



TARGET

泰加保險(控股)有限公司
TARGET INSURANCE (HOLDINGS) LIMITED

(incorporated in Hong Kong with limited liability)

Stock Code : 6161

2019
Interim Report

CONTENTS

	Page
Corporate Information	2
Financial Review	3
Business Review	8
Other Information	12
Independent Auditor's Report on Review of Condensed Interim Financial Information	18
Condensed Consolidated Income Statement	19
Condensed Consolidated Statement of Comprehensive Income	20
Condensed Consolidated Statement of Financial Position	21
Condensed Consolidated Statement of Changes in Equity	22
Condensed Consolidated Statement of Cash Flows	23
Notes to the Condensed Interim Financial Information	24

CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

COMPANY SECRETARY

TSE Kam Fai

AUTHORISED REPRESENTATIVES

CHAN Hok Ching
TSE Kam Fai

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

RISK COMMITTEE

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

AUDITOR

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

REGISTERED OFFICE, HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS

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

SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKER

Bank of China (Hong Kong) Limited

STOCK CODE

6161

WEBSITE

<http://www.targetinsholdings.com>

FINANCIAL REVIEW

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

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

	For the six months ended 30 June		
	2019 HK\$'000	2018 HK\$'000	% Change
Gross premium written	254,619	213,256	19.4%
Net premium written	214,715	187,468	14.5%
Net insurance premium revenue	192,887	168,540	14.4%
Net insurance claims and loss adjustment expenses	(205,868)	(163,609)	25.8%
Acquisition costs and other underwriting expenses, net	(20,347)	(16,984)	19.8%
Operating loss	(33,328)	(12,053)	176.5%
Investment income	28,931	5,344	441.4%
Other income	660	862	(23.4%)
Employee benefit expenses	(18,346)	(18,103)	1.3%
Other operating expenses	(21,366)	(22,424)	(4.7%)
Finance costs	(878)	(877)	0.1%
Loss before tax	(44,327)	(47,251)	(6.2%)
Loss for the period	(44,624)	(47,830)	(6.7%)
EBITDA	(31,318)	(36,851)	(15.0%)
Basic loss per share ⁽¹⁾	(8.56 cents)	(9.17 cents)	(6.7%)
Diluted loss per share ⁽¹⁾	(8.56 cents)	(9.17 cents)	(6.7%)

	For the six months ended 30 June		
	2019	2018	Difference
Retention ratio ⁽²⁾	84.3%	87.9%	(3.6%)
Loss ratio ⁽³⁾	106.7%	97.1%	9.6%
Expense ratio ⁽³⁾	31.6%	34.6%	(3.0%)
Combined ratio ⁽⁴⁾	138.3%	131.7%	6.6%
Investment yield	2.9%	0.6%	2.3%

(1) The weighted average number of shares for the period ended 30 June 2019 is 521,410,000 ordinary shares (2018: 521,410,000 ordinary shares). The weighted average number of shares for the purpose of calculating diluted loss per share is 521,410,000 ordinary shares (2018: 521,410,000 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.

FINANCIAL REVIEW

GROSS PREMIUM WRITTEN

Gross premium written increased by 19.4% to HK\$254.6 million (2018: HK\$213.3 million). During the six months ended 30 June 2019, the motor business on taxi and PLB were reduced due to keen market competition and the growth was mainly driven by motor business on other motor vehicles, employees' compensation business and other general insurance business. The detailed breakdown of gross premium written is as follows:

	2019		2018		% Change
	HK\$'000	% of Total	HK\$'000	% of Total	
Taxi	118,627	46.6%	121,461	57.0%	(2.3%)
Public Light Bus ("PLB")	37,630	14.8%	43,475	20.4%	(13.4%)
Other motor vehicles ⁽¹⁾	53,655	21.1%	42,356	19.8%	26.7%
Employees' Compensation ("EC")	38,816	15.2%	4,641	2.2%	736.4%
Others ⁽²⁾	5,891	2.3%	1,323	0.6%	345.3%
	254,619	100.0%	213,256	100.0%	19.4%

Notes:

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

NET INSURANCE PREMIUM REVENUE

During the period ended 30 June 2019, our retention ratio slightly reduced to 84.3% (2018: 87.9%). We arranged quota share reinsurance for part of our motor business and most of our other general insurance business to diversify our risk as we grow our portfolio. The detailed breakdown of net insurance premium revenue is as follows:

	2019		2018		% Change
	HK\$'000	% of Total	HK\$'000	% of Total	
Taxi	112,638	58.4%	103,263	61.3%	9.1%
PLB	36,878	19.1%	35,397	21.0%	4.2%
Other motor vehicles ⁽¹⁾	33,245	17.2%	28,135	16.7%	18.2%
EC	8,632	4.5%	1,267	0.8%	581.3%
Others ⁽²⁾	1,494	0.8%	478	0.2%	212.6%
	192,887	100.0%	168,540	100%	14.4%

Notes:

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

FINANCIAL REVIEW

NET INSURANCE CLAIM AND LOSS RATIO

Net insurance claims and loss adjustment expenses increased by 25.8% to HK\$205.9 million (2018: HK\$163.6 million). The loss ratio increased to 106.7% (2018: 97.1%). During the six months ended 30 June 2019, there was a continuous substantial increase in net insurance claims for taxi due to the increase of claim frequency of mid-sized losses and claims severity. Net insurance claims for other motor vehicles was reduced due to the change of business mix to private cars. There was also a notable increase in net insurance claims for EC, 90% of it was based on actuarial estimation as the portfolio was at an initial growth stage.

