in the number of crashes due to the use of mobile phone or other digital devices while driving. Both are developing into major road safety risk that requires a more systematic response from the enforcement.

(C) DATA PROTECTION AND CYBERSECURITY

The tightening of Hong Kong's data protection regulatory environment and the emergence of cyber security regulation comes at the same time as personal data has developed into an increasingly valuable business asset. It also comes as businesses seek to turn more to outsource data processing and transfer data with a view to improving operational efficiency and leverage economies of scale.

Our Group addresses cybersecurity risk in consideration with the draft Guideline on Cybersecurity released by IA, which will be effective by 1 July 2019. It consolidates best practices and introduces a baseline standard of cybersecurity. It also provides a framework to routinely identify, prevent, detect and mitigate cyber security threats.

(D) CLIMATE CHANGE AND ENVIRONMENTAL RISK

Climate change is a critical global concern that presents issues associated with warmer temperatures, increased water scarcity, and more frequent and severe weather events.

The implications of climate change, including the increase in the number and severity of extreme weather events, pose obvious direct physical risks to our Group by means of property insurance liabilities and increased morbidity and mortality due to severe weather conditions. There are also secondary physical risks to consider which arise indirectly through subsequent events such as disruption of supply chain, resource scarcity, or potential macroeconomic, political or societal shocks. Indirect physical risks can include financial market losses due to economic damage, declines in resource production resulting in scarcity, and increased morbidity and mortality caused by indirect impacts of rising temperatures such as the increase in vector-borne diseases.

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 2018.

FUTURE DEVELOPMENT OF OUR BUSINESS

For 2019, we will hone our focus on the strategies to stay competitive in the market:

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 throughout the year.

STRENGTHENING INTERNAL CAPACITY

There are three areas which we will continue to invest in 2019 to strengthen our internal capacity to prepare for the future:

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

– **Claims Management:** To enhance claims handling and settling, we will continue to develop resources to guard against fraudulent claims and strive to have fraudulent claims reported to Police.

– **Information Technology:** To support the adoption of IFPCD, 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 result for the year ended 31 December 2018 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 78 to 154.

The Directors do not recommend the payment of final dividend in respect of the year ended 31 December 2018. 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 Thursday, 23 May 2019 ("2019 AGM"), the register of members of the Company will be closed from Friday, 17 May 2019 to Thursday, 23 May 2019, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2019 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 Thursday, 16 May 2019.

SHARE CAPITAL

Details of movements in the Company's share capital for the year ended 31 December 2018 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 2018.

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 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 2018, 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 2018, 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 2018, the Group made charitable donations amounting to approximately HK$206,000 (2017: HK$354,000).

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 2018, the Company's reserves available for distribution to the Shareholders is HK$24.9 million (31 December 2017: HK$26.6 million).

DIVIDEND POLICY

The Board adopted at its board meeting held on 23 December 2014 the following dividend policy of the Company.

Subject to the Companies Ordinance (Cap. 622), the Articles and the requirements under the IO and imposed by IA, the Company intends to distribute dividend to the shareholders of the Company of not less than 30% of any net consolidated distributable profit derived. The Company will re-evaluate its dividend policy annually.

DIRECTORS

The Directors of the Company during the year and 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") (resigned on 25 January 2019)
Mr. Muk Wang Lit Jimmy
Mr. Chan Hok Ching

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

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

The term of appointment of Mr. Wan Kam To, Mr. Wong Shiu Hoi Peter and Mr. Szeto Wai Sun expired on 15 January 2019, and each of them has entered into a renewed letter of appointment with the Company on 21 January 2019 for the renewal of the term of appointment for two years with retrospective effect from 15 January 2019 and ending on 14 January 2021.

The term of appointment of Mr. Yuen Tak Tim Anthony shall expire on 14 April 2019, and Mr. Yuen has entered into a renewed letter of appointment with the Company on 25 March 2019 for the renewal of the term of appointment for two years from 14 April 2019 and ending on 13 April 2021.

In accordance with Article 72(1) of the Articles, Messrs. Wan Kam To, Wong Shiu Hoi Peter, Szeto Wai Sun and Yuen Tak Tim Anthony shall retire at the forthcoming 2019 AGM, and being eligible, offer themselves for re-election.

The directors of subsidiaries of the Company during the year and 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 (resigned on 25 January 2019)
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 13 December 2017 for a term of three years commencing from 15 January 2018, and thereafter be continuous unless and until terminated by not less than three months' notice in writing served by either party on the other or by payment of three months' fixed salary in lieu of such notice. Each of the executive Directors may be entitled to a discretionary bonus as may be determined by the remuneration committee of the Company from time to time and approved by majority of the members of the Board by reference to the then prevailing market conditions, the performance of the Company as well as his individual performance.

Among the independent non-executive Directors, each of Mr. Wong Shiu Hoi Peter, Mr. Wan Kam To and Mr. Szeto Wai Sun has entered into a letter of appointment on 24 February 2017 with the Company for a period of two years commencing from 15 January 2017 subject to the provision of retirement and rotation of Directors 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 21 January 2019 for the renewal of the term of appointment for two years with retrospective effect from 15 January 2019 and ending on 14 January 2021.

Mr. Yuen Tak Tim Anthony has entered into a letter of appointment on 27 March 2017 with the Company for a period of two years commencing from 14 April 2017 subject to the provision of retirement and rotation of Directors under the Articles. Mr. Yuen Tak Tim Anthony has entered into a renewed letter of appointment with the Company on 25 March 2019 for the renewal of the term of appointment for two years from 14 April 2019 and ending on 13 April 2021.

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 any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN SHARES

As at 31 December 2018, the interest or short positions of the Directors in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"), are set out below:

INTERESTS IN THE COMPANY

Name of Director	Nature of interest	Long position/ Short position	Number of ordinary shares/underlying shares held	Approximate percentage of shareholding
Dr. Cheung Haywood	Interest of a controlled corporation	Long position	183,750,000 (Note 1)	35.24%
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%
	Beneficial owner	Long position	200,000	0.04%
Mr. Muk Wang Lit Jimmy	Beneficial owner	Long position	2,000,000 (Note 5)	0.38%
Mr. Chan Hok Ching	Beneficial owner	Long position	1,300,000 (Note 6)	0.25%
Mr. Wong Shiu Hoi Peter	Beneficial owner	Long position	500,000 (Note 6)	0.10%
Mr. Wan Kam To	Beneficial owner	Long position	500,000 (Note 6)	0.10%
Mr. Szeto Wai Sun	Beneficial owner	Long position	500,000 (Note 6)	0.10%

Notes:

1. Independent Assets Management Limited ("Independent Assets") is the 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, spouse of Mr. Chiu.

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

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

Save as disclosed above, none of the Directors or chief executive of the Company or their associates, had any interest or short position in any shares, underlying shares or debentures of the Company or its associated corporations as at 31 December 2018 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 then sole Shareholder passed on 30 September 2014, the rules of the Pre-IPO Share Option Scheme were approved and adopted. The purpose of the Pre-IPO Share Option Scheme is to enable the Company to grant options to the participants of the Pre-IPO Share Option Scheme as incentives or rewards for their contribution to the growth of the Group and to provide the Group with a more flexible means to reward, remunerate, compensate and/or to provide benefits to the participants of the Pre-IPO Share Option Scheme. The maximum number of Shares which may be issued upon the exercise of all options granted under the Pre-IPO Share Option Scheme is 13,390,000 Shares representing approximately 2.58% of the issued Shares as at the date of this report. Other details of the Pre-IPO Share Option Scheme were set out in the Prospectus.

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

Name or category of participants	Balance as at 1 January 2018	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as at 31 December 2018	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	3,432,000	–	–	(256,000)	3,176,000	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:	9,874,000	–	–	(256,000)	9,618,000		

Note:

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

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

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

(c) remaining being vested 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 to exceed 10 years from the date of the grant of the option.

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

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

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

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

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2018, 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%
Mr. Chiu Choi Yu Hing (Note 5)	Interest held jointly with another person	Long position	670,000	0.13%
	Interest of spouse	Long position	56,450,000	10.83%

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 ("Mrs. Chiu") held these 670,000 Shares jointly with Mr. Chiu 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 (a) 56,250,000 Shares held by Mr. Chiu through Generous Rich and (b) 200,000 Shares beneficially owned 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 2018.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code during the year ended 31 December 2018.

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 certain connected persons in the ordinary and usual course of business of the Group. Each of the above insurance policies is for a term of one year and on normal commercial terms. Each of the insurance policies was individually entered into between us and each of the relevant connected persons.

   The relevant connected persons with whom the Group has provided motor insurance services are certain Directors of the Company and its subsidiaries, namely Dr. Cheung, Dr. Choi (the former Director resigned on 25 January 2019), Mr. Lai, Mr. Muk, Mr. Wong, Mr. Wan, Ms. Lau 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 2018, the aggregate annual premium paid to the Group from the relevant connected persons were approximately HK$1.7 million (2017: 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 2018, the aggregate amount of commissions paid to Oscar was approximately HK$0.9 million (2017: HK$0.9 million).

3. **PROVISION OF INSURANCE AGENCY SERVICES BY ABACUS ACCREDIT INSURANCE AGENCY LIMITED**

The Abacus Accredit Insurance Agency Limited ("Abacus") is one of the Group's agents in Hong Kong for the sale of the general insurance policies for Target. Abacus is wholly-owned by Dr. Ng Chui Yiu Jennifer, spouse of Dr. Cheung, Chairman and an executive Director. Accordingly, Abacus is an associate of Dr. Cheung, and regarded as a connected person of the Company.

Target has entered into an agency agreement with Abacus on 1 April 2018 (the "Abacus Agency Agreement") with effect on 20 April 2018, being the date of registration with the Insurance Agents Registration Board as Target's appointed agent. Under the Abacus Agency Agreement, Target shall pay to Abacus commissions in respect of general insurance policies issued and renewed through the agency services provided by Abacus. The rates of the commissions payable to Abacus 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.

Either Target or Abacus may terminate the Abacus Agency Agreement at any time by giving to the other party 30 days' notice in writing.

For the year ended 31 December 2018, the aggregate amount of commissions paid to Abacus was approximately HK$6,000.

4. **PROVISION OF INSURANCE BROKERAGE SERVICES BY CONVOY FINANCIAL SERVICES LIMITED**

Convoy Financial Services Limited ("Convoy Services") 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 Services is regarded as a connected person of the Company under the Listing Rules.

Target and Convoy Services entered into a broker agreement (the "Convoy Services Broker Agreement") on 23 May 2018. Under the Broker Agreement, Convoy Services shall submit and Target shall receive and consider the insurance proposals Convoy Services to be made by Convoy Services on behalf of its clients in respect of the general insurance business. Target shall pay to Convoy Services commissions in respect of general insurance business successfully arranged by Convoy Services which are entered into by Target at the rate from 15% to 50% of the premium paid by the clients of Convoy Services. The rates of the commissions payable to Convoy Services 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 Convoy Services Broker Agreement may be terminated by (1) the withdrawal of Target from the territory in which Convoy Services is operating, or (2) either party upon 30 days' notice in writing.

For the year ended 31 December 2018, the aggregate amount of commission paid to Convoy Services was approximately HK$0.3 million.

5. **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. The Group paid approximately HK$166,000 (2017: HK$67,000) 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, the Abacus Agency Agreement, the Convoy Services Broker Agreement and the brokerage to H&S are on an annual basis less than 5% and the annual total consideration is less than HK$3 million, by virtue of Rule 14A.76(1)(c) of the Listing Rules, such transactions constitute de minimis continuing connected transactions fully exempt from shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

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

PROVISION OF INSURANCE AGENCY SERVICES BY ATLANTIC OCEAN UNDERWRITERS LIMITED

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

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

Target has entered into an agency agreement with Atlantic Ocean on 15 December 2016 (the "Atlantic Ocean Agreement") and an addendum no. 1 to amend the content of the Atlantic Ocean Agreement on 3 April 2018, for 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. Either Target or Atlantic Ocean may terminate the Atlantic Ocean Agreement at any time by giving to the other party 30 days' notice in writing. Under the Atlantic Ocean Agreement, Target shall pay to Atlantic Ocean commissions in respect of motor insurance policies issued and renewed through the agency services provided by Atlantic Ocean. The rates of the commissions payable to Atlantic Ocean are determined on an arm's length basis and comparable to prevailing market rates or at rates similar to those payable by the Group to independent third parties.

For the year ended 31 December 2018, the aggregate amount of commission paid to Atlantic Ocean was approximately HK$6.4 million (2017: HK$6.1 million).

Annual Cap

The annual cap under the Atlantic Ocean Agreement for the financial year ended 31 December 2018 is HK$7.7 million.

PROVISION OF INSURANCE BROKERAGE SERVICES BY CONVOY FINANCIAL SOLUTIONS LIMITED

Convoy Financial Solutions Limited ("Convoy Solutions") 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 Solutions is regarded as a connected person of the Company under the Listing Rules.

Target and Convoy Solutions entered into a broker agreement (the "Convoy Solutions 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 Convoy Solutions Broker Agreement, Convoy Solutions shall submit and Target shall receive and consider the insurance proposals to be made by Convoy Solutions on behalf of its clients in respect of the general insurance business. Target shall pay to Convoy Solutions commissions in respect of general insurance business successfully arranged by Convoy Solutions which are entered into by Target at the rate from 15% to 50% of the premium paid by the clients of Convoy Solutions. The rates of the commissions payable to Convoy Solutions 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 Convoy Solutions 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 Solutions is operating, or (2) either party upon 30 days' notice in writing.

