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
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, Metro Awards for Banking & Finance Corporations 2016 – Best Motor Insurance Award, Asia Ecommerce Awards 2018 – Best UX Design and Metro Finance GBA Insurance Awards 2019 – Outstanding Online Platform Award (General Insurance).

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")*

2019 AWARD LIST

SERVICE EXCELLENCE

Date	Organization	Award
31/5/2019	新城財經台 Metro Finance	大灣區保險業大獎2019 – 傑出網上平台獎(產險) GBA Insurance Awards – Outstanding Online Platform Award (General Insurance)

GBA Insurance Awards 2019

Caring Company 2018/19

CORPORATE SOCIAL RESPONSIBILITY ("CSR")

Date	Organization	Award
20/5/2019	香港社會服務聯會 The Hong Kong Council of Social Service	商界展關懷2018/19 Caring Company 2018/19
2/10/2019	社會福利署 Social Welfare Department	義工運動機構參與證書 Certificate to Participation
9/10/2019	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
13/10/2019	屯門商會 Tuen Mun Merchants Association	第二屆國慶盃深港友誼足球賽　亞軍 2nd National Day Cup Hong Kong Shenzhen Football Match 1st runner-up
12/11/2019	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
26/11/2019	柯尼卡美能達商業系統(香港)有限公司 – 單車歌王爭霸戰 Konica Minolta Business Solutions (HK) Ltd – King of Singing Bike Battle	最合拍隊伍獎 The Best Team Spirit

2019 LIST OF CSR ACTIVITIES

Date	Organization	Activity
20/1/2019	警察體育遊樂會成員 Members of Police Sports and Recreation Club	足球友誼賽 Football Friendly Match
5/3/2019	新界總商會 New Territories General Chamber of Commerce	懲心群英嘉獎禮 Correctional Officer Excellence Award Presentation Ceremony
15-18/4/2019	香港總商會 The Hong Kong General Chamber of Commerce	商校交流計劃 Business-School Partnership Programme
27/4/2019	香港城市大學行政人員工商管理碩士同學會 City University of Hong Kong – EMBA Association	EMBAA十九周年誌慶暨慈善基金籌款晚宴 EMBAA 19th Anniversary Charity Gala Dinner
20/5/2019	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2019 Caring Company Partnership Expo 2019
15/6/2019	東華三院、金銀業貿易場、香港保齡球總會 Tung Wah Group of Hospitals, The Chinese Gold & Silver Exchange Society, Hong Kong Tenpin Bowling Congress	敏華控股有限公司誠意呈獻：東華三院 • 金銀業貿易場 • 香港保齡球總會慈善保齡球大賽 Man Wah Holdings Limited proudly presents: TWGHs • CGSE • HKTBC Charity Bowling Tournament
29-31/7/2019	國際扶輪3450地區、教育局 Rotary International District 3450, Education Bureau	扶輪生涯規劃教育系列 – 工作體驗運動2019 Rotary Life Planning Programmes – Work Experience Programme 2019
19/9/2019	商業電台馬路的事 Commercial Broadcasting – Roadcoop	馬路的事捐血日2019 Road Co-Op Blood Donation Day 2019
13/10/2019	屯門商會 Tuen Mun Merchants Association	第二屆國慶盃深港友誼足球賽 2nd National Day Cup Hong Kong Shenzhen Football Match
8/11/2019	柯尼卡美能達商業系統(香港)有限公司 Konica Minolta Business Solutions (HK) Ltd	單車歌王爭霸戰 King of Singing Bike Battle
26/11/2019	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

Football Friendly Match

Correctional Officer Excellence Award Presentation Ceremony

Business-School Partnership Programme

EMBAA 19th Anniversary Charity Gala Dinner

Road Co-Op Blood Donation Day 2019

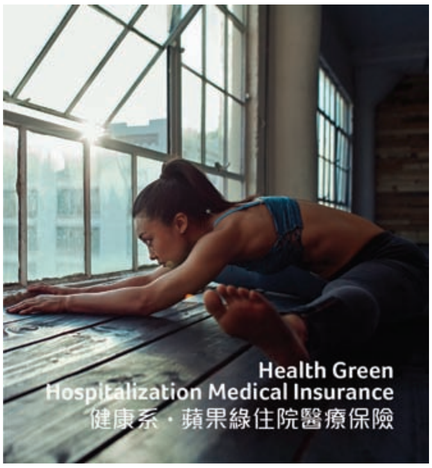
King of Singing Bike Battle

Konica Minolta Green Concert

Annual General Meeting 2019

INSURANCE PRODUCTS

PERSONAL INSURANCE PRODUCTS



COMMERCIAL INSURANCE PRODUCTS

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
LAU Ka Yee

INDEPENDENT NON-EXECUTIVE DIRECTORS

WAN Kam To
WONG Shiu Hoi Peter
SZETO Wai Sun

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

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
LAU Ka Yee

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 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKER

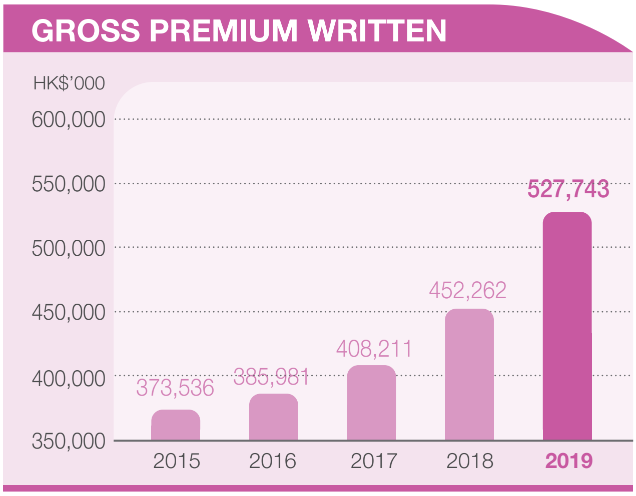
Bank of China (Hong Kong) Limited

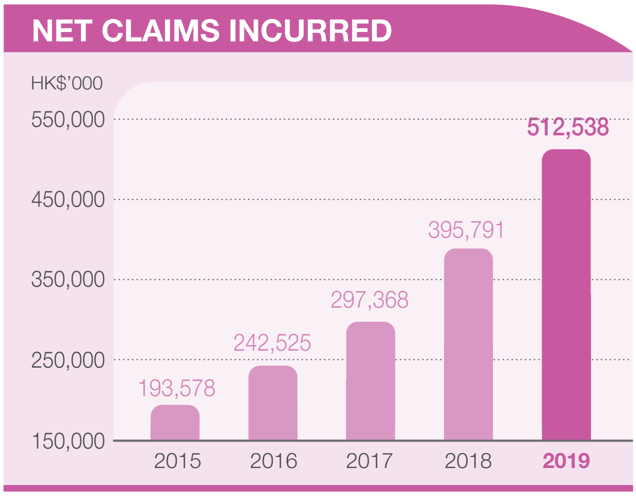
STOCK CODE

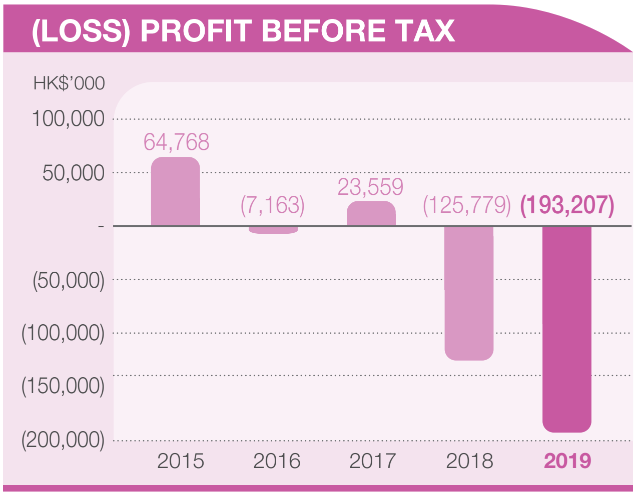
6161

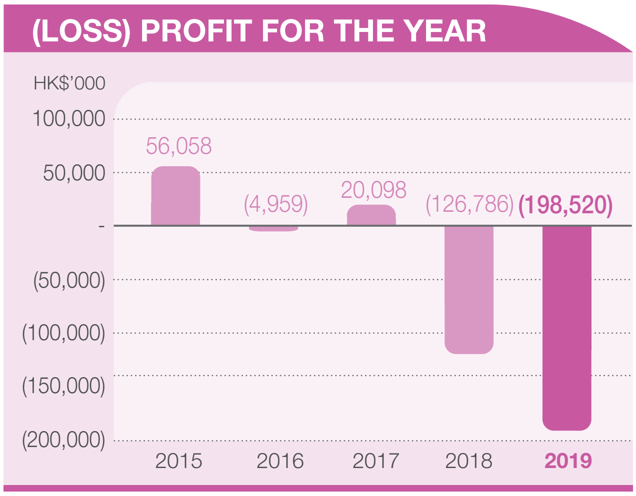
WEBSITE

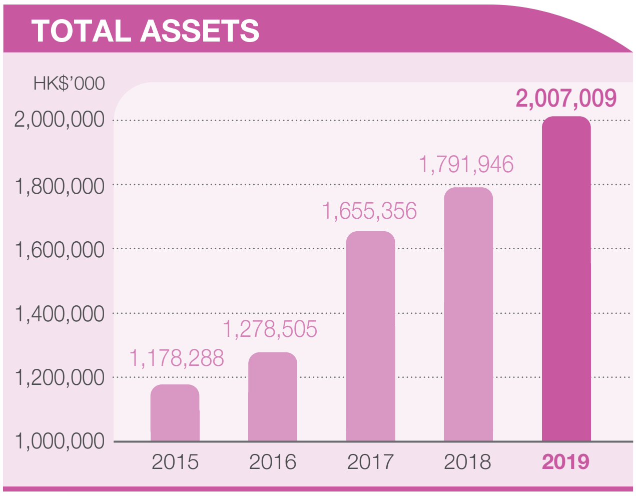
http://www.targetinsholdings.com

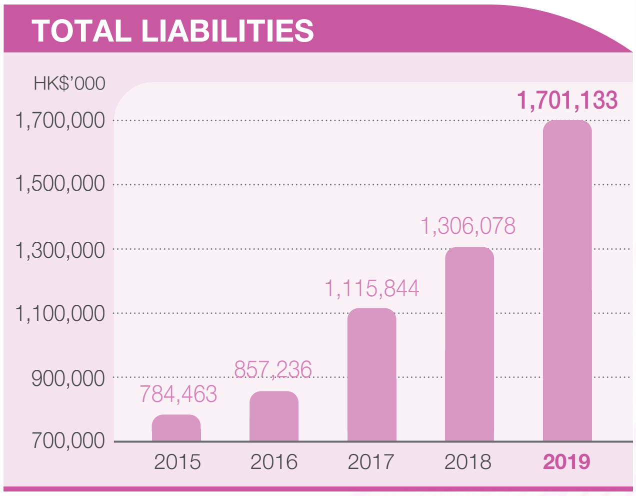

GROSS PREMIUM WRITTEN
HK$'000
600,000
550,000
500,000
450,000
400,000
350,000
373,536
385,981
408,211
452,262
527,743
2015
2016
2017
2018
2019


NET CLAIMS INCURRED
HK$'000
550,000
450,000
350,000
250,000
150,000
193,578
242,525
297,368
395,791
512,538
2015
2016
2017
2018
2019


(LOSS) PROFIT BEFORE TAX
HK$'000
100,000
50,000
-
(50,000)
(100,000)
(150,000)
(200,000)
64,768
(7,163)
23,559
(125,779)
(193,207)
2015
2016
2017
2018
2019


(LOSS) PROFIT FOR THE YEAR
HK$'000
100,000
50,000
-
(50,000)
(100,000)
(150,000)
(200,000)
56,058
(4,959)
20,098
(126,786)
(198,520)
2015
2016
2017
2018
2019


TOTAL ASSETS
HK$'000
2,000,000
1,800,000
1,600,000
1,400,000
1,200,000
1,000,000
1,178,288
1,278,505
1,655,356
1,791,946
2,007,009
2015
2016
2017
2018
2019


TOTAL LIABILITIES
HK$'000
1,700,000
1,500,000
1,300,000
1,100,000
900,000
700,000
784,463
857,236
1,115,844
1,306,078
1,701,133
2015
2016
2017
2018
2019

CHAIRMAN'S STATEMENT

On behalf of the board (the "Board") of directors (the "Directors") of Target Insurance (Holdings) Limited (the "Company", together with its subsidiaries, collectively the "Group"), I would like to present this annual report for the year ended 31 December 2019 to the shareholders of the Company (the "Shareholders").

2019 AT A GLANCE