	2019		2018		% Change
	HK\$'000	loss ratio	HK\$'000	loss ratio	
Taxi	134,191	119.1%	97,152	94.1%	38.1%
PLB	28,322	76.8%	25,923	73.2%	9.3%
Other motor vehicles ⁽¹⁾	32,834	98.8%	39,824	141.5%	(17.6%)
EC	10,025	116.1%	356	28.1%	2,716.0%
Others ⁽²⁾	496	33.2%	354	74.1%	40.1%
	205,868	106.7%	163,609	97.1%	25.8%

Notes:

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

UNDERWRITING AND OTHER ADMINISTRATIVE EXPENSES

The underwriting and other administrative expenses slightly increased by 4.4% to HK\$60.9 million (2018: HK\$58.4 million). Our net acquisition costs and other underwriting expenses increased by 19.8% to HK\$20.3 million (2018: HK\$17.0 million) due to the growth of other general insurance business with a higher commission rate. The employee benefit expenses mildly increased by 1.3% to HK\$18.3 million (2018: HK\$18.1 million). The depreciation and amortization substantially increased by 27.4% to HK\$12.1 million (2018: HK\$9.5 million) because of the depreciation charges on self-occupied permanent office premises stated/measured at fair valuation and the amortization charge on newly acquired IT system. The advertising and promotion expenses substantially decreased by 51.2% to HK\$3.2 million (2018: HK\$6.6 million) due to reduction of traditional media promotion. The underwriting and other administrative expenses are summarized as follows:

	For the six months ended 30 June		% Change
	2019 HK\$'000	2018 HK\$'000	
Acquisition costs and other underwriting expenses, net	20,347	16,984	19.8%
Employee benefit expenses	18,346	18,103	1.3%
Depreciation and amortization	12,131	9,523	27.4%
Advertising and promotion expenses	3,201	6,563	(51.2%)
Professional charges	1,954	2,065	(5.4%)
Finance costs	878	877	0.1%
Entertainment	586	718	(18.4%)
Donation	20	45	(55.6%)
Others	3,474	3,510	(1.1%)
	60,937	58,388	4.4%

FINANCIAL REVIEW

INVESTMENT PERFORMANCE

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

	30 June 2019		31 December 2018		% Change
	HK\$'000	% of Total	HK\$'000	% of Total	
Equity securities	95,755	9.4%	113,379	11.6%	(15.5%)
Debt securities	401,030	39.4%	373,126	38.2%	7.5%
Certificates of deposit	24,500	2.4%	24,317	2.5%	0.8%
Cash and bank deposits	496,402	48.8%	467,189	47.7%	6.3%
	1,017,687	100.0%	978,011	100.0%	4.1%

The net investment income increased by 441.4% to HK\$28.9 million (2018: HK\$5.3 million). The investment yield increased to 2.9% (2018: 0.6%). The net fair value gain on financial assets valued at fair value through profit or loss ("FVPL") increased by 205.6% to HK\$12 million (2018: loss of HK\$11.5 million) due to market volatility. The net investment income is as follows:

	For the six months ended 30 June		% Change
	2019 HK\$'000	2018 HK\$'000	
Interest income	15,218	12,742	19.4%
Dividend income	2,146	2,036	5.4%
(Loss) Gain on disposal of financial assets	(275)	786	(135.0%)
Net fair value gain (loss) on financial assets at FVPL	12,128	(11,490)	205.6%
Net foreign exchange (loss) gain	(286)	1,270	(122.5%)
	28,931	5,344	441.4%

FINANCIAL REVIEW

OPERATING LOSS

We recorded an operating loss at HK\$33.3 million (2018: HK\$12.1 million), a loss before tax at HK\$44.3 million (2018: HK\$47.3 million) and a loss for the period at HK\$44.6 million (2018 : HK\$47.8 million).

	For the six months ended 30 June		
	2019 HK\$'000	2018 HK\$'000	% Change
Operating loss	(33,328)	(12,053)	176.5%
Loss before tax	(44,327)	(47,251)	(6.2%)
Loss for the period	(44,624)	(47,830)	(6.7%)

LIQUIDITY AND FINANCIAL RESOURCES

Our Group's cash and bank deposits as at 30 June 2019 amounted to HK\$496.4 million (31 December 2018: HK\$467.2 million).

FINANCIAL LEVERAGE

As at 30 June 2019, our Group has an outstanding loan facility of HK\$87.4 million (31 December 2018: HK\$90.4 million) and no bank overdrafts (31 December 2018: Nil).

CAPITAL STRUCTURE

During the period ended 30 June 2019, 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 30 June 2019, the Group had a total of 74 employees (31 December 2018: 67 employees), an increase of 7 employees. Total remuneration for the six months ended 30 June 2019 amounted to HK\$18.3 million (2018: HK\$18.1 million).

CONTINGENT LIABILITIES

Other than those incurred during the normal course of our Group's insurance business, there was neither outstanding litigation nor any other contingent liabilities as at 30 June 2019 and 31 December 2018.

BUSINESS REVIEW

Our Group has taken actions to try to improve its underwriting results through risk selection and altering our mix of business.