For the year ended 31 December 2018, the aggregate amount of commission paid to Convoy Solutions was approximately HK$0.3 million (2017: HK$0.4 million).

Annual Cap

The annual cap under the Convoy Solutions Broker Agreement for the financial year ended 31 December 2018 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 Convoy Solutions 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 non-exempt continuing connected transactions and confirmed that the transactions have been entered into:

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

2. on normal commercial terms or better; and

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

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

(i) has not been approved by the Board;

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

(iii) has exceeded the respective 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 shareholder of the Company since 25 June 2015 and since then, Dr. Choi and Allied Connect ceased to be the Covenantors.

Each of the Covenantors (except Dr. Choi and Allied Connect) has provided to the Company a written confirmation in respect of his/its full compliance with the Deed of Non-Competition for the year ended 31 December 2018.

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

As of the date of this report, the Company is not aware of any other matters regarding the compliance of the undertakings in the Deed of Non-Competition and there has not been any change in the terms of the Deed of Non-Competition during the year ended 31 December 2018.

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 2018, the percentage of gross premium written attributable to the largest customer and the five largest customers of the Group is 2.2% and 6.8% respectively.

During 2018, the largest reinsurer and the five largest reinsurers of the Group accounted for approximately 49.3% and 89.7% of the total reinsurer's portion of loss of the Group respectively.

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

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as required under the Listing Rules for the year ended 31 December 2018.

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 2018 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 2018.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 48 to 58 of the 2018 Annual Report.

AUDITOR

The consolidated financial statements for the year ended 31 December 2018 have been audited by Mazars CPA Limited, who term of appointment shall expire at the conclusion of the 2019 AGM. A resolution will be submitted to the 2019 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, 25 March 2019

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 2018, 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 2018.

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 nine Directors including five executive Directors and four independent non-executive Directors:

EXECUTIVE DIRECTORS

Dr. CHEUNG Haywood *(Chairman)*
Mr. LAI Bing Leung
Mr. CHIU Sun Ting
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 19 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 2018, 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 2018, the Board held four meetings. All Directors were given an opportunity to include any matters in the agenda for regular Board meetings, and were also given sufficient time to review documents and information relating to matters to be discussed in Board meetings in advance.

Name of Director	Number of attendance
Dr. Cheung Haywood	4/4
Mr. Lai Bing Leung	4/4
Mr. Chiu Sun Ting	4/4
Dr. Choi Chiu Fai Stanley (resigned on 25 January 2019)	3/4
Mr. Muk Wang Lit Jimmy	4/4
Mr. Chan Hok Ching	4/4
Mr. Wan Kam To	4/4
Mr. Wong Shiu Hoi Peter	4/4
Mr. Szeto Wai Sun	4/4
Mr. Yuen Tak Tim Anthony	4/4

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

GENERAL MEETINGS

During the year ended 31 December 2018, the 2018 annual general meeting of the Company was held on 23 May 2018.

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 (resigned on 25 January 2019)	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 2018 to the Company.

The individual training record of each Director received for the year ended 31 December 2018 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 (resigned on 25 January 2019)	√
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 terms of reference was revised on 20 December 2018. The Nomination Committee consists of one executive Director, namely Mr. Muk Wang Lit Jimmy and two independent non-executive Directors, namely, Mr. Szeto Wai Sun (as chairman) and Mr. Wong Shiu Hoi Peter.

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

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

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

To ensure changes to the Board composition can be managed without undue disruption, there should be a formal, considered and transparent procedure for selection, appointment and re-appointment of Directors, as well as plans in place for orderly succession (if considered necessary), including periodical review of such plans. The appointment of a new Director (to be an additional Director or fill a casual vacancy as and when it arises) or any re-appointment of Directors is a matter for decision by the Board upon the recommendation of the proposed candidate by the Nomination Committee.

The criteria to be applied in considering whether a candidate is qualified shall be his or her ability to devote sufficient time and attention to the affairs of the Company and contribute to the diversity of the Board as well as the effective carrying out by the Board of the responsibilities which, in particular, are set out as follows:

(a) participating in Board meetings to bring an independent judgment on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conducts;

(b) taking the lead where potential conflicts of interests arise;

(c) serving on the Audit Committee, and the Remuneration Committee and the Nomination Committee (in the case of candidate for non-executive Director) and other relevant Board committees, if invited;

(d) bringing a range of business and financial experience to the Board, giving the Board and any committees on which he or she serves the benefit of his or her skills, expertise, and varied backgrounds and qualifications and diversity through attendance and participation in the Board/committee meetings;

(e) scrutinising the Company's performance in achieving agreed corporate goals and objectives, and monitoring the reporting of performance;

(f) ensuring the committees on which he or she serves to perform their powers and functions conferred on them by the Board; and

(g) conforming to any requirement, direction and regulation that may from time to time be prescribed by the Board or contained in the constitutional documents of the Company or imposed by legislation or the Listing Rules, where appropriate.

If the candidate is proposed to be appointed as an independent non-executive Director ("INED"), his or her independence shall be assessed in accordance with, among other things, the factors as set out in Rule 3.13 of the Listing Rules, subject to any amendments as may be made by the Stock Exchange from time to time. Where applicable, the totality of the candidate's education, qualifications and experience shall also be evaluated to consider whether he or she has the appropriate professional qualifications or accounting or related financial management expertise for filling the office of an INED with such qualifications or expertise as required under Rule 3.10(2) of the Listing Rules.

During the financial year ended 31 December 2018, 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 2018, the Remuneration Committee held one meeting and have reviewed the salary adjustment and bonus of the Directors and senior management.

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 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 2018 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, with written terms of reference aligned with the code provisions set out in the CG Code. The terms of reference was revised on 31 December 2015 and was further revised on 25 March 2019. 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 auditor and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of such auditor; 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 is currently made available on the Stock Exchange's website and the Company's website.

The Audit Committee meets the external auditor 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 2018, the Audit Committee held three meetings and reviewed, among others, the 2017 annual results and 2018 interim results of the Group as well as 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 2018, the Risk Committee held three meetings and reviewed (i) the interim and annual risk assessment of the Company, and (ii) the financial impact of proposed salary adjustment.

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 2018, the Board has reviewed the Company's policies and practices on corporate governance.

AUDITOR'S REMUNERATION

For the year ended 31 December 2018, the remuneration paid / payable to the Company's auditor, Mazars CPA Limited ("Mazars"), is set out below:

	Fee paid/payable HK$'000
Services Rendered	
– Audit services (Note 1)	1,051
– Non-audit services (Note 2)	150
Total	1,201

Notes:

1. The audit services provided by Mazars include the audit of the financial statements of Target for the six months ended 30 June 2018 and the audit of the consolidated financial statements of the Group for the year ended 31 December 2018.

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 2018, tax services, report on the continuing connected transactions of the Company for the year ended 31 December 2018 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 2018.

SHAREHOLDERS' RIGHTS

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

SHAREHOLDERS TO CONVENE A GENERAL MEETING

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

PUTTING ENQUIRIES BY SHAREHOLDERS TO THE BOARD

To ensure effective communications between the Board and the shareholders and the investment community at large, the Company has adopted a set of shareholders' communication policy (the "Policy") on 24 March 2015. Under the Policy, the Company's information shall be communicated to the shareholders and the investment community mainly through the Company's financial reports (interim reports and annual reports), and its corporate communications and other corporate publications on the Company's website and the Stock Exchange's website. Shareholders and the investment community may at any time make a request for the Company's information to the extent such information is publicly available. Any such questions shall be directed to the Board at the Company's registered office or by email at 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 2018, 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 2019 AGM will be voted by poll.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Board recognizes the importance of good communications with all shareholders. The Company's annual general meeting is a valuable forum for the Board to communicate directly with the shareholders. The Chairman of the Board as well as the chairman of each of the Audit Committee, the Nomination Committee, the Remuneration Committee and the Risk Committee together with the external 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 2018, 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

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

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.

SCOPE AND PERIOD OF REPORTING

Environment, Social and Governance ("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. Policies set out in this report define 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.

This report covers a reporting period from 1 January to 31 December 2018. Disclosures are made, primarily based on materiality reporting principle and guided by the Environmental, Social and Governance Reporting Guide (Appendix 27) of the Listing Rules, to inform shareholders and stakeholders of the Group's ESG performance.

ESG GOVERNANCE

The Board of Directors has delegated responsibility for ESG matters to the risk management function.

Specific responsibilities in relation to the ESG Policy include:

Individual or group	Responsibility
Board of Directors	• Approve the ESG Policy • Review process achieving the ESG approach at least annually • Ensure the ESG Policy is reviewed annually
Risk Management Function	• Provide oversight of the implementation of the ESG approach
HR and Administration Department	• Implement the ESG approach • Report on the implementation of the ESG approach
All employees	• Be aware of the ESG Policy

STAKEHOLDERS PARTICIPATION

To maintain good relationship with stakeholders is of fundamental importance in the Group's long-term development, our Group is dedicated to manage a diverse of communication channels with stakeholders to gather feedbacks and suggestions effectively, including shareholders, customers, suppliers, government and regulators, public, society and environment and employees.

Stakeholders	Stakeholder's Expectations	Communication Means and Responses
Shareholders	– Comprehensive and transparent corporate governance – Implementation of effective risk management policy – Stable growth of business and considerable dividend distribution	– Annual General Meeting – Corporate Communications including announcements, circulars, interim and annual reports – Investor Relations Website http://www.targetinsholdings.com to release updates of our Group
Customers	– Convenient and high-quality customer services – Diversified insurance products – Simple and efficient underwriting and claims procedures – Personal information and privacy protection	– Target's website www.6161.com.hk – Online insurance platform for products promotion and policies issuance – Customer service hotline 2926 2926 – Social media platform, such as Facebook – Instant messaging applications, including WeChat and Whatsapp – Implementation of Personal Data (Privacy) Policy
Suppliers	– Smooth business strategy to achieve a win-win situation	– Regular supplier communications and review
Government and Regulators	– To monitor the company's holistic management strategy and financial sustainability – To protect the investors and public	– Statutory reports to IA – Financial Disclosure and relevant reports to the Stock Exchange – Regular meetings and communications – Industry federation and focus groups

Stakeholders	Stakeholder's Expectations	Communication Means and Responses
Public and Community	– To serve the community and support the needs – To protect the environment	– Social voluntary activities participation – Sponsorship and donations – Energy and resources guidelines in office
Employees	– To improve personal career development – To work in a safe and comfortable environment – To build up harmonious relationship with colleagues and management	– Training sessions and seminars – Annual performance review – Appraisal – Staff communications – Volunteer and sports activities – Occupational health and safety guideline

MATERIALITY ASSESSMENT

Materiality is determined by considering the critical ESG factors enabling our Group's success, significant ESG risks to our Group and main ESG topics raised our stakeholder's concerns.

Based on the results of the assessment, ESG issues identified as relevant and crucial for disclosure are discussed below:

ENVIRONMENT

POLICY

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 relocated to a new office where we installed automatic lighting control with motion sensors and energy saving fluorescent tubes.

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 printer cartridge, we recycled all cartridges or used refillable cartridges 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 which are more energy efficient.

As a result, our energy consumption reduced by 18.6% 75,359 kWh in 2018 (2017: 92,550 kWh). Our internal environmental guidelines helped to reduce the energy consumption per office area by 50.0% to 4 kWh/ft^2 (2017: 8 kWh/ft^2).

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

WASTE REDUCTION AND RECYCLING

Our Group proactively advocates the use of electronic platforms in daily operation to reduce the consumption on papers. We develop a comprehensive company platform (www.6161.com.hk) to promote our company and products. This platform allows our customers to purchase motor, travel and home insurance online. The insurance policies/cover notes will be sent to our customers' e-mail accounts immediately. In 2018, more than 10,300 motor cover notes and 5,900 travel/home 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.

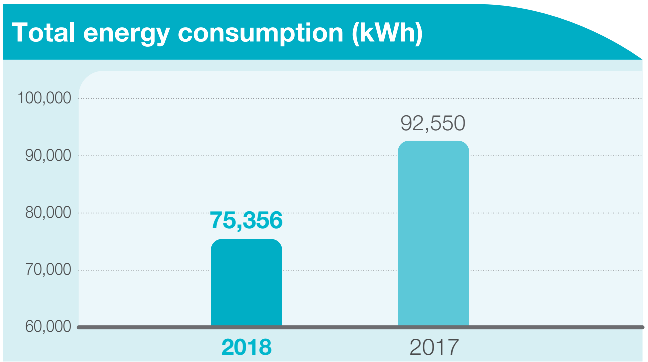
To promote the message of "Green Lifestyle", we installed eco-friendly water dispenser to encourage our employees to reduce the use of bottled water. We also donated 10 LCD monitors, 4 printers, 1 personal computer and 94 boxes of toners to Caritas in 2018, and the refurbished computers will be deployed 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.