MOTOR INSURANCE BUSINESS

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

The following table illustrates the breakdown of our gross premium written by business segments for the six months ended 30 June 2019 and 2018:

	2019		2018		% Change
	HK\$'000	% of Total	HK\$'000	% of Total	
Taxi	118,627	56.5%	121,461	58.6%	(2.3%)
PLB	37,630	17.9%	43,475	21.0%	(13.4%)
Other motor vehicles ⁽¹⁾	53,655	25.6%	42,356	20.4%	26.7%
	209,912	100.0%	207,292	100.0%	1.3%

Note:

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

During the period ended 30 June 2019, our motor business was stagnant. The motor business increased by 1.3% to HK\$209.9 million (2018: HK\$207.3 million). Our business on other motor vehicles insurance was picking up while our business on taxi and PLB insurance was facing increased competitions from new competitors. The gross premium written on taxi and PLB presents 74.4% of gross premium written on motor insurance for the period ended 30 June 2019 (2018: 79.6%). Our taxi business reduced by 2.3% to HK\$118.6 million (2018: HK\$121.5 million). Our PLB business reduced by 13.4% to HK\$37.6 million (2018: HK\$43.5 million) due to keen market competition, which led to a reduction of premium rates.

Our business on other motor vehicles was mainly driven by our online business platform and development of new insurance intermediaries. The gross premium written increased by 26.7% to HK\$53.7 million (2018: HK\$42.4 million).

BUSINESS REVIEW

OTHER GENERAL INSURANCE BUSINESS

Our group continued to develop other general insurance products and we now offered 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

The following table illustrates the breakdown of our gross premium written by business segments for the six months ended 30 June 2019 and 2018:

	2019		2018		% Change
	HK\$'000	% of Total	HK\$'000	% of Total	
EC	38,816	86.8%	4,641	77.8%	736.4%
Others ⁽¹⁾	5,891	13.2%	1,323	22.2%	345.3%
	44,707	100.0%	5,964	100.0%	649.6%

Note:

- (1) Others include all other general insurance business except employees' compensation business

INVESTMENTS

We invested premiums and other income generated from our insurance business. The total value of investment portfolio slightly increased by 4.1% to HK\$1,017.7 million (31 December 2018: HK\$978.0 million).

	30 June 2019		31 December 2018		% Change
	HK\$'000	% of Total	HK\$'000	% of Total	
Equity securities	95,755	9.4%	113,379	11.6%	(15.5%)
Debt securities	401,030	39.4%	373,126	38.2%	7.5%
Certificates of deposit	24,500	2.4%	24,317	2.5%	0.8%
Cash and bank deposits	496,402	48.8%	467,189	47.7%	6.3%
	1,017,687	100.0%	978,011	100.0%	4.1%

BUSINESS REVIEW

Our Group's equity portfolio reduced by 15.5% to HK\$95.8 million (31 December 2018: HK\$113.4 million). Around 90% of equity securities are listed on the Hong Kong Stock Exchange. The equity securities classified by locations are as follows:

	As at		
	30 June 2019 HK\$'000	31 December 2018 HK\$'000	% Change
Listed in Hong Kong	85,834	103,236	(16.9%)
Listed outside Hong Kong	9,921	10,143	(2.2%)
	95,755	113,379	(15.5%)

Our Group's debt portfolio increased by 7.5% to HK\$401.0 million (31 December 2018: HK\$373.1 million). The debt securities classified by type are as follows:

	As at		
	30 June 2019 HK\$'000	31 December 2018 HK\$'000	% Change
Bonds listed in Hong Kong	211,622	226,146	(6.4%)
Bonds listed outside Hong Kong	153,826	131,302	17.2%
Unlisted bonds	35,582	15,678	127.0%
	401,030	373,126	7.5%

SIGNIFICANT EVENTS AFTER 30 JUNE 2019

The Company did not note any significant events after 30 June 2019.

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.

BUSINESS REVIEW

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), internet (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 core products throughout the year.

BUILDING UP 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 organised by industry organizations and media partners.

OTHER INFORMATION

INTERIM DIVIDEND

The Directors resolved not to declare any interim dividend in respect of the six months ended 30 June 2019.

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2019, the interest or short positions of the Directors in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"), are set out below:

INTERESTS IN THE COMPANY

Name of Director	Nature of interest	Long position/ Short position	Number of ordinary shares/ underlying shares held	Approximate percentage of shareholding
Dr. Cheung Haywood	Interest of a controlled corporation	Long position	183,750,000 (Note 1)	35.24%
Mr. Lai Bing Leung	Interest of a controlled corporation	Long position	56,250,000 (Note 2)	10.79%
Mr. Chiu Sun Ting	Interest of a controlled corporation	Long position	56,250,000 (Note 3)	10.79%
	Interest held jointly with another person	Long position	670,000 (Note 4)	0.13%
	Beneficial owner	Long position	622,000	0.12%
Mr. Muk Wang Lit Jimmy	Beneficial owner	Long position	2,000,000 (Note 5)	0.38%
Mr. Chan Hok Ching	Beneficial owner	Long position	1,300,000 (Note 6)	0.25%
Mr. Wong Shiu Hoi Peter	Beneficial owner	Long position	500,000 (Note 6)	0.10%
Mr. Wan Kam To	Beneficial owner	Long position	500,000 (Note 6)	0.10%
Mr. Szeto Wai Sun	Beneficial owner	Long position	500,000 (Note 6)	0.10%

OTHER INFORMATION

Notes:

1. Independent Assets Management Limited (“Independent Assets”) is the 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 30 June 2019 as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS IN SHARE OPTIONS

PRE-IPO SHARE OPTION SCHEME

Pursuant to a written resolution of the then sole Shareholder passed on 30 September 2014, the rules of the Pre-IPO Share Option Scheme were approved and adopted. The purpose of the Pre-IPO Share Option Scheme is to enable the Company to grant options to the participants of the Pre-IPO Share Option Scheme as incentives or rewards for their contribution to the growth of the Group and to provide the Group with a more flexible means to reward, remunerate, compensate and/or to provide benefits to the participants of the Pre-IPO Share Option Scheme. The maximum number of Shares which may be issued upon the exercise of all options granted under the Pre-IPO Share Option Scheme is 13,390,000 Shares representing approximately 2.57% of the issued Shares as at the date of this report. Other details of the Pre-IPO Share Option Scheme were set out in the prospectus of the Company dated 31 December 2014 (the “Prospectus”).

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

OTHER INFORMATION

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

Name or category of participants	Balance as at 1 January 2019	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding as at 30 June 2019	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	3,176,000	–	–	–	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:	9,618,000	–	–	–	9,618,000		

Note:

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

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

OTHER INFORMATION

SHARE OPTION SCHEME

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

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

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

DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2019, the interests or short positions of every person, other than a Director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, are set out below:

Name of shareholder	Nature of interest	Long position/ Short position	Number of ordinary shares held	Percentage of the Company’s issued share capital
Independent Assets Management Limited (Note 1)	Beneficial owner	Long position	183,750,000	35.24%
Convoy Collateral Limited (Note 2)	Beneficial owner	Long position	75,484,000	14.48%
Convoy Global Holdings Limited (Note 2)	Interest of controlled corporation	Long position	75,484,000	14.48%
Champion City Holdings Limited (Note 3)	Beneficial owner	Long position	56,250,000	10.79%
Generous Rich Limited (Note 4)	Beneficial owner	Long position	56,250,000	10.79%
Mrs. Chiu Choi Yu Hing (Note 5)	Interest held jointly with another person	Long position	670,000	0.13%
	Interest of spouse	Long position	56,872,000	10.91%

OTHER INFORMATION

Notes:

1. Independent Assets is wholly-owned by Dr. Cheung, the chairman of the Board and an executive Director, and therefore, Dr. Cheung is deemed to be interested in these 183,750,000 Shares pursuant to the SFO.
2. Convoy Collateral Limited is wholly-owned by Convoy (BVI) Limited, Convoy (BVI) Limited is wholly-owned by Convoy Global Holdings Limited. Therefore, Convoy Global Holdings Limited is deemed to be interested in these 75,484,000 Shares pursuant to the SFO.
3. Champion City is wholly-owned by Mr. Lai, an executive Director, and therefore, Mr. Lai is deemed to be interested in these 56,250,000 Shares pursuant to the SFO.
4. Generous Rich is wholly-owned by Mr. Chiu, an executive Director, and therefore, Mr. Chiu is deemed to be interested in these 56,250,000 Shares pursuant to the SFO.
5. (i) Mrs. Chiu Choi Yu Hing held these 670,000 Shares jointly with Mr. Chiu Sun Ting and therefore Mrs. Chiu is deemed to be interested in these 670,000 Shares pursuant to the SFO; and (ii) Mrs. Chiu is the spouse of Mr. Chiu and therefore, Mrs. Chiu is deemed to be interested in these 56,872,000 Shares held by Mr. Chiu pursuant to the SFO.

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 30 June 2019.

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 six months ended 30 June 2019.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor its subsidiary purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2019.

CORPORATE GOVERNANCE PRACTICE

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

During the six months ended 30 June 2019, the Company was in compliance with the relevant code provisions set out in the CG Code.

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

Mr. Wong Shiu Hoi Peter, an independent non-executive Director, has been appointed as an independent non-executive Director of Tai Hing Group Holdings Limited (stock code: 6811), a company listed on the Stock Exchange, with effect from 22 May 2019.

OTHER INFORMATION

AUDIT COMMITTEE

The Company established an audit committee (“Audit Committee”) on 23 December 2014 with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The terms of reference of the Audit Committee has been revised on 31 December 2015 and was further revised on 25 March 2019 to be in line with the revised CG Code. The primary duties of the Audit Committee were to review and supervise the financial reporting process, risk management and internal control systems of the Group. The Audit Committee comprises four independent non-executive Directors of the Company, namely Mr. Wan Kam To (as chairman), Mr. Wong Shiu Hoi Peter, Mr. Szeto Wai Sun and Mr. Yuen Tak Tim Anthony. The Audit Committee has reviewed the unaudited condensed interim financial information of the Group for the six months ended 30 June 2019.

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

Hong Kong, 28 August 2019

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



MAZARS CPA LIMITED

中審眾環 (香港) 會計師事務所有限公司

42nd Floor, Central Plaza

18 Harbour Road, Wanchai, Hong Kong

香港灣仔港灣道18號中環廣場42樓

Tel 電話: (852) 2909 5555

Fax 傳真: (852) 2810 0032

Email 電郵: info@mazars.hk

Website 網址: www.mazars.hk

To the Board of Directors of

Target Insurance (Holdings) Limited

(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the condensed interim financial information set out on pages 19 to 40, which comprises the condensed consolidated statement of financial position of Target Insurance (Holdings) Limited (the "Company") and its subsidiaries (together the "Group") as of 30 June 2019 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors of the Company are responsible for the preparation and presentation of this condensed interim financial information in accordance with HKAS 34.

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

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim financial information as at 30 June 2019 is not prepared, in all material respects, in accordance with HKAS 34.