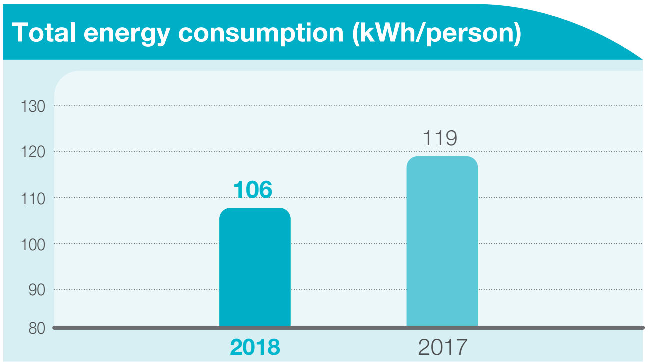
Environmental Performance	2018	2017
Paper		
Paper purchases		
Total paper used (kg)[(1)]	**Immaterial**	Immaterial
Total energy consumption		
Total electricity consumption (kWh)	**75,356**	92,550
Energy intensity		
By floor area (kWh/ft^2)	**4**	8
By number of employees (kWh/person)	**106**	119
Greenhouse Gas GHG emissions		
Direct emissions (Scope 1) (tonnes)	**–**	–
Indirect emissions (Scope 2) (tonnes)	**43**	53
Other indirect emissions (Scope 3) (tonnes)[(1)]	**Immaterial**	Immaterial
Water		
Total Water consumption (cubic metres)[(1)]	**Immaterial**	Immaterial

Note:

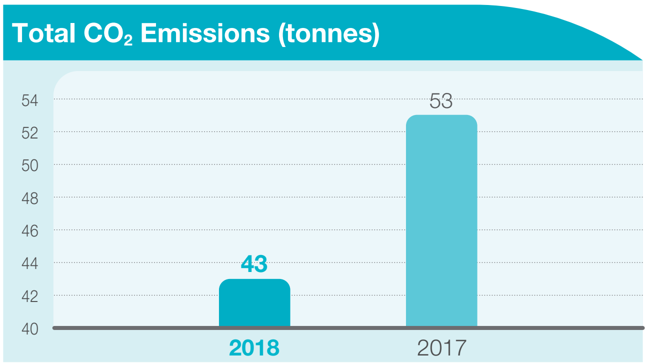
(1) Our Group does not have manufacturing operations, the resources consumption have immaterial impact to the environment.

RESOURCES CONSUMPTION





CARBON DIOXIDE EMISSIONS



EMPLOYEE PARTICIPATION

We encourage our staff to participate in environmental-related events to enhance their awareness of environment protection. "Konica Minolta Grand Cycle Challenge Grand Prix" breaks boundaries with the traditional power generation and cycling. More than 15 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.

WORKPLACE

POLICY

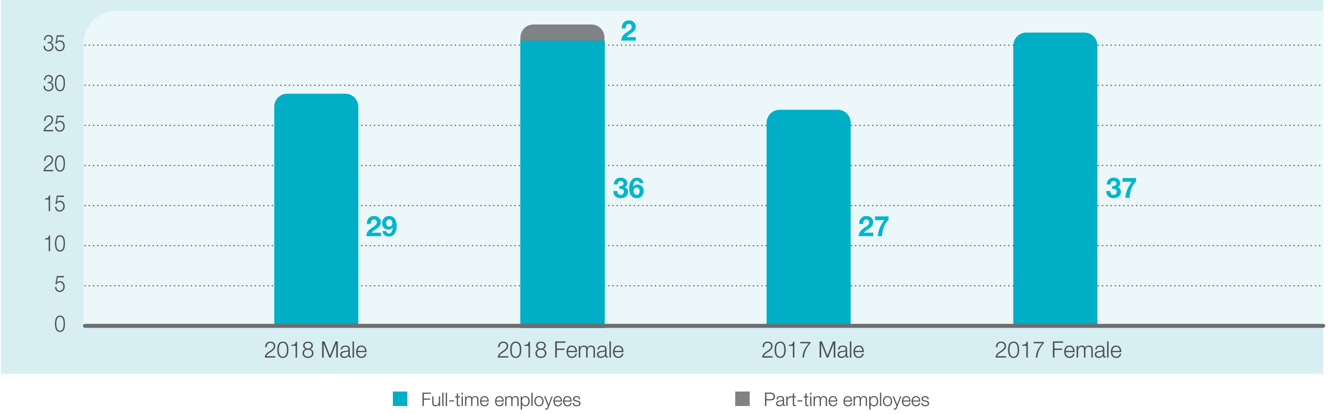
Foster a supportive and quality working environment by upholding employment practices that treat employees fairly and equally, safeguarding employee rights and interests, providing opportunities for training and development, ensuring a healthy and safe workplace, and facilitating meaningful communication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

EMPLOYMENT

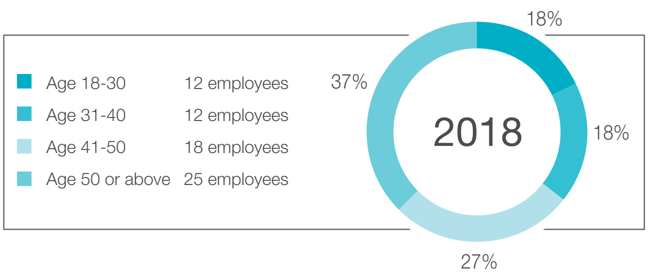
Our Group is committed to provide a working environment in which employees are able to realize their full potential and contribute to its business. Our Group's policies and procedures in force which are applicable to both full-time and part-time employees in the employment of our Group are documented in the Employee Manual. The Employee Manual is circulated internally to ensure that all employees understand their rights and duties. Any terms and conditions not covered in the Employee Manual shall be governed by the Employment Ordinance (Cap. 57) in Hong Kong, other applicable ordinances and the employment contract of the employees.

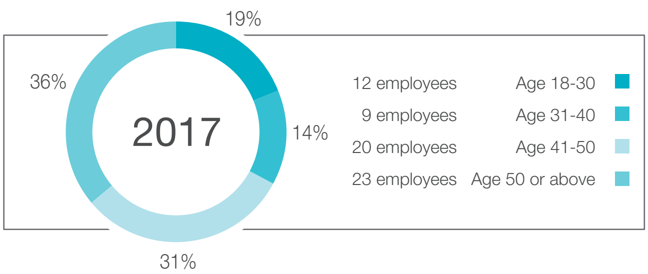
As of 31 December 2018, our Group had a total headcount of 65 full-time employees and 2 part-time employees, an 4.6% increase in headcount comparing to the previous year (2017: 64 full-time employees). Our gender mix is 43% male and 57% female (2017: 42% male and 58% female). All employees are located in Hong Kong.

Total Workforce (by Employment Contract and Gender)



Total Workforce (By age)





Staff attraction and retention has been one of the major priorities as the competition for the talent grows. All employees are entitled to discretionary annual bonus, medical insurance, dental benefits, group personal accident insurance and so forth. Our Group regularly reviews our remuneration and packages and employee benefits to ensure they are in line with the market trends.

Our Group encourages work-life balance and provides equal employment opportunities. We were awarded Family-Friendly Employers Award Scheme 2017/18 Special Mention by Family Council of Home Affairs Bureau in 2018.

However, in the process of identifying suitable talents to accommodate our changing business needs, our Group's turnover rate significantly increased to 25.4% (2017: 7.8%).

2018

Male	Female	Age 18-30	Age 31-40	Age 41-50	Age 50 or above	Turnover rate
4	13	5	3	4	5	25.4%

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%

HEALTH AND SAFETY

The Group provides a safe and healthy workplace for its employees in compliance with the Occupational Safety and Health Ordinance (Cap. 509) in Hong Kong. Safety is to be given primary importance in every aspect of planning and performing all activities.

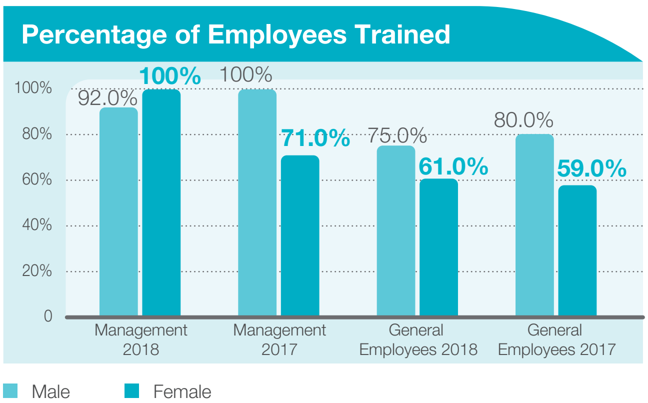
The Group provides suitable equipment to prevent workplace accident arising from manual handling operation and use of display screen equipment. The Group also installs facilities in the office to prevent fire and maintain workplace hygiene. Any potential health or safety hazards and all injuries or accidents should be reported to senior management immediately. Our Group also takes a pro-active approach on handling employees' compensation cases to speed up injured staff's recovery and accommodate seamless return-to-work.

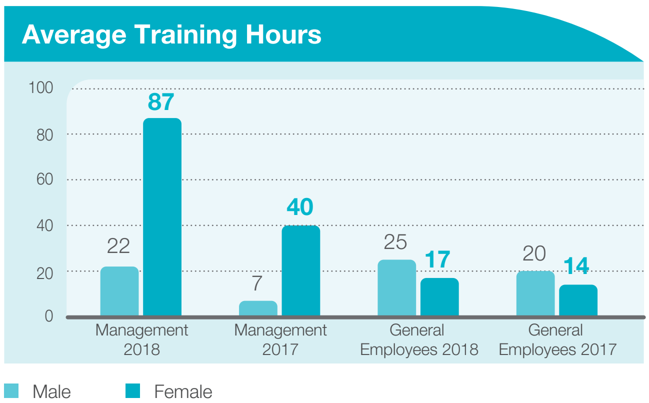
We were awarded Eco-Healthy Workplace Awards Labelling Scheme by World Green Organization in 2018.

Occupational health and safety performance	2018	2017
Work-related mortality	–	–
Work-related injuries (over three days)	–	–
Work-related injuries (within three days)	1	–
Loss of working days due to work-related injuries	3	–

DEVELOPMENT AND TRAINING

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. Our Group also provides educational subsidies and membership/licensing sponsorship in support of our employees' career and professional development.





LABOUR STANDARDS

Recruitment are conducted by our Group's Human Resources Department according to the Employment Ordinance in Hong Kong. Personal data collected during recruitment are only used for such purpose. Further, employees' background information is verified in details to ensure that no forced or child labour.

SUPPLY CHAIN MANAGEMENT

Our Group's procurement process and procedures are set out in our expenditure policy. Authorization for all vendor management and selection, purchase requisition, purchase contract, purchase order and receipt, entertainment and travelling, and payment or reimbursement process must be obtained in advance. Vendor performance evaluation is performed annually.

PRODUCT RESPONSIBILITY

1. CUSTOMER OPINIONS/COMPLAINTS

Our Group is committed to achieve and maintain reputation by delivery the highest standards of customer service to our valued customers. Target has adopted complaints handling policy on 22 March 2016 to ensure our customers' complaints are resolved in an effective and efficient manner. We received 4 complaints in 2018 (2017: 2) and all complaints have been resolved. Our customers are our most important assets.

2. 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.

During 2018, our Group has obtained all the approvals, permits, consents, licences and registrations required for our insurance business and operations and all of them are in force.

3. PRIVACY OF PERSONAL DATA

Our Group develops its policies and procedures for the protection of personal data in compliance with the Personal Data (Privacy) Ordinance (Cap. 486). Our Group is committed to fully enforce and observe the principles of data protection.

Target's personal information collection statement is made available on its website. Target has also 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.

ANTI-CORRUPTION

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. In 2018, our Group organized a seminar on corruption prevention and professional ethics for our employees with Independent Commission Against 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.

COMMUNITY

POLICIES

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.

COMMUNITY INVESTMENT

The list of CSR activities we have participated is stated under "Corporate Profile" section. The Group focuses on contributions to education, sports, environment and health and the breakdown of the donations and sponsorships are as follows:

1. DONATIONS

	For the year ended 31 December		
	2018 HK$'000	2017 HK$'000	% Change
Education	**120**	230	(47.8%)
Health/ Environment	**57**	24	137.5%
Sports	**29**	100	(71.2%)
	206	354	(41.8%)

2. SPONSORSHIPS

	For the year ended 31 December		
	2018 HK$'000	2017 HK$'000	% Change
Sports	**49**	5	875.6%
Health/ Environment	**38**	16	137.5%
Culture	**10**	–	n/a
	97	21	361.9%

The Stock Exchange 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 61
	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	Pages 62 to 63
	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 61 to 63
	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 61 to 62
	KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity	Pages 62 to 63
	KPI A2.2	Water consumption in total and intensity	Not applicable(2)
	KPI A2.3	Description of energy use efficiency initiatives and results achieved	Pages 61 to 63
	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 61
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	Page 61 to 63

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.

The Stock Exchange 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 65
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 65
KPI B2.1	Number and rate of work-related fatalities	Page 66
KPI B2.2	Lost days due to work injury	Page 66
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	Page 65
Development and Training		
General disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. (Description of training activities)	Page 66
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management)	Page 66
KPI B3.2	The average training hours completed per employee by gender and employee category	Page 66
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)	Page 66
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour	Page 66
KPI B4.2	Description of steps taken to eliminate such practices when discovered	Page 66

The Stock Exchange ESG Reporting Guide Index			Page Number
B.	**Social**		
	Supply Chain Management		
	General Disclosure	Policies on managing environmental and social risks of the supply chain	Page 66
	KPI B5.1	Number of suppliers by geographical region	Not applicable(4)
	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	Page 66
	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 67
	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	Not applicable(5)
	KPI B6.2	Number of products and service related complaints received and how they are dealt with	Page 67
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	Page 67
	KPI B6.4	Description of quality assurance process and recall procedures	Not applicable(5)
	KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	Page 67
	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 67
	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	2018: None 2017: None
	KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	Page 67
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 67
	KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Pages 3 to 4 and 68
	KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Page 68

Note:

(4) Our Group does not have manufacturing operations, there is limited expense on supply chian management.