Mazars CPA Limited

Certified Public Accountants

Hong Kong, 28 August 2019

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2019

	Note	For the six months ended 30 June	
		2019 Unaudited HK\$'000	2018 (Unaudited) HK\$'000
Net insurance premium revenue	3	192,887	168,540
Net investment income	4	28,931	5,344
Other income		660	862
Net income		222,478	174,746
Net insurance claims and loss adjustment expenses	5	(205,868)	(163,609)
Acquisition costs and other underwriting expenses, net	6	(20,347)	(16,984)
Employee benefit expenses		(18,346)	(18,103)
Other operating expenses		(21,366)	(22,424)
Finance costs	7	(878)	(877)
Expenses		(266,805)	(221,997)
Loss before tax	7	(44,327)	(47,251)
Income tax expense	8	(297)	(579)
Loss for the period, attributable to owners of the Company		(44,624)	(47,830)
Loss per share	10	HK cents	HK cents
Basic		(8.56)	(9.17)
Diluted		(8.56)	(9.17)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	For the six months ended 30 June	
	2019 Unaudited HK\$'000	2018 (Unaudited) HK\$'000
Loss for the period, attributable to owners of the Company	(44,624)	(47,830)
Other comprehensive income (loss)		
Items that are reclassified or may be reclassified subsequently to profit or loss:		
<i>Financial assets at fair value through other comprehensive income</i>		
Gains (Losses) on changes in fair value arising during the period	23,997	(21,986)
Reclassification of net changes in fair value to profit or loss	275	(786)
Net movement in fair value of financial assets at fair value through other comprehensive income	24,272	(22,772)
Total comprehensive loss for the period, attributable to owners of the Company	(20,352)	(70,602)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	Note	At 30 June 2019 (Unaudited) HK\$'000	At December 2018 (Audited) HK\$'000
Assets			
Property, plant and equipment	11	520,765	531,357
Intangible assets		4,396	5,494
Debt securities measured at fair value through other comprehensive income ("FVOCI")	12	401,030	373,126
Certificates of deposit	12	24,500	24,317
Deferred tax assets		6,084	6,084
Insurance and other receivables	13	140,063	106,845
Reinsurance assets	14	197,503	137,622
Deferred acquisition costs		31,684	26,533
Financial assets at fair value through profit or loss ("FVPL")	12	95,755	113,379
Statutory deposit		100,000	100,000
Time deposits with original maturity over 3 months		31,967	31,925
Cash and time deposits at banks and other financial institutions		364,435	335,264
TOTAL ASSETS		1,918,182	1,791,946
Liabilities			
Deferred tax liabilities		41,010	41,010
Insurance liabilities	14	1,289,934	1,145,798
Interest-bearing borrowing	11	87,447	90,418
Deferred commission income		5,925	4,657
Reinsurance premium payable		12,456	12,145
Insurance and other payables		15,176	11,629
Tax payable		718	421
TOTAL LIABILITIES		1,452,666	1,306,078
EQUITY			
Share capital	15	368,159	368,159
Other reserves		232,436	208,164
Accumulated losses		(135,079)	(90,455)
TOTAL EQUITY		465,516	485,868
TOTAL LIABILITIES AND EQUITY		1,918,182	1,791,946

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Share capital (Unaudited) HK\$'000	Property revaluation reserve (Unaudited) HK\$'000	Fair value reserve (Unaudited) HK\$'000	Merger relief reserve (Unaudited) HK\$'000	Other reserve (Unaudited) HK\$'000	Share option reserve (Unaudited) HK\$'000	Accumulated profits (losses) (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 January 2018, as restated	368,159	128,037	5,192	24,936	(24,936)	1,793	36,331	539,512
Loss for the period	-	-	-	-	-	-	(47,830)	(47,830)
Other comprehensive loss								
Net movement in fair value of financial assets at FVOCI	-	-	(22,772)	-	-	-	-	(22,772)
Total comprehensive loss for the period	-	-	(22,772)	-	-	-	(47,830)	(70,602)
Transactions with equity owners								
<i>Contributions and distribution</i>								
Equity-settled share-based transaction (Note 16)	-	-	-	-	-	10	-	10
At 30 June 2018	368,159	128,037	(17,580)	24,936	(24,936)	1,803	(11,499)	468,920
	Share capital (Unaudited) HK\$'000	Property revaluation reserve (Unaudited) HK\$'000	Fair value reserve (Unaudited) HK\$'000	Merger relief reserve (Unaudited) HK\$'000	Other reserve (Unaudited) HK\$'000	Share option reserve (Unaudited) HK\$'000	Accumulated profits (losses) (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 January 2019	368,159	236,485	(30,124)	24,936	(24,936)	1,803	(90,455)	485,868
Loss for the period	-	-	-	-	-	-	(44,624)	(44,624)
Other comprehensive income								
Net movement in fair value of financial assets at FVOCI	-	-	24,272	-	-	-	-	24,272
Total comprehensive loss for the period	-	-	24,272	-	-	-	(44,624)	(20,352)
At 30 June 2019	368,159	236,485	(5,852)	24,936	(24,936)	1,803	(135,079)	465,516

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	For the six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
OPERATING ACTIVITIES		
Cash (used in) generated from operations	(7,833)	50,308
Net cash (used in) from operating activities	(7,833)	50,308
INVESTING ACTIVITIES		
Interest received	13,529	10,263
Dividend received	2,146	2,036
Proceeds from derecognition of financial assets	107,420	166,950
Purchase of financial assets	(81,759)	(381,199)
Maturity of statutory and time deposits with original maturity over 3 months	131,925	129,983
Placement of statutory and time deposits with original maturity over 3 months	(131,967)	(130,000)
Others	(441)	(4,653)
Net cash from (used in) investing activities	40,853	(206,620)
FINANCING ACTIVITIES		
Dividend paid	–	(26,071)
Others	(3,849)	(3,817)
Net cash used in financing activities	(3,849)	(29,888)
Net increase (decrease) in cash and cash equivalents	29,171	(186,200)
Cash and cash equivalents at beginning of period	335,264	493,286
Cash and cash equivalents at end of period, represented by cash and time deposits with original maturity within 3 months at banks and other financial institutions	364,435	307,086

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

This condensed interim financial information contains the condensed consolidated financial statements and selected explanatory notes for the six months ended 30 June 2019. This condensed interim financial information thereon does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2018.

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

The consolidated statement of financial position as at 31 December 2018 that is included in the condensed interim financial information for the six months ended 30 June 2019 as comparative information does not constitute the Company’s specified financial statements for the financial year ended 31 December 2018 as defined in section 436 of the HKCO but is derived therefrom.

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

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

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

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

The accounting policies adopted in preparing this condensed interim financial information are consistent with those applied in preparing the Group’s annual financial statements for the year ended 31 December 2018. The adoption of the new/revised Hong Kong Financial Reporting Standards (“HKFRSs”) that are relevant to the Group and effective for the current period had no significant effects on the results and financial position of the Group for the current and prior periods.

Annual Improvements to HKFRSs	2015-2017 Cycle
HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

FUTURE CHANGES IN HKFRSs

The Group has not early adopted any new/revised HKFRSs that have been issued but are not yet effective for the financial year beginning on 1 January 2019. The directors are in the process of assessing the possible impact on the future adoption of these new/revised HKFRSs, but are not yet in a position to reasonably estimate their impact on the Group's results and financial position.

2. SEGMENT INFORMATION

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

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

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

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

2. SEGMENT INFORMATION (Continued)

SEGMENT RESULTS

	For the six months ended 30 June 2019					
	Taxi	PLB	Other motor vehicles	Employees' compensation	Others	Consolidated
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Net insurance premium revenue	112,638	36,878	33,245	8,632	1,494	192,887
Net insurance claims and loss adjustment expenses	(134,191)	(28,322)	(32,834)	(10,025)	(496)	(205,868)
Acquisition costs and other underwriting expenses, net	(9,202)	(3,044)	(6,124)	(1,863)	(114)	(20,347)
Segment results	(30,755)	5,512	(5,713)	(3,256)	884	(33,328)
Unallocated investment income and other income						29,591
Unallocated corporate expenses and finance costs						(40,590)
Loss before tax						(44,327)
Income tax expense						(297)
Loss for the period						(44,624)

	For the six months ended 30 June 2018					
	Taxi	PLB	Other motor vehicles	Employees' compensation	Others	Consolidated
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Net insurance premium revenue	103,263	35,397	28,135	1,267	478	168,540
Net insurance claims and loss adjustment expenses	(97,152)	(25,923)	(39,824)	(356)	(354)	(163,609)
Acquisition costs and other underwriting expenses, net	(8,466)	(2,856)	(5,329)	(336)	3	(16,984)
Segment results	(2,355)	6,618	(17,018)	575	127	(12,053)
Unallocated investment income and other income						6,206
Unallocated corporate expenses and finance costs						(41,404)
Loss before tax						(47,251)
Income tax expense						(579)
Loss for the period						(47,830)

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

2. SEGMENT INFORMATION (Continued)

SEGMENT ASSETS AND LIABILITIES

	At 30 June 2019					Consolidated (Unaudited) HK\$'000
	Taxi (Unaudited) HK\$'000	PLB (Unaudited) HK\$'000	Other motor vehicles (Unaudited) HK\$'000	Employees' compensation (Unaudited) HK\$'000	Others (Unaudited) HK\$'000	
Assets						
Segment assets	170,945	37,281	100,334	41,804	5,729	356,093
Unallocated assets						1,562,089
Total assets						1,918,182
Liabilities						
Segment liabilities	761,169	213,920	270,061	68,029	7,337	1,320,516
Unallocated liabilities						132,150
Total liabilities						1,452,666

	At 31 December 2018					Consolidated (Audited) HK\$'000
	Taxi (Audited) HK\$'000	PLB (Audited) HK\$'000	Other motor vehicles (Audited) HK\$'000	Employees' compensation (Audited) HK\$'000	Others (Audited) HK\$'000	
Assets						
Segment assets	130,535	27,024	88,241	13,968	1,272	261,040
Unallocated assets						1,530,906
Total assets						1,791,946
Liabilities						
Segment liabilities	695,256	201,459	245,719	26,257	2,732	1,171,423
Unallocated liabilities						134,655
Total liabilities						1,306,078

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

3. NET INSURANCE PREMIUM REVENUE

	For the six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Gross premium written	254,619	213,256
Reinsurance premium ceded	(39,904)	(25,788)
Net premium written	214,715	187,468
Change in provision for unearned premium	(26,207)	(19,205)
Change in unearned premium on reinsurance ceded	4,379	277
Change in net provision for unearned premium	(21,828)	(18,928)
Net insurance premium revenue	192,887	168,540

4. NET INVESTMENT INCOME

	For the six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Interest revenue	15,218	12,742
Dividend income	2,146	2,036
(Loss) Gain on derecognition of financial assets at FVOCI	(275)	786
Net fair value gain (loss) of financial assets at FVPL	12,128	(11,490)
Net foreign exchange (loss) gain	(286)	1,270
Net investment income	28,931	5,344

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

5. NET INSURANCE CLAIMS AND LOSS ADJUSTMENT EXPENSES

	For the six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Gross claims paid	162,197	132,440
Claims recovered	(18,756)	(11,734)
Net claims paid	143,441	120,706
Change in provision for gross outstanding claims and incurred but not reported claims ("IBNR")	108,301	57,787
Change in claims recoverable (including IBNR recoveries)	(55,502)	(17,510)
Change in provision for unexpired risk	9,628	2,626
Change in net outstanding claims	62,427	42,903
Net insurance claims and loss adjustment expenses	205,868	163,609