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

INDEPENDENT AUDITOR'S REPORT

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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 78 to 154, which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018, 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. Therefore, it is identified as a key audit matter. 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 and the employees' compensation included in others segment 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, capabilities 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 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

As described in the notes to the consolidated financial statements, the impairment losses have been determined in accordance with HKFRS 9 Financial Instruments.
 	
Given the significant judgement involved and the significant amount of those financial assets, it is identified as a key audit matter.
 	
Management makes significant judgement in identifying significant deterioration in credit risk and in determining the present values of expected future cash flows. See Note 2 to the consolidated financial statements for critical judgement made in applying accounting policies.
 	
As at 31 December 2018, the Group's debt securities and certificates of deposit were stated at a carrying amount of HK$373,126,000 and HK$24,317,000 respectively as shown in Note 18.
	Our key audit procedures included:
	
	– Testing key controls over investment valuation process of the Group for operating effectiveness.
	
	– Discussing with directors and management of the Group on factors considered in impairment assessment.
	
	– Assessing the modelling techniques and methodology against the requirements of HKFRS 9.
	
	– Examining samples of exposures and performing procedures to evaluate the:
	  – Reliability of exposures with external source of information.
	  – Identification of exposures with significant deterioration in credit risk.
	  – Expected loss calculation of exposures assessed on an individual basis.
	
	– Evaluating the reasonableness of the management's assumptions and input used in the discounted estimated impairment losses.

KEY AUDIT MATTERS (Continued)

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 2018, leasehold land and buildings held by the Group were stated at fair value of HK$520,000,000. Significant estimation and judgement are required by management to determine the fair value of the leasehold land and buildings which is significant to the consolidated financial statements, including the determination of valuation techniques and assumptions applied. Therefore, it is identified as a key audit matter. 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 2018 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.

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.

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

- 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.

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, 25 March 2019

The engagement director on the audit resulting in this independent auditor's report is:
Chan Chi Ming Andy
Practising Certificate number: P05132

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
Net insurance premium revenue	4	**360,802**	361,632
Net investment income	5	**22,003**	67,486
Other income	6	**1,532**	5,103
Net income		**384,337**	434,221
Net insurance claims and loss adjustment expenses	7	**(395,791)**	(297,368)
Acquisition costs and other underwriting expenses, net	8	**(36,893)**	(36,056)
Employee benefit expenses	9	**(35,624)**	(34,671)
Other operating expenses		**(40,057)**	(41,538)
Finance costs	9	**(1,751)**	(1,029)
Expenses		**(510,116)**	(410,662)
(Loss) Profit before tax	9	**(125,779)**	23,559
Income tax expense	12	**(1,007)**	(3,461)
(Loss) Profit for the year		**(126,786)**	20,098
		HK cents	HK cents
(Loss) Earnings per share	14		
Basic		**(24.32)**	3.86
Diluted		**(24.32)**	3.84

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2018

	2018 HK$'000	2017 HK$'000
(Loss) Profit for the year	**(126,786)**	20,098
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Revaluation of property, plant and equipment	**126,069**	139,266
Effect of deferred tax arising from revaluation	**(17,621)**	(23,389)
	108,448	115,877
Items that are reclassified or may be reclassified subsequently to profit or loss:		
Financial assets at fair value through other comprehensive income		
Losses on changes in fair value arising during the year	**(32,309)**	–
Reclassification of net changes in fair value to profit or loss	**(3,007)**	–
Net movement in fair value of financial assets at fair value through other comprehensive income	**(35,316)**	–
Available-for-sale financial assets		
Gains on changes in fair value arising during the year	**–**	51,087
Reclassification of net changes in fair value to profit or loss	**–**	(42,268)
Effect of deferred tax arising from changes in fair value	**–**	(1,434)
Net movement in fair value of available-for-sale financial assets	**–**	7,385
Other comprehensive income for the year, net of tax	**73,132**	123,262
Total comprehensive (loss) income for the year	**(53,654)**	143,360

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
Assets			
Property, plant and equipment	15	**531,357**	421,158
Intangible assets	16	**5,494**	3,545
Debt securities measured at fair value through other comprehensive income	18	**373,126**	–
Available-for-sale financial assets	18	**–**	308,501
Certificates of deposit	18	**24,317**	34,551
Deferred tax assets	19	**6,084**	6,084
Insurance and other receivables	20	**106,845**	138,719
Reinsurance assets	21	**137,622**	89,381
Deferred acquisition costs	22	**26,533**	21,256
Tax recoverable		**–**	6,115
Financial assets at fair value through profit or loss	18	**113,379**	814
Statutory deposit	23	**100,000**	100,000
Time deposits with original maturity over 3 months	23	**31,925**	31,946
Bank balances and cash	23	**335,264**	493,286
TOTAL ASSETS		**1,791,946**	1,655,356
Liabilities			
Deferred tax liabilities	19	**41,010**	23,389
Insurance liabilities	21	**1,145,798**	944,258
Interest-bearing borrowing	24	**90,418**	96,313
Deferred commission income	22	**4,657**	2,663
Reinsurance premium payable		**12,145**	8,777
Insurance and other payables	25	**11,629**	14,041
Dividend payable		**–**	26,071
Tax payable		**421**	332
TOTAL LIABILITIES		**1,306,078**	1,115,844
EQUITY			
Share capital	26	**368,159**	368,159
Other reserves	28	**208,164**	134,137
Accumulated (losses) profits		**(90,455)**	37,216
TOTAL EQUITY		**485,868**	539,512
TOTAL LIABILITIES AND EQUITY		**1,791,946**	1,655,356

These consolidated financial statements on pages 78 to 154 were approved and authorised for issue by the Board of Directors on 25 March 2019 and signed on its behalf by

Cheung Haywood
Director

Muk Wang Lit Jimmy
Director

	Share capital HK$'000 (Note 26)	Property revaluation reserve HK$'000 (Note 28)	Fair value 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)	Accumulated profits 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 CHANGES IN EQUITY

Year ended 31 December 2018

	Share capital HK$'000 (Note 26)	Property revaluation reserve HK$'000 (Note 28)	Fair value 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)	Accumulated profits (losses) HK$'000	Total HK$'000
At 1 January 2018 As previously reported	368,159	128,037	4,307	24,936	(24,936)	1,793	37,216	539,512
Changes in accounting policy on adopting HKFRS 9 (Note 2)	–	–	885	–	–	–	(885)	–
As restated	368,159	128,037	5,192	24,936	(24,936)	1,793	36,331	539,512
Loss for the year	–	–	–	–	–	–	(126,786)	(126,786)
Other comprehensive income								
Revaluation of property, plant and equipment	–	108,448	–	–	–	–	–	108,448
Net movement in fair value of financial assets at fair value through other comprehensive income	–	–	(35,316)	–	–	–	–	(35,316)
	–	108,448	(35,316)	–	–	–	–	73,132
Total comprehensive loss for the year	–	108,448	(35,316)	–	–	–	(126,786)	(53,654)
Transactions with equity owners								
Equity-settled share-based transaction (Note 27)	–	–	–	–	–	10	–	10
	–	–	–	–	–	10	–	10
At 31 December 2018	368,159	236,485	(30,124)	24,936	(24,936)	1,803	(90,455)	485,868

CONSOLIDATED STATEMENT OF CASH FLOW

Year ended 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
OPERATING ACTIVITIES			
Cash generated from operations	29(A)	**61,996**	61,430
Income tax refunded (paid)		**5,197**	(3,315)
Net cash from operating activities		**67,193**	58,115
INVESTING ACTIVITIES			
Interest received		**23,842**	20,255
Dividend received from available-for-sale financial assets		**–**	4,889
Dividend received from financial assets at FVPL		**4,264**	–
Proceeds from derecognition of debt securities at FVOCI		**40,293**	–
Proceeds from disposal of available-for-sale financial assets		**–**	215,825
Proceeds from derecognition of certificates of deposit		**30,000**	95,000
Proceeds from derecognition of financial assets at FVPL		**214,714**	4,673
Purchase of debt securities at FVOCI		**(174,699)**	–
Purchase of available-for-sale financial assets		**–**	(100,674)
Purchase of certificates of deposit		**(20,000)**	(30,000)
Purchase of financial assets at FVPL		**(304,524)**	(6,190)
Maturity of statutory and time deposits with original maturity over 3 months		**381,946**	198,162
Placement of statutory and time deposits with original maturity over 3 months		**(381,925)**	(176,946)
Proceeds from disposal of property, plant and equipment		**–**	20
Purchase of property, plant and equipment		**(1,311)**	(12,154)
Additions of intangible assets		**(4,098)**	(4,299)
Net cash (used in) from investing activities		**(191,498)**	208,561
FINANCING ACTIVITIES			
Dividend paid	29(B)	**(26,071)**	–
Issue of shares under share option scheme		**–**	693
New bank loan raised	29(B)	**–**	100,000
Repayment of bank loan	29(B)	**(5,895)**	(3,687)
Interest paid		**(1,751)**	(1,029)
Net cash (used in) from financing activities		**(33,717)**	95,977
Net (decrease) increase in cash and cash equivalents		**(158,022)**	362,653
Cash and cash equivalents at beginning of year		**493,286**	130,633
Cash and cash equivalents at end of year, represented by bank balances and cash	23	**335,264**	493,286

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 2017 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

The Group has applied, for the first time, the following new/revised HKFRSs that are relevant to the Group:

Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 with HKFRS 4
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers

AMENDMENTS TO HKFRS 2: CLASSIFICATION AND MEASUREMENT OF SHARE-BASED PAYMENT TRANSACTIONS

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

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

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

ADOPTION OF NEW/REVISED HKFRSS (Continued)

AMENDMENTS TO HKFRS 4: APPLYING HKFRS 9 WITH HKFRS 4

The amendments provide two optional approaches to deal with the mismatched effective dates of HKFRS 9 and HKFRS 17 that will replace HKFRS 4:

(a) The overlay approach: all entities that issue insurance contracts may choose to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when HKFRS 9 is applied before HKFRS 17 is applied; and

(b) The deferral approach: entities whose activities are predominantly connected with insurance may choose to defer the application of HKFRS 9 until 2021 (the effective date of HKFRS 17). Entities that defer the application of HKFRS 9 will continue to apply HKAS 39.

The Group is permitted, but is not required, to apply any one of these two optional approaches for its application of HKFRS 9 for annual periods beginning before 1 January 2021. However, the Group has not applied any one of these optional approaches and has adopted HKFRS 9 on 1 January 2018.

HK(IFRIC)-INT 22: FOREIGN CURRENCY TRANSACTIONS AND ADVANCE CONSIDERATION

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognised the non-monetary asset or non-monetary liability arising from the advance consideration.

The adoption of the Interpretation does not have any significant impact on the consolidated financial statements.

HKFRS 9: FINANCIAL INSTRUMENTS

The following terms are used in these consolidated financial statements:

- FVPL: fair value through profit or loss.
- FVOCI: fair value through other comprehensive income.
- Designated FVOCI: equity securities measured at FVOCI.
- Mandatory FVOCI: debt securities and certificates of deposit measured at FVOCI.

HKFRS 9 replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018. It introduces new requirements for the classification and measurement of financial assets and financial liabilities, impairment for financial assets and hedge accounting.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

ADOPTION OF NEW/REVISED HKFRSS (Continued)

HKFRS 9: FINANCIAL INSTRUMENTS (Continued)

In accordance with the transitional provisions in HKFRS 9, comparative information has not been restated and the Group has applied HKFRS 9 retrospectively to financial instruments that existed at 1 January 2018 (i.e. the date of initial application), except as described below:

(a) The following assessments are made on the basis of facts and circumstances that existed at the date of initial application:

(i) the determination of the business model within which a financial asset is held;

(ii) the designation of financial assets or financial liabilities at FVPL or, in case of financial assets, at Designated FVOCI; and

(iii) the de-designation of financial assets or financial liabilities at FVPL.

The above resulting classification shall be applied retrospectively.

(b) If, at the date of initial application, determining whether there has been a significant increase in credit risk since initial recognition would require undue cost or effort, a loss allowance is recognised at an amount equal to lifetime expected credit losses at each reporting date until the financial instrument is derecognised unless that financial instrument has low credit risk at a reporting date.

(c) For investments in equity instruments that were measured at cost under HKAS 39, the instruments are measured at fair value at the date of initial application.

Differences between the previous carrying amounts under HKAS 39 and the current carrying amounts upon adoption of HKFRS 9 are recognised directly in components of equity at 1 January 2018 as summarised below:

	Fair value reserve (recycling) HK$'000	Accumulated profits HK$'000	Total HK$'000
At 1 January 2018			
Reclassification	1,060	(1,060)	–
Tax impact (current and deferred)	(175)	175	–
Increase (Decrease)	885	(885)	–

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

ADOPTION OF NEW/REVISED HKFRSS (Continued)

HKFRS 9: FINANCIAL INSTRUMENTS (Continued)

(I) CLASSIFICATION AND MEASUREMENT OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The adoption of HKFRS 9 has no significant effect on the classification and measurement of the Group's financial liabilities.

The following table reconciles the original measurement categories and carrying amounts under HKAS 39 to the new measurement categories and carrying amounts under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018.

As at 1 January 2018

Measurement category under HKAS 39	Carrying amount under HKAS 39 HK$'000	Measurement category and carrying amount under HKFRS 9: Financial assets at amortised cost HK$'000	Mandatory FVOCI HK$'000	Financial assets at FVPL HK$'000
Available-for-sale financial assets				
Listed debt securities (note a)	263,343	–	263,343	–
Unlisted debt securities (note a)	6,396		6,396	
Certificates of deposit (note a)	34,551	–	34,551	–
Listed equity securities (note b)	38,762	–	–	38,762
Loans and receivables (note c)				
Bank balances and cash and bank deposits	625,232	625,232	–	–
Other receivables	54,938	54,938	–	–
Financial assets at FVPL				
Listed equity securities (note d)	814	–	–	814
	1,024,036	680,170	304,290	39,576

Notes:

(a) The debt securities and certificates of deposit that were previously classified as available-for-sale financial assets amounted to HK$269,739,000 and HK$34,551,000 respectively are now classified as Mandatory FVOCI since, at the date of initial application, the Group's business model is to hold these investments both to collect the contractual cash flows and for sale, and the cash flows represent solely payments of principal and interest on the principal amount outstanding.

(b) The equity securities that were previously classified as available-for-sale financial assets amounted to HK$38,762,000 are now classified as financial assets at FVPL since, at the date of initial application, these investments are not designated as Designated FVOCI.

Related fair value losses, net of tax, of HK$885,000 as at 1 January 2018 were transferred from fair value reserve to accumulated profits on 1 January 2018.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

ADOPTION OF NEW/REVISED HKFRSS (Continued)

HKFRS 9: FINANCIAL INSTRUMENTS (Continued)

(I) CLASSIFICATION AND MEASUREMENT OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Continued)

Notes: (Continued)

(c) These items continue to be measured at amortised cost because, at the date of initial application, the Group's business model is to hold these loans and receivables to collect the contractual cash flows, and the cash flows represent solely payments of principal and interest on the principal amount outstanding.

(d) The equity securities that were previously classified as financial assets at FVPL amounted to HK$814,000 continue to be classified as financial assets at FVPL because they are held for trading.

Upon adoption of HKFRS 9, the fair value of the Group's financial assets remains at the carrying amount under HKAS 39 on 1 January 2018. The adoption of the ECL requirements of HKFRS 9 has no significant impact on transition.

HKFRS 15: REVENUE FROM CONTRACTS WITH CUSTOMERS

HKFRS 15 replaces, among others, HKAS 18 and HKAS 11 which specified the revenue recognition arising from sale of goods and rendering of services and the accounting for construction contracts respectively. The Standard establishes a comprehensive framework for revenue recognition and certain costs from contracts with customers within its scope. It also introduces a cohesive set of disclosure requirements that would result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The Group has elected to apply the cumulative effect transition method and recognised the cumulative effect of initial adoption (if any) as an adjustment to the opening balance of components of equity at 1 January 2018 (i.e. the date of initial application). Therefore, the comparative information has not been restated for the effect of HKFRS 15.

In addition, the Group has applied HKFRS 15 retrospectively only to contracts that were not completed at 1 January 2018 in accordance with the transitional provisions therein.

Given insurance contracts are scoped out of HKFRS 15, the adoption of HKFRS 15 does not have any significant impact on the consolidated financial statements.

BASIS OF MEASUREMENT

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

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries. 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 accumulated profits or losses.

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

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

PROPERTY, PLANT AND EQUIPMENT (Continued)

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

FINANCIAL ASSETS

RECOGNITION AND DERECOGNITION

Financial assets 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.

CLASSIFICATION AND MEASUREMENT – APPLICABLE FROM 1 JANUARY 2018

Financial assets are initially recognised at their fair value plus, in the case of financial assets not carried at FVPL, transaction costs that are directly attributable to the acquisition of the financial assets.

On initial recognition, a financial asset is classified as (i) measured at amortised cost; (ii) Mandatory FVOCI; (iii) Designated FVOCI; or (iv) FVPL.

The classification of financial assets at initial recognition depends on the Group's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing them, in which case all affected financial assets are reclassified on the first day of the first annual reporting period following the change in the business model (the "reclassification date").

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

FINANCIAL INSTRUMENTS (Continued)

FINANCIAL ASSETS (Continued)

CLASSIFICATION AND MEASUREMENT – APPLICABLE FROM 1 JANUARY 2018 (Continued)

(1) FINANCIAL ASSETS MEASURED AT AMORTISED COST

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at financial assets at FVPL:

(i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

(ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate method and are subject to impairment. Gains and losses arising from impairment, derecognition or through the amortisation process are recognised in profit or loss.

The Group's financial assets at amortised cost include bank balances and cash, statutory deposit, time deposits and other receivables.

(2) MANDATORY FVOCI

A financial asset is classified as Mandatory FVOCI if both of the following conditions are met and is not designated as financial assets at FVPL:

(i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and for sale; and

(ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The financial asset is subsequently measured at fair value. Interest calculated using the effective interest method, impairment gains or losses and foreign exchange gains and losses are recognised in profit or loss. Other gains or losses are recognised in other comprehensive income until the financial asset is derecognised. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified to profit or loss as a reclassification adjustment.

The Group's Mandatory FVOCI include debt securities and certificates of deposit.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

FINANCIAL INSTRUMENTS (Continued)

FINANCIAL ASSETS (Continued)

CLASSIFICATION AND MEASUREMENT – APPLICABLE FROM 1 JANUARY 2018 (Continued)

(3) FINANCIAL ASSETS AT FVPL

These investments include financial assets held for trading. They are carried at fair value, with any resultant gain and loss recognised in profit or loss, which does not include any dividend earned on the financial assets. Dividend income is presented separately from fair value gain or loss.

A financial asset is classified as held for trading if it is:

(i) acquired principally for the purpose of selling it in the near term;

(ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking on initial recognition; or

(iii) a derivative that is not a financial guarantee contract or not a designated and effective hedging instrument.

The Group's financial assets mandatorily measured at FVPL include equity securities.

CLASSIFICATION AND MEASUREMENT – APPLICABLE BEFORE 1 JANUARY 2018

Financial assets are initially recognised at their fair value plus, in the case of financial assets not carried at FVPL, transaction costs that are directly attributable to the acquisition of the financial assets.

The Group classified its financial assets into one of the following categories before 1 January 2018:

(1) FINANCIAL ASSETS AT FVPL

Financial assets at FVPL include financial assets held for trading. They are carried at fair value, with any resultant gain and loss recognised in profit or loss, which does not include any dividend or interest earned on the financial assets. Dividend income is presented separately from fair value gain or loss.

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

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

FINANCIAL INSTRUMENTS (Continued)

FINANCIAL ASSETS (Continued)

CLASSIFICATION AND MEASUREMENT – APPLICABLE BEFORE 1 JANUARY 2018 (Continued)

(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.

FINANCIAL LIABILITIES

RECOGNITION AND DERECOGNITION

Financial liabilities are recognised when and only when the Group becomes a party to the contractual provisions of the instruments.

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

CLASSIFICATION AND MEASUREMENT

Financial liabilities are initially recognised at their fair value plus, in the case of financial liabilities not carried at FVPL, transaction costs that are direct attributable to the issue of the financial liabilities.

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

IMPAIRMENT OF FINANCIAL ASSETS AND OTHER ITEMS UNDER HKFRS 9

APPLICABLE FROM 1 JANUARY 2018

The Group recognises loss allowances for expected credit losses ("ECL") on financial assets that are measured at amortised cost (including cash at banks, statutory deposit, time deposits and other receivables) and Mandatory FVOCI (including debt securities and certificates of deposit) to which the impairment requirements apply in accordance with HKFRS 9. Except for the specific treatments as detailed below, at each reporting date, the Group measures a loss allowance for a financial asset at an amount equal to the lifetime ECL if the credit risk on that financial asset has increased significantly since initial recognition. If the credit risk on a financial asset has not increased significantly since initial recognition, the Group measures the loss allowance for that financial asset at an amount equal to 12-month ECL.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

FINANCIAL INSTRUMENTS (Continued)

IMPAIRMENT OF FINANCIAL ASSETS AND OTHER ITEMS UNDER HKFRS 9 (Continued)

APPLICABLE FROM 1 JANUARY 2018 (Continued)

MEASUREMENT OF ECL

ECL is a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument.

For financial assets, a credit loss is the present value of the difference between the contractual cash flows that are due to an entity under the contract and the cash flows that the entity expects to receive.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument while 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Where ECL is measured on a collective basis, the financial instruments are grouped together based on the external credit risk ratings.

Loss allowance is remeasured at each reporting date to reflect changes in the financial instrument's credit risk and loss since initial recognition. The resulting changes in the loss allowance are recognised as an impairment gain or loss in profit or loss with a corresponding adjustment to the carrying amount of the financial instrument, except in the case of Mandatory FVOCI, the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

DEFINITION OF DEFAULT

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that the Group may not receive the outstanding contractual amounts in full if the financial instrument that meets any of the following criteria.

(i) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group); or

(ii) there is a breach of financial covenants by the counterparty.

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

ASSESSMENT OF SIGNIFICANT INCREASE IN CREDIT RISK

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial instrument has increased significantly since initial recognition when contractual payments are more than 30 days past due.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

FINANCIAL INSTRUMENTS (Continued)

IMPAIRMENT OF FINANCIAL ASSETS AND OTHER ITEMS UNDER HKFRS 9 (Continued)

APPLICABLE FROM 1 JANUARY 2018 (Continued)

ASSESSMENT OF SIGNIFICANT INCREASE IN CREDIT RISK (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

(i) an actual or expected significant deterioration in a financial instrument's external credit rating;

(ii) failure to make payments of principal or interest on their contractually due dates; and

(iii) an actual or expected significant deterioration in the operating results of the issuer.

Notwithstanding the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

LOW CREDIT RISK

A financial instrument is determined to have low credit risk if:

(i) it has a low risk of default;

(ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and

(iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

CREDIT-IMPAIRED FINANCIAL ASSET

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower.

(b) a breach of contract, such as a default or past due event.

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider.

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

FINANCIAL INSTRUMENTS (Continued)

IMPAIRMENT OF FINANCIAL ASSETS AND OTHER ITEMS UNDER HKFRS 9 (Continued)

APPLICABLE FROM 1 JANUARY 2018 (Continued)

WRITE-OFF

The Group writes off a financial asset when the Group has no reasonable expectations of recovering the contractual cash flows on a financial asset in its entirety or a portion thereof based on historical experience of recoveries of similar assets.

The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities under the Group's procedures for recovery of amounts due, taking into account legal advice if appropriate. Any subsequent recovery is recognised in profit or loss.

APPLICABLE BEFORE 1 JANUARY 2018

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

IMPAIRMENT OF NON-FINANCIAL ASSETS

At the end of each reporting period, the Group reviews internal and external sources of information to assess whether there is any indication that its property, plant and equipment 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 with 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 with the accounting policy relevant to the asset.

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

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

Dividend income from financial assets is recognised when the Group's rights to receive dividend is established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

INTEREST INCOME – APPLICABLE FROM 1 JANUARY 2018

Interest income from financial assets is recognised using the effective interest method. For financial assets measured at amortised cost or Mandatory FVOCI that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the assets while it is applied to the amortised cost (i.e. the gross carrying amount net of loss allowance) in case of credit-impaired financial assets.

APPLICABLE BEFORE 1 JANUARY 2018

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:

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

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

UNDERWRITING RESULTS

The underwriting results are recognised on an annual accounting basis.

INSURANCE CONTRACTS

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

(A) RECOGNITION AND MEASUREMENT

The Group considers an insurance contract with period of insurance covers more than one year is a multi-year insurance contract. Only the initial annual premiums in respect of multi-year contracts are recognised at policy inception. The remaining annual premiums are recognised at each successive anniversary date within the multi-year term. Gross premiums written in respect of one-year insurance contracts are recognised when insurance contracts are written. Premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the end of the reporting period is reported as the unearned premium liability. Premiums are shown before deduction of commissions and other underwriting expenses and are gross of any taxes or duties levied on premiums.

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

(B) DEFERRED ACQUISITION COSTS (“DAC”) 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.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

INSURANCE CONTRACTS (Continued)

(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. A reinsurance asset is impaired if there is objective evidence, as a result of an event that occurred after initial recognition of the reinsurance asset, that the Group may not receive all amounts due under the terms of the contract, and the impact on the amounts that the Group will receive from the reinsurer can be reliably measured.

(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. Provision would be adjusted, if necessary, after considering independent actuarial review of general insurance liabilities as at the end of reporting period. 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 365-day basis (2017: bi-monthly pro rata basis) 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 and employees' compensation 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)

EMPLOYEE BENEFITS

(A) SHORT TERM EMPLOYEE BENEFITS

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

(B) DEFINED CONTRIBUTION PLANS

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

(C) LONG SERVICE PAYMENTS

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

SHARE-BASED PAYMENT TRANSACTIONS

EQUITY-SETTLED TRANSACTIONS

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

TAXATION

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

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

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

RELATED PARTIES

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

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

   (i) has control or joint control over the Group;

   (ii) has significant influence over the Group; or

   (iii) is a member of the key management personnel of the Group or of a parent of the Group.