6. ACQUISITION COSTS AND OTHER UNDERWRITING EXPENSES, NET

	For the six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Acquisition costs and other underwriting expenses		
Insurance commission	26,698	18,499
Other underwriting expenses	4,364	4,595
Change in deferred acquisition costs	(5,151)	(2,720)
Acquisition costs and other underwriting expenses, gross	25,911	20,374
Commission income		
Insurance commission from reinsurers	(6,832)	(3,717)
Change in deferred commission income	1,268	327
Commission income	(5,564)	(3,390)
Acquisition costs and other underwriting expenses, net	20,347	16,984

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

7. LOSS BEFORE TAX

This is stated after charging:

	For the six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Finance costs		
Interest on bank loan	878	877
Other items		
Employee benefit expenses (including directors' emoluments)		
Salaries, bonus and allowances	17,654	17,398
Equity-settled share-based payments	–	10
Contributions to defined contribution plan	692	695
	18,346	18,103
Auditor's remuneration	860	842
Depreciation	10,843	8,590
Amortisation (included in other operating expenses)	1,288	933
Loss on disposal of property, plant and equipment	–	3

8. TAXATION

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

The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime was signed into law and gazetted in March 2018. 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 six months ended 30 June 2019, Hong Kong Profits Tax for the qualifying company is calculated in accordance with the two-tiered profits tax 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.

	For the six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Current tax		
Hong Kong Profits Tax		
Current period	297	579

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

9. DIVIDEND

The Board of Directors resolved not to declare any interim dividend for the six months ended 30 June 2019 and 2018.

10. LOSS PER SHARE

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

(A) BASIC LOSS PER SHARE

	For the six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Loss attributable to ordinary equity owners (HK\$'000)	(44,624)	(47,830)
Weighted average number of ordinary shares ('000)	521,410	521,410
Basic loss per share (HK cents)	(8.56)	(9.17)

(B) DILUTED LOSS PER SHARE

	For the six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Loss attributable to ordinary equity owners (HK\$'000)	(44,624)	(47,830)
Weighted average number of ordinary shares for the purpose of calculating diluted loss per share ('000)	521,410	521,410
Diluted loss per share (HK cents)	(8.56)	(9.17)

The computation of diluted loss per share for the period ended 30 June 2019 and 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.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

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

The Group's leasehold land and buildings are stated at valuation less accumulated depreciation. The leasehold land and buildings were last revalued by an independent professional qualified valuer at 31 December 2018 with reference to recent market transaction prices of similar properties. As at 30 June 2019, the directors of the Company considered that the carrying amount of the Group's leasehold land and buildings did not differ significantly from their fair values.

The carrying amount of the leasehold land and buildings at the end of the reporting period would have been HK\$243,687,000 (31 December 2018: HK\$248,118,000) had they been stated at cost less accumulated depreciation and accumulated impairment losses.

The leasehold land and buildings with a carrying amount of HK\$510,714,000 (31 December 2018: HK\$520,000,000) were pledged to secure the bank loan of the Group. At the end of the reporting period, the Group had an outstanding bank loan of HK\$87,447,000 (31 December 2018: HK\$90,418,000) and the principal plus accrued interest are repayable by 180 equal monthly instalments, and subject to an "on demand" clause.

12. DEBT SECURITIES MEASURED AT FVOCI, CERTIFICATES OF DEPOSIT AND FINANCIAL ASSETS AT FVPL

	At 30 June 2019 (Unaudited) HK\$'000	At 31 December 2018 (Audited) HK\$'000
At fair value		
<i>Mandatorily measured at FVOCI ("Mandatory FVOCI")</i>		
Debt securities mandatorily measured at FVOCI		
Listed debt securities		
Bonds listed in Hong Kong	211,622	226,146
Bonds listed outside Hong Kong	153,826	131,302
Unlisted debt securities		
Bonds with fixed maturity dates	35,582	15,678
	401,030	373,126
Certificates of deposit	24,500	24,317
<i>Financial assets at FVPL</i>		
Equity securities mandatorily measured at FVPL		
Listed in Hong Kong	85,834	103,236
Listed outside Hong Kong	9,921	10,143
	95,755	113,379
	521,285	510,822

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

13. INSURANCE AND OTHER RECEIVABLES

	Note	At 30 June 2019 (Unaudited) HK\$'000	At 31 December 2018 (Audited) HK\$'000
Insurance receivables			
Premium receivables			
From third parties		98,419	70,168
From related parties		902	701
	13(A)	99,321	70,869
Claims receivable from reinsurers and others		27,585	26,016
		126,906	96,885
Other receivables			
Deposits, prepayments and other receivables		13,157	9,960
		140,063	106,845

13(A) PREMIUM RECEIVABLES

No credit term is given to direct policyholders. The credit periods granted to third parties ranged from 30 days to 90 days from the month end date of inception of the corresponding insurance contract.

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. At the end of the reporting period, there was no provision made for non-repayment.

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

	At 30 June 2019 (Unaudited) HK\$'000	At 31 December 2018 (Audited) HK\$'000
Within 30 days	47,282	34,223
31 – 60 days	30,092	25,815
61 – 90 days	13,306	10,384
91 – 120 days	8,641	447
	99,321	70,869

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

13. INSURANCE AND OTHER RECEIVABLES (Continued)

13(A) PREMIUM RECEIVABLES (Continued)

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

	At 30 June 2019 (Unaudited) HK\$'000	At 31 December 2018 (Audited) HK\$'000
Balances past due		
Within 30 days	4,465	4,236
31 – 60 days	1,050	940
61 – 90 days	245	427
Over 90 days	56	75
	5,816	5,678