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

   (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

   (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

   (iii) Both entities are joint ventures of the same third party.

   (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

   (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

   (vi) The entity is controlled or jointly controlled by a person identified in (a).

   (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

RELATED PARTIES (Continued)

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

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

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

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

SEGMENT REPORTING

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

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(1) KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

(B) IMPAIRMENT OF REINSURANCE ASSETS

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

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(1) KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(C) ALLOWANCE FOR BAD AND DOUBTFUL DEBTS

The provisioning policy for bad and doubtful debts on insurance receivables 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$96,885,000 *(2017: HK$83,781,000)*.

(D) LOSS ALLOWANCE FOR ECL

The Group's management estimates the loss allowance for Mandatory FVOCI, bank balances, statutory deposit, time deposits and other receivables by using various inputs and assumptions including probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD"). The estimation involves high degree of uncertainty which is based on the Group's historical information, existing market conditions as well as forward-looking estimates at the end of each reporting period. Where the expectation is different from the original estimate, such difference will impact the carrying amount of bank balances, statutory deposit, time deposits and other receivables, and, in case of Mandatory FVOCI, the ECL and other comprehensive income recognised. Details of the key assumption and inputs used in estimating ECL are set out in Note 31 to the consolidated financial statements.

(E) DEFERRED TAX ASSETS

As at the end of the reporting period, a deferred tax asset of HK$6,084,000 *(2017: HK$6,084,000)* 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.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(1) KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(F) 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.

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	2015–2017 Cycle [1]
HKFRS 16	Leases [1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments [1]
Amendments to HKAS 19	Employee benefits [1]
Amendments to HKAS 28	Investments in Associates and Joint Ventures [1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation [1]
Amendments to HKASs 1 and 8	Definition of Material [2]
Amendments to HKFRS 3	Definition of a Business [3]
HKFRS 17	Insurance Contracts [4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [5]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for acquisitions that occur on or after the beginning of the first annual period beginning on or after 1 January 2020
4 Effective for annual periods beginning on or after 1 January 2021
5 The effective date to be determined

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

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-makers 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-makers review 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. 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 annual gross written premium.

3. SEGMENT INFORMATION (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2018

	Taxi HK$'000	PLB HK$'000	Other motor vehicles HK$'000	Others HK$'000	Total HK$'000
Net insurance premium revenue	219,568	74,916	60,121	6,197	360,802
Net insurance claims and loss adjustment expenses	(265,255)	(36,293)	(85,664)	(8,579)	(395,791)
Acquisition costs and other underwriting expenses, net	(17,997)	(6,113)	(11,552)	(1,231)	(36,893)
Segment results	(63,684)	32,510	(37,095)	(3,613)	(71,882)
Unallocated investment income and other income					23,535
Unallocated corporate expenses and finance costs					(77,432)
Loss before tax					(125,779)
Income tax expense					(1,007)
Loss for the year					(126,786)
Assets					
Segment assets	130,535	27,024	88,241	15,240	261,040
Unallocated assets					1,530,906
Total assets					1,791,946
Liabilities					
Segment liabilities	695,256	201,459	245,719	28,989	1,171,423
Unallocated liabilities					134,655
Total liabilities					1,306,078
Other profit or loss information					
Interest income from bank deposits					6,672
Interest income from debt securities at FVOCI					19,801
Interest income from certificates of deposit					547
Dividend income from financial assets at FVPL					4,264
Gain on derecognition of debt securities at FVOCI					5,707
Net fair value loss of financial assets at FVPL					16,007
Interest on bank loan					1,751
Depreciation and amortisation					19,327

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 FVPL					111
Interest on bank loan					1,029
Depreciation and amortisation					11,560

4. NET INSURANCE PREMIUM REVENUE

	2018 HK$'000	2017 HK$'000
Gross premium written	452,262	408,211
Reinsurance premium ceded	(61,177)	(45,325)
Net premium written	391,085	362,886
Change in provision for unearned premium	(36,223)	(10,100)
Change in unearned premium on reinsurance ceded	5,940	8,846
Change in net provision for unearned premium	(30,283)	(1,254)
Net insurance premium revenue	360,802	361,632

5. NET INVESTMENT INCOME

	2018 HK$'000	2017 HK$'000
Interest revenue calculated using the effective interest method:		
– time deposits	6,672	4,410
– certificates of deposit	547	1,064
– listed debt securities mandatorily measured at FVOCI	19,089	–
– listed available-for-sale financial assets	–	13,471
– unlisted debt securities mandatorily measured at FVOCI	712	–
– unlisted available-for-sale financial assets	–	307
Dividend income from listed available-for-sale financial assets	–	4,889
Dividend income from listed financial assets at FVPL	4,264	–
Gain on derecognition of debt securities mandatorily measured at FVOCI (including reversal of impairment loss of HK$2,700,000 upon settlement)	5,707	–
Gain on disposal of available-for-sale financial assets	–	42,578
Net fair value (loss) gain of financial assets at FVPL		
– mandatorily measured	(16,007)	–
– held for trading	–	111
Net foreign exchange gain	1,019	3,666
Impairment loss of available-for-sale financial assets	–	(3,010)
Net investment income	22,003	67,486

6. OTHER INCOME

	2018 HK$'000	2017 HK$'000
Rental income	–	3,820
Handling fee income	1,409	1,241
Others	123	42
	1,532	5,103

7. NET INSURANCE CLAIMS AND LOSS ADJUSTMENT EXPENSES

	2018 HK$'000	2017 HK$'000
Gross claims paid	302,142	227,475
Claims recovered	(29,367)	(27,432)
Net claims paid	272,775	200,043
Change in provision for gross outstanding claims and incurred but not reported claims ("IBNR")	151,497	103,260
Change in claims recoverable (including IBNR recoveries)	(42,301)	(5,935)
Change in provision for unexpired risk	13,820	–
Change in net outstanding claims	123,016	97,325
Net insurance claims and loss adjustment expenses	395,791	297,368

8. ACQUISITION COSTS AND OTHER UNDERWRITING EXPENSES, NET

	2018 HK$'000	2017 HK$'000
Acquisition costs and other underwriting expenses		
Insurance commission	40,764	32,212
Other underwriting expenses	9,135	9,309
Change in deferred acquisition costs	(5,277)	(2,503)
Acquisition costs and other underwriting expenses, gross	44,622	39,018
Commission income		
Insurance commission from reinsurers	(9,723)	(5,625)
Change in deferred commission income	1,994	2,663
Commission income	(7,729)	(2,962)
Acquisition costs and other underwriting expenses, net	36,893	36,056

9. (LOSS) PROFIT BEFORE TAX

This is stated after charging:

	2018 HK$'000	2017 HK$'000
Finance costs		
Interest on bank loan	**1,751**	1,029
Other items		
Employee benefit expenses (including directors' emoluments)		
Salaries, bonus and allowances	**34,260**	33,168
Equity-settled share-based payments	**10**	261
Contributions to defined contribution plan	**1,354**	1,242
	35,624	34,671
Auditor's remuneration		
Audit services	**1,051**	1,050
Other services	**150**	150
Depreciation	**17,178**	10,806
Amortisation (included in other operating expenses)	**2,149**	754
Loss on disposal of property, plant and equipment	**3**	557
Operating lease payments for premises	**–**	4,778

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 2018

	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	–	–	–	1,188
Choi Chiu Fai Stanley (i)	96	1,092	–	–	60	1,248
Chan Hok Ching	96	1,407	–	1	55	1,559
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	–	2	60	1,660
Independent non-executive directors						
Wong Shiu Hoi Peter	189	–	–	–	–	189
Wan Kam To	189	–	–	–	–	189
Szeto Wai Sun	189	–	–	–	–	189
Yuen Tak Tim Anthony	214	–	–	–	–	214
	1,357	7,277	–	3	175	8,812

10. INFORMATION ABOUT THE BENEFITS OF DIRECTORS (Continued)

A) *DIRECTORS' REMUNERATIONS* (Continued)

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 *(i)*	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

(i) Dr. Choi Chiu Fai Stanley resigned as executive director on 25 January 2019.

No directors have waived emoluments in respect of the years ended 31 December 2018 and 2017. 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 (2017: 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 Company's business and subsisted at the end of the year or at any time during the year:

YEAR ENDED 31 DECEMBER 2018

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	**931**
Head & Shoulders Securities Limited	Choi Chiu Fai Stanley (Note 10A(i))	Brokerage paid	**166**

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 (Note 10A(i))	Brokerage paid	67

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 three directors (2017: two) whose emoluments are set out in Note 10 above. Details of the emoluments of the remaining highest paid individuals are as follows:

	2018 HK$'000	2017 HK$'000
Salaries and allowances	**2,785**	3,888
Discretionary bonus	**–**	318
Equity-settled share-based payments	**–**	5
Contributions to defined contribution plan	**120**	208
	2,905	4,419

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:

	2018	2017
HK$1,000,001-HK$1,500,000	1	2
HK$1,500,001-HK$2,000,000	1	1
	2	3

No non-director individuals have waived emoluments in respect of the years ended 31 December 2018 and 2017. 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:

	2018 HK$'000	2017 HK$'000
Salaries and allowances	6,009	4,765
Discretionary bonus	–	353
Equity-settled share-based payments	–	15
Contributions to defined contribution plan	219	218
	6,228	5,351

The number of the senior management whose emoluments fell within the following bands is as follows:

	2018	2017
Nil to HK$1,000,000	2	4
HK$1,000,001-HK$1,500,000	2	1
HK$1,500,001-HK$2,000,000	1	1
	5	6

12. TAXATION

The Company and its subsidiaries are domiciled or operated in Hong Kong and were subject to Hong Kong Profits Tax.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No.7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying corporations will be taxed at 8.25% and profits above HK$2 million will be taxed at 16.5%.

For the year ended 31 December 2018, Hong Kong Profits Tax for the qualifying company is calculated in accordance with the two-tiered profits tax rates regime. The profits of corporations in the Group not qualifying for the two-tiered profits tax rates regime continue to be taxed at a flat rate of 16.5% on the estimated assessable profits arising in Hong Kong.

The Company and its subsidiaries were subject to Hong Kong Profits Tax at a rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year ended 31 December 2017.

	2018 **HK$'000**	2017 HK$'000
Current tax		
Hong Kong Profits Tax		
Current year	**930**	901
Under provision in prior years	**77**	253
	1,007	1,154
Deferred taxation		
Origination and reversal of temporary differences (Note 19)	**–**	2,307
	1,007	3,461

RECONCILIATION OF TAX EXPENSE

	2018 **HK$'000**	2017 HK$'000
(Loss) Profit before tax	**(125,779)**	23,559
Income tax at applicable tax rate of 16.5% (2017: 16.5%)	**(20,753)**	3,887
Non-deductible expenses	**304**	111
Tax exempt revenue	**(1,856)**	(1,727)
Unrecognised tax losses	**19,127**	218
Unrecognised temporary differences	**4,273**	719
Tax effect of the two-tiered profits tax rates regime	**(165)**	–
Under provision in prior years	**77**	253
Tax expense for the year	**1,007**	3,461

13. DIVIDEND

The Board of Directors resolved not to declare any interim dividend *(2017: a special interim dividend of HK$5 cents per share, amounting to HK$26,071,000)* and final dividend for the year (2017: Nil).

14. (LOSS) EARNINGS PER SHARE

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

(A) BASIC (LOSS) EARNINGS PER SHARE

	2018	2017
(Loss) Profit attributable to equity owners (HK$'000)	**(126,786)**	20,098
Weighted average number of ordinary shares ('000)	**521,410**	521,338
Basic (loss) earnings per share (HK cents)	**(24.32)**	3.86

(B) DILUTED (LOSS) EARNINGS PER SHARE

	2018	2017
(Loss) Profit attributable to equity owners (HK$'000)	**(126,786)**	20,098
Weighted average number of ordinary shares (diluted) ('000)		
Weighted average number of ordinary shares	**521,410**	521,338
Effect of the Company's share option scheme	**–**	2,157
Weighted average number of ordinary shares for the purpose of calculating diluted (loss) earnings per share	**521,410**	523,495
Diluted (loss) earnings per share (HK cents)	**(24.32)**	3.84

The computation of diluted loss per share for the year ended 31 December 2018 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 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
Reconciliation of carrying amount – year ended 31 December 2018						
At beginning of year	**408,000**	**593**	**1,987**	**10,145**	**433**	**421,158**
Additions	**–**	**106**	**298**	**907**	**–**	**1,311**
Revaluation	**126,069**	**–**	**–**	**–**	**–**	**126,069**
Disposal	**–**	**–**	**(3)**	**–**	**–**	**(3)**
Depreciation	**(14,069)**	**(150)**	**(498)**	**(2,357)**	**(104)**	**(17,178)**
At the end of the reporting period	**520,000**	**549**	**1,784**	**8,695**	**329**	**531,357**
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
At 31 December 2018						
Cost/Valuation	**520,000**	**778**	**8,008**	**11,799**	**520**	**541,105**
Accumulated depreciation	**–**	**(229)**	**(6,224)**	**(3,104)**	**(191)**	**(9,748)**
	520,000	**549**	**1,784**	**8,695**	**329**	**531,357**

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 2018, by CHFT Advisory and Appraisal 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$126,069,000 *(2017: HK$139,266,000)* 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$248,118,000 *(2017: HK$256,979,000)* had they been stated at cost less accumulated depreciation and accumulated impairment losses.