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

14. INSURANCE LIABILITIES AND REINSURANCE ASSETS

	At 30 June 2019 (Unaudited) HK\$'000	At 31 December 2018 (Audited) HK\$'000
Gross		
Outstanding claims	734,891	683,616
IBNR	263,144	206,118
	998,035	889,734
Provision for unearned premium	268,451	242,244
Provision for unexpired risk	23,448	13,820
Total gross insurance liabilities	1,289,934	1,145,798
Recoverable from reinsurers		
Claims reported and loss adjustment expenses	89,122	74,375
Provision for IBNR recoveries	89,216	48,461
	178,338	122,836
Provision for unearned premium	19,165	14,786
Total insurance liabilities recoverable	197,503	137,622
Net		
Outstanding claims	645,769	609,241
IBNR	173,928	157,657
	819,697	766,898
Provision for unearned premium	249,286	227,458
Provision for unexpired risk	23,448	13,820
Total net insurance liabilities	1,092,431	1,008,176

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

15. SHARE CAPITAL

	At 30 June 2019 (Unaudited)		At 31 December 2018 (Audited)	
	No. of shares	HK\$'000	No. of shares	HK\$'000
Issued and fully paid				
At beginning of the period/year and at end of the reporting period	521,410,000	368,159	521,410,000	368,159

16. SHARE OPTION SCHEME

The Company adopted a pre-IPO share option scheme (the "Scheme") pursuant to a resolution passed on 30 September 2014. The purpose of the Scheme is to recognise and acknowledge the contributions that participants (directors, senior management and other employees) have made or may make to the Group, to provide participants with an opportunity to have a personal stake in the Company with the view to achieve motivating the participants to optimise their performance and efficiency for the benefit of the Group, to attract and retain or otherwise maintain ongoing business relationship with participant, whose contributions are or will be beneficial to the long term growth of the Group. A summary of the principal terms and conditions of the Scheme is set out in the "Interest in Share Options" section of the Directors' Report in 2018 Annual Report.

On 7 October 2014, options to subscribe for an aggregate of 13,390,000 ordinary shares were conditionally granted by the Company to the eligible participants of the Scheme and the estimated fair value of the options granted on that date was 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.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

16. SHARE OPTION SCHEME (Continued)

Movements of share options during the six months ended 30 June 2019 are as follows:

Type	Date of grant	Exercise period	Exercise price per share HK\$	Fair value per share HK\$	Number of share option				
					Outstanding at beginning of period '000	Exercised '000	Forfeited '000	Outstanding at end of period '000	Exercisable at end of period '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	4,742	–	–	4,742	4,742

Movements of share options during the six months ended 30 June 2018 are as follows:

Type	Date of grant	Exercise period	Exercise price per share HK\$	Fair value per share HK\$	Number of share option				
					Outstanding at beginning of period '000	Exercised '000	Forfeited '000	Outstanding at end of period '000	Exercisable at end of period '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	–	(60)	4,938	4,938

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 in 2018 Annual Report.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

17. RELATED PARTY TRANSACTIONS

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

		For the six months ended 30 June	
		2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Related party relationship	Nature of transaction		
Key management personnel, excluding directors	Short-term employee benefits	2,869	3,185
	Post-employment benefits	105	114
		2,974	3,299
The Oscar Motors Company Limited, a company controlled by Lai Bing Leung, a director of the Company	Commission paid	507	465
Head & Shoulders Securities Limited, a company controlled by Choi Chiu Fai Stanley, a former director of the Company (i)	Brokerage paid	5	63

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

18. FAIR VALUE MEASUREMENT

The following presents the assets and liabilities measured at fair value or required to disclose their fair value in this condensed interim financial information on a recurring basis across the three levels of the fair value hierarchy defined in HKFRS 13, *Fair Value Measurement*, with the fair value measurement categorised in its entirety based on the lowest level input that is significant to the entire measurement. The levels of inputs are defined as follows:

- Level 1 (highest level): quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly or indirectly;
- Level 3 (lowest level): unobservable inputs for the asset or liability.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

18. FAIR VALUE MEASUREMENT (Continued)

18(A) ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

	At 30 June 2019 (Unaudited) HK\$'000	At 31 December 2018 (Audited) HK\$'000
Assets measured at fair value		
Level 1		
Mandatory FVOCI		
Listed debt securities	365,448	357,448
Financial assets at FVPL		
Listed equity securities:		
– Financial services	36,775	43,766
– Utilities	13,785	16,604
– Consumer goods	8,447	14,368
– Information technology	8,347	9,734
– Telecommunications	7,598	7,125
– Conglomerates	5,929	9,391
– Construction	5,642	4,114
– Industrials	3,161	5,137
– Others	6,071	3,140
	461,203	470,827
Level 2		
Mandatory FVOCI		
Unlisted debt securities	35,582	15,678
Certificates of deposit	24,500	24,317
	60,082	39,995
Level 3		
Leasehold land and buildings		
Commercial properties and car parking spaces located in Hong Kong	510,714	520,000

During the six months ended 30 June 2019 and 2018, 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.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

18. FAIR VALUE MEASUREMENT (Continued)

18(A) ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (Continued)

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 of Hong Kong Limited or relevant stock exchanges. The fair values of the unlisted debt securities and certificates of deposit are determined with reference to over-the-counter quotations from brokers, bid prices from the Central Money markets Unit of the Hong Kong Monetary Authority or Depository Trust Company.

18(B) FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES CARRIED AT OTHER THAN FAIR VALUE

The financial assets and financial liabilities of the Group are carried at amounts not materially different from their fair values as at 30 June 2019 and 31 December 2018.

19. APPROVAL OF CONDENSED INTERIM FINANCIAL INFORMATION

The condensed interim financial information was approved by the Board of Directors on 28 August 2019.