16. INTANGIBLE ASSETS

	Computer software HK$'000
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
Reconciliation of carrying amount – year ended 31 December 2018	
At beginning of year	3,545
Additions	4,098
Amortisation	(2,149)
At the end of the reporting period	**5,494**
At 31 December 2017	
Cost	4,299
Accumulated amortisation	(754)
	3,545
At 31 December 2018	
Cost	8,397
Accumulated amortisation	(2,903)
	5,494

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. MANDATORY FVOCI, AVAILABLE-FOR-SALE FINANCIAL ASSETS, CERTIFICATES OF DEPOSIT AND FINANCIAL ASSETS AT FVPL

	2018 **HK$'000**	2017 HK$'000
At fair value		
Mandatorily measured at FVOCI		
Debt securities mandatorily measured at FVOCI		
Listed debt securities		
Bonds listed in Hong Kong	**226,146**	–
Bonds listed outside Hong Kong	**131,302**	–
Unlisted debt securities		
Bonds with fixed maturity dates	**15,678**	–
	373,126	–
Certificates of deposit	**24,317**	–
Available-for-sale financial assets		
Equity securities		
Listed in Hong Kong	**–**	23,264
Listed outside Hong Kong	**–**	15,498
Listed debt securities		
Bonds listed in Hong Kong	**–**	146,906
Bonds listed outside Hong Kong	**–**	116,437
Unlisted debt securities		
Bonds with fixed maturity dates	**–**	6,396
	–	308,501
Certificates of deposit	**–**	34,551
Financial assets at FVPL		
Held for trading		
Equity securities listed in Hong Kong	**–**	814
Equity securities mandatorily measured at FVPL		
Listed in Hong Kong	**103,236**	–
Listed outside Hong Kong	**10,143**	–
	113,379	–
	510,822	343,866

DEBT SECURITIES AT FVOCI AND CERTIFICATES OF DEPOSIT

Debt securities at FVOCI and certificates of deposit earn interest at coupon rates of 1.625% to 10.75% and those that have fixed maturity date will mature in 1 year to 57 years. Information about the Group's exposure to credit risks and loss allowance for the financial assets is included in Note 31 to the consolidated financial statements.

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$'000	**Changes in fair value of investments** HK$'000	**Revaluation of property, plant and equipment** HK$'000	**Total** HK$'000
At 1 January 2017	–	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)
Charge to other comprehensive income	–	–	(17,621)	(17,621)
At 31 December 2018	**6,737**	**(653)**	**(41,010)**	**(34,926)**

UNRECOGNISED DEFERRED TAX ASSETS ARISING FROM

	2018 **HK$'000**	2017 HK$'000
Deductible temporary differences	**39,127**	–
Tax losses	**116,115**	–
At end of the reporting period	**155,242**	–

Neither the tax losses nor the deductible temporary differences expire under current tax legislation. Deferred tax assets are recognised for tax loss carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable.

20. INSURANCE AND OTHER RECEIVABLES

	Note	**2018 HK$'000**	2017 HK$'000
Insurance receivables			
Premium receivables			
From third parties		**70,168**	61,536
From related parties		**701**	673
	20(A)	**70,869**	62,209
Claims receivable from reinsurers and others	20(B)	**26,016**	21,572
		96,885	83,781
Other receivables			
Sales proceeds receivable from securities brokers and financial institutions		**–**	39,181
Deposits, prepayments and other receivables		**9,960**	15,757
		9,960	54,938
		106,845	138,719

20(A) PREMIUM RECEIVABLES

No credit term is given to direct policyholders. The credit periods granted to intermediaries ranged from 30 days to 90 days from the month end date of inception of the corresponding insurance contract *(2017: credit periods ranged from 10 days to 90 days from the month end date of issuance of invoices)*.

The premium receivables from related parties are unsecured, interest free and with credit period of 90 days from the month end date of inception of the corresponding insurance contract *(2017: credit periods ranged 10 days to 90 days from the month end date of issuance of invoices)*. At the end of the reporting period, there was no provision made for non-repayment.

At the end of reporting period, premium receivables from intermediaries and related parties, based on the invoice date, are aged as follows:

	2018 HK$'000	2017 HK$'000
Within 30 days	**34,223**	26,631
31 – 60 days	**25,815**	28,193
61 – 90 days	**10,384**	7,262
91 – 120 days	**447**	123
	70,869	62,209

20. INSURANCE AND OTHER RECEIVABLES (Continued)

20(A) PREMIUM RECEIVABLES (Continued)

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

	2018 HK$'000	2017 HK$'000
Balances past due		
Within 30 days	**4,236**	25,225
31 – 60 days	**940**	4,188
61 – 90 days	**427**	116
Over 90 days	**75**	–
	5,678	29,529

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 and related parties 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(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	2018 HK'000	2017 HK$'000
Gross			
Outstanding claims		683,616	584,135
Claims incurred but not reported ("IBNR")		206,118	154,102
	21(i)	889,734	738,237
Provision for unearned premium	21(ii)	242,244	206,021
Provision for unexpired risk	21(iii)	13,820	–
Total gross insurance liabilities		1,145,798	944,258
Recoverable from reinsurers			
Claims reported and loss adjustment expenses		74,375	35,724
Provision for IBNR recoveries		48,461	44,811
	21(i)	122,836	80,535
Provision for unearned premium	21(ii)	14,786	8,846
Total insurance liabilities recoverable		137,622	89,381
Net			
Outstanding claims		609,241	548,411
IBNR		157,657	109,291
	21(i)	766,898	657,702
Provision for unearned premium	21(ii)	227,458	197,175
Provision for unexpired risk	21(iii)	13,820	–
Total net insurance liabilities		1,008,176	854,877

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 2017	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
Provision incurred	453,639	(71,668)	381,971
Claims paid	(302,142)	29,367	(272,775)
At 31 December 2018	**889,734**	**(122,836)**	**766,898**

(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 2017	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
Premium written	452,262	(61,177)	391,085
Premium earned	(416,039)	55,237	(360,802)
At 31 December 2018	**242,244**	**(14,786)**	**227,458**

(iii) Analysis of movements in provision for unexpired risk is as follows:

	Gross HK$'000	**Recoverable from reinsurers** HK$'000	**Net** HK$'000
At 1 January 2018	–	–	–
Provision made	13,820	–	13,820
At 31 December 2018	**13,820**	**–**	**13,820**

22. DEFERRED ACQUISITION COSTS AND DEFERRED COMMISSION INCOME

	Deferred acquisition costs HK$'000	**Deferred commission income** HK$'000	**Net** HK$'000
At 1 January 2017	18,753	–	18,753
Commission expense (income)	41,521	(5,625)	35,896
(Charged) Credited to income statement	(39,018)	2,962	(36,056)
At 31 December 2017	21,256	(2,663)	18,593
Commission expense (income)	49,899	(9,723)	40,176
(Charged) Credited to income statement	(44,622)	7,729	(36,893)
At 31 December 2018	**26,533**	**(4,657)**	**21,876**

23. BANK BALANCES AND CASH AND BANK DEPOSITS

	2018 **HK$'000**	2017 HK$'000
Bank balances and cash		
Time deposits with original maturity within 3 months	**294,987**	127,984
Cash at banks and in hand	**40,277**	365,302
	335,264	493,286
Statutory deposit	**100,000**	100,000
Time deposits with original maturity over 3 months	**31,925**	31,946
	467,189	625,232

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. Time deposits with original maturity over 3 months are made for varying periods between 6 months to 12 months and earn interest at deposit rates between 1.1% to 3.3%.

The Group had a time deposit of HK$100,000,000 *(2017: HK$100,000,000)* at 31 December 2018 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. 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 *(2017: HK$330,000,000)* with the banks in Hong Kong pursuant to the instruction given by the Insurance Authority.

24. INTEREST-BEARING BORROWING

	2018 HK$'000	2017 HK$'000
Interest-bearing borrowing		
Secured bank loan	**90,418**	96,313

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 2018 is 1.87% (2017: 1.67%).

The bank loan is secured by the leasehold land and buildings, repayable by 180 equal monthly instalments, and subject to an "on demand" clause (Note 31).

25. INSURANCE AND OTHER PAYABLES

	2018 HK$'000	2017 HK$'000
Insurance payables		
Premium surcharge and other payables	**8,823**	7,760
Other payables		
Professional fee payables	**1,035**	1,099
Other accruals and payables	**1,771**	5,182
	2,806	6,281
	11,629	14,041

26. SHARE CAPITAL

	2018		2017	
	No. of shares	HK$'000	No. of shares	HK$'000
Issued and fully paid				
At beginning of the year	**521,410,000**	**368,159**	520,872,000	367,375
Issue of shares under share option scheme	**–**	**–**	538,000	784
At end of the reporting period	**521,410,000**	**368,159**	521,410,000	368,159

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

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

27. SHARE OPTION SCHEME (Continued)

Movements of share options during the year ended 31 December 2018 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	4,440
Senior management	7 October 2014	15 January 2016 – 6 October 2024	1.288	0.169	436	-	-	436	436
Other employees	7 October 2014	15 January 2016 – 6 October 2024	1.288	0.167	4,998	-	(256)	4,742	4,742

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

The weighted average share price at the date of share options exercised during the year ended 31 December 2018 was HK$Nil *(2017: HK$1.98)*.

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.

FAIR VALUE RESERVE

Fair value reserve comprises the cumulative net change in the fair value of Mandatory FVOCI at 1 January 2018 (i.e. the date of initial application of HKFRS 9) and the end of the reporting period and is dealt with in accordance with the accounting policies adopted. The reserve as at 31 December 2017 represented the cumulative net change in the fair value of available-for-sale financial assets in accordance with HKAS 39.

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 2018, the aggregate amount of reserves available for distribution to equity shareholders of the Company, including accumulated profits and fair value reserve, as calculated under the provisions of Part 6 of the Hong Kong Companies Ordinance, was HK$24,924,000 *(2017: HK$26,591,000)*.

29. OTHER CASH FLOW INFORMATION

29(A) CASH GENERATED FROM OPERATIONS

	2018 HK$'000	2017 HK$'000
(Loss) Profit before tax	**(125,779)**	23,559
Depreciation and amortisation	**19,327**	11,560
Impairment loss of available-for-sale financial assets	**–**	3,010
Net fair value loss (gain) of financial assets at FVPL	**16,007**	(111)
Loss on disposal of property, plant and equipment	**3**	557
Gain on derecognition of debt securities at FVOCI	**(5,707)**	–
Gain on disposal of available-for-sale financial assets	**–**	(42,578)
Dividend income from available-for-sale financial assets	**–**	(4,889)
Dividend income from financial assets at FVPL	**(4,264)**	–
Interest income from debt securities at FVOCI	**(19,801)**	–
Interest income from available-for-sale financial assets	**–**	(13,778)
Interest income from certificates of deposit	**(547)**	(1,064)
Interest income from bank deposits	**(6,672)**	(4,410)
Interest expenses	**1,751**	1,029
Equity-settled share-based payments	**10**	261
Changes in working capital:		
Insurance and other receivables	**35,052**	(7,248)
Reinsurance assets	**(48,241)**	(14,781)
Deferred acquisition costs	**(5,277)**	(2,503)
Insurance liabilities	**201,540**	113,360
Deferred commission income	**1,994**	2,663
Reinsurance premium payable	**3,368**	389
Insurance and other payables	**(768)**	(3,596)
Cash generated from operations	**61,996**	61,430

29. OTHER CASH FLOW INFORMATION (Continued)

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 2018	**Interest-bearing borrowing HK$'000**	**Dividend payable HK$'000**	**Total HK$'000**
At beginning of the year	96,313	26,071	122,384
Net cash flows			
Repayment of bank loan	(5,895)	–	(5,895)
Dividend paid	–	(26,071)	(26,071)
At the end of the reporting period	**90,418**	**–**	**90,418**

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)
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	2018 HK$'000	2017 HK$'000
The Oscar Motors Company Limited, a company controlled by Lai Bing Leung, a director of the Company	Commission paid (ii)	**931**	912
Head & Shoulders Securities Limited, a company controlled by Choi Chiu Fai Stanley, a director of the Company	Brokerage paid (ii)	**166**	67

(i) Directors of the Company and senior management of the Group 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.

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

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

INSURANCE RISK (Continued)

(I) FREQUENCY AND SEVERITY OF CLAIMS

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

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

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

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

The concentration of insurance risk before and after reinsurance in relation to the type of 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
2018	**Gross**	**551,591**	**156,704**	**173,669**	**7,770**	**889,734**
	Net	**486,406**	**144,449**	**129,323**	**6,720**	**766,898**
2017	Gross	456,037	173,586	108,214	400	738,237
	Net	414,326	152,999	90,124	253	657,702

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 large 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 valuation of insurance liabilities of the Group as at the end of the reporting period. In this context, the insurance 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 *(2017: 5%)*; and
- an increase or decrease of 5% in the risk margin *(2017: 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 insurance liabilities to changes in the following factors is:

	2018 HK$'000	2017 HK$'000
Increase (decrease) in net insurance liabilities and increase/(decrease) in loss or (decrease)/increase in profit after tax and equity		
– as a result of 5% increase in ultimate loss ratio	**4,535**	20,644
– as a result of 5% decrease in ultimate loss ratio	**(4,533)**	(20,646)

	2018 HK$'000	2017 HK$'000
Increase (decrease) in net insurance liabilities and increase/(decrease) in loss or (decrease)/increase in profit after tax and equity		
– as a result of 5% increase in risk margin	**35,039**	30,020
– as a result of 5% decrease in risk margin	**(35,037)**	(30,021)

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

INSURANCE RISK (Continued)

(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.

Gross insurance claims – 2018

	2014 HK$'000	**2015** HK$'000	**2016** HK$'000	**2017** HK$'000	**2018** HK$'000	**Total** HK$'000
Development Year	206,337	228,268	262,425	297,136	347,952	
One year later	216,196	233,413	276,339	332,829		
Two years later	214,435	239,542	310,836			
Three years later	219,743	253,432				
Four years later	221,775					
Current estimate of cumulative gross claims	221,775	253,432	310,836	332,829	347,952	1,466,824
Cumulative gross payments to date	(196,412)	(194,313)	(187,138)	(83,037)	(27,143)	(688,043)
Sub-total	25,363	59,119	123,698	249,792	320,809	778,781
Gross insurance claims in respect of years prior to 2014						**18,515**
Unallocated loss adjustment expenses and risk margin						**92,438**
Total gross general insurance claims liability						**889,734**

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

INSURANCE RISK (Continued)

(IV) LOSS DEVELOPMENT TRIANGLE (Continued)

Net insurance claims – 2018

	2014 HK$'000	**2015** HK$'000	**2016** HK$'000	**2017** HK$'000	**2018** HK$'000	**Total** HK$'000
Development Year	188,778	212,121	237,630	261,620	298,137	
One year later	187,018	206,575	247,891	290,633		
Two years later	181,428	213,177	272,335			
Three years later	190,649	225,276				
Four years later	195,863					
Current estimate of cumulative net claims	195,863	225,276	272,335	290,633	298,137	1,282,244
Cumulative net payments to date	(178,998)	(176,560)	(164,659)	(62,996)	(22,264)	(605,477)
Sub-total	16,865	48,716	107,676	227,637	275,873	676,767
Net insurance claims in respect of years prior to 2014						**8,350**
Unallocated loss adjustment expenses and risk margin						**81,781**
Total net general insurance claims liability						**766,898**

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

The prior year net reserve estimates increased by HK$70,770,000 *(2017: increased by HK$33,111,000)* for the year ended 31 December 2018. This is primarily attributable 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 Mandatory FVOCI, insurance receivables, reinsurance assets, financial assets at FVPL, insurance liabilities, interest-bearing borrowing, 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 Mandatory FVOCI and financial assets at FVPL. 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 2018, if there had been a 5% *(2017: 5%)* increase/decrease in market value of the equity and debt securities and certificates of deposit while all other variables were held constant, the Group's net loss would be decreased/increased by approximately HK$5,669,000 *(2017: net profit increased/decreased by HK$41,000)* due to changes in fair value of financial assets at FVPL. The fair value reserve would be increased/decreased by approximately HK$19,872,000 *(2017: HK$17,153,000)* as a result of changes in fair value of Mandatory FVOCI *(2017: 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, Mandatory FVOCI and interest-bearing borrowing. The Group mainly invests in time deposits with banks, Mandatory FVOCI 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 borrowing 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 denominated in AUD, THB and RMB are as follows.

	As at 31 December	
	2018 **HK$'000**	2017 HK$'000
Time deposits with original maturity over 3 months	**1,925**	1,946
Bank balances and cash	**1,651**	40,424
Debt securities measured at FVOCI	**28,384**	–
Available-for-sale financial assets	**–**	34,284
Certificates of deposit	**4,322**	4,551
Financial assets at FVPL	**10,143**	–
Overall net exposure	**46,425**	81,205

The following information indicates the approximate change in the Group's net loss/profit 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 loss and the fair value reserve for the reporting period would have been approximately increased/decreased by HK$2,321,000 *(2017: net profit decreased/increased by HK$3,287,000)* and decreased/increased by HK$Nil *(2017: net profit decreased/increased by HK$773,000)* 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

The carrying amount of financial assets, except for financial assets at FVPL, recorded in the consolidated financial statements, which is net of impairment losses, best represents the Group's maximum exposure to credit risk without taking into account the value of any collateral obtained or other credit enhancements.

There was no change in the estimation techniques or significant assumptions made during the year.

INSURANCE RECEIVABLES AND REINSURANCE ASSETS

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 41% (2017: 38%) of the insurance receivables were due from the Group's five largest intermediaries at 31 December 2018.

OTHER RECEIVABLES

As the carrying amount of other receivables as at 31 December 2018 was HK$9,960,000 *(2017: HK$15,757,000)*, the management of the Group considers its other receivables are subject to low credit risk and the ECL of these other receivables is insignificant after taking into account the financial position and credit quality of the counterparties.

BANK BALANCES AND TIME DEPOSITS

All of the Group's bank balances and time deposits were deposited with creditworthy financial institutions in Hong Kong, which the management considers they do not have significant credit risk.

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

FINANCIAL RISK (Continued)

(IV) CREDIT RISK (Continued)

MANDATORY FVOCI

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.

The Group considers a debt security to have low credit risk when its international long-term/short-term credit risk rating is not lower than BBB-/A-3 (Standard & Poor's), Baa/P-3 (Moody's), BBB/F3 (Fitch) or B+/bbb (A.M. Best). Unless the credit risk is low, the management generally considers any downgrade of internal credit rating band since initial recognition to be significant increase in credit risk.

Certificates of deposit are issued by banks with sound credit rating. Given their high credit ratings, the management considers the certificates of deposit bears low credit risk and does not expect any of these banks or financial institutions will fail to meet their obligations.

In estimating the ECL, the Group has taken into account the historical actual credit loss experience over the past years since initial recognition and the financial position of the counterparties by reference to, among others, their management or audited accounts and available press information, adjusted for general economic conditions and future prospects of the industry in which the counterparties operate and various external sources of actual and forecast economic information such as information published by economic expert reports, financial analysts and government bodies in estimating the probability of default of these financial assets, as well as the loss upon default in each case. The management of the Group considers the ECL of these financial assets to be insignificant after taking into account the financial position and credit quality of the counterparties.

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

FINANCIAL RISK (Continued)

(IV) CREDIT RISK (Continued)

MANDATORY FVOCI (Continued)

The gross carrying amounts of Mandatory FVOCI, by credit risk rating band, are as follows:

At 31 December 2018

Internal credit rating band	Standard & Poor's (long/short term)	Moody's (long/short term)	Fitch (long/short term)	A.M.Best (long/short term)	PD (financials) %	PD (non-financials) %	Assessed ECL#	Gross carrying amount HK$'000
1	AAA	Aaa	AAA	aaa	–	–	12-month	**–**
2	AA+ to AA-/A-1	Aa/P-1	AA/F1	A++ to A+/aa	–	–	12-month	**12,666**
3	A+ to A-/A-2	A/P-2	A/F2	A to A-/a	–	–	12-month	**120,857**
4	BBB+ to BBB-/A-3	Baa/P-3	BBB/F3	B++ to B+/bbb	–	–	12-month	**92,149**
Unrated	–	–	–	–	–	0.05	12-month	**21,531**
5	BB+ to BB-	Ba	BB	B to B-/bb	–	0.1	12-month	**136,366**
6	B+ to B-/B	B/NP	B/B	C++ to C+/b	1.21	0.95	12-month	**39,078**
7	Below B-/C and lower	Caa and lower	CCC/C and lower	C/ccc and lower	17.39	27.15	Lifetime	**2,409**
								425,056

If the financial assets have low credit risk, the loss allowance on the debt securities and certificates of deposits in Mandatory FVOCI is measured on 12-month ECL basis. If the credit risk is not low and no significant increase in credit risk, the loss allowance is measured on 12-month ECL basis. If the credit risk is not low, and there is significant increase in credit risk, the loss allowance is measured lifetime ECL basis.

The Group did not have any debt securities or certificates of deposits that were past due but not impaired as at 31 December 2018 *(2017: HK$6,508,000)*.

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

FINANCIAL RISK (Continued)

(IV) CREDIT RISK (Continued)

MANDATORY FVOCI (Continued)

As at 31 December 2018, the Group recognised loss allowance of HK$Nil *(2017: HK$2,700,000)* on its debt securities in Mandatory FVOCI. The movement in the loss allowance for these debt securities during the year is summarised below. The comparative amounts represent the loss allowance for impairment losses recognised under HKAS 39.

	2018 **HK$'000**	2017 HK$'000
At beginning of year	**2,700**	–
Increase in allowance	**–**	2,700
Amount recovered upon settlement	**(2,700)**	–
At end of year	**–**	2,700

The Group has no collateral in respect of these debt securities.

(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 2018				
Debt securities and certificates of deposit	**44,984**	**130,359**	**222,100**	**397,443**
Insurance and other receivables	**106,845**	**–**	**–**	**106,845**
Reinsurance assets	**37,096**	**79,553**	**6,187**	**122,836**
Statutory deposits	**100,000**	**–**	**–**	**100,000**
Time deposits	**31,925**	**–**	**–**	**31,925**
Bank balances and cash	**335,264**	**–**	**–**	**335,264**
	656,114	**209,912**	**228,287**	**1,094,313**
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

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 2018				
Outstanding claims and IBNR	**339,290**	**529,374**	**21,070**	**889,734**
Interest-bearing borrowing	**90,418**	**–**	**–**	**90,418**
Reinsurance premium payable	**12,145**	**–**	**–**	**12,145**
Insurance and other payables	**11,629**	**–**	**–**	**11,629**
	453,482	**529,374**	**21,070**	**1,003,926**
At 31 December 2017				
Outstanding claims and IBNR	278,892	442,010	17,335	738,237
Interest-bearing borrowing	96,313	–	–	96,313
Reinsurance premium payable	8,777	–	–	8,777
Insurance and other payables	40,112	–	–	40,112
	424,094	442,010	17,335	883,439

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$90,418,000 *(2017: 96,313,000)* as at the end of the financial period have been so classified even though the directors 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:

	2018 HK$'000	2017 HK$'000
Interest-bearing borrowing		
Within 1 year	**7,698**	6,782
1 – 5 years	**30,792**	27,689
Over 5 years	**64,471**	75,291
	102,961	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 2018 and 2017.

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	
	2018	2017
	HK$'000	HK$'000
Assets measured at fair value		
Level 1		
Mandatory FVOCI		
Listed debt securities	**357,448**	–
Available-for-sale financial assets		
Listed equity securities	**–**	38,762
Listed debt securities	**–**	263,343
Financial assets at FVPL		
Listed equity securities:		
– Financial services	**43,766**	814
– Utilities	**16,604**	–
– Consumer goods	**14,368**	–
– Information technology	**9,734**	–
– Conglomerates	**9,391**	–
– Telecommunications	**7,125**	–
– Industrials	**5,137**	–
– Others	**7,254**	–
	470,827	302,919
Level 2		
Mandatory FVOCI		
Unlisted debt securities	**15,678**	–
Certificates of deposit	**24,317**	–
Available-for-sale financial assets		
Unlisted debt securities	**–**	6,396
Certificates of deposit	**–**	34,551
	39,995	40,947
Level 3		
Leasehold land and buildings		
Commercial properties and car parking spaces located in Hong Kong	**520,000**	408,000

33. FAIR VALUE MEASUREMENT (Continued)

During the years ended 31 December 2018 and 2017, 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	
	2018 **HK$'000**	2017 HK$'000
At beginning of the year	**408,000**	278,000
Revaluation surplus	**126,069**	139,266
Depreciation charge	**(14,069)**	(9,266)
	520,000	408,000

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

(I) *FAIR VALUE OF MANDATORY FVOCI AND FINANCIAL ASSETS AT FVPL*

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 Money markets 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 CHFT Advisory and Appraisal 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 17% (2017: 11%) 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	2018 HK$'000	2017 HK$'000
Assets			
Investments in subsidiaries		**397,186**	397,176
Financial assets at FVPL		**692**	814
Other receivables		**46**	959
Bank balances and cash		**22,108**	48,811
TOTAL ASSETS		**420,032**	447,760
Liabilities			
Dividend payable		**–**	26,071
Other payables		**210**	210
TOTAL LIABILITIES		**210**	26,281
EQUITY			
Share capital	26	**368,159**	368,159
Share option reserve	34(A)	**1,803**	1,793
Merger relief reserve	34(A)	**24,936**	24,936
Accumulated profits	34(A)	**24,924**	26,591
TOTAL EQUITY		**419,822**	421,479
TOTAL LIABILITIES AND EQUITY		**420,032**	447,760

This statement of financial position was approved and authorised for issue by the Board of Directors on 25 March 2019 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

	Merger relief reserve HK$'000 (Note 28)	Share option reserve HK$'000 (Note 27)	Accumulated profits HK$'000	Total HK$'000
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
At 1 January 2018	**24,936**	**1,793**	**26,591**	**53,320**
Loss for the year and **total comprehensive loss for the year**	**–**	**–**	**(1,667)**	**(1,667)**
Transactions with equity owners				
Contributions and distribution				
Equity-settled share-based transaction	**–**	**10**	**–**	**10**
At 31 December 2018	**24,936**	**1,803**	**24,924**	**51,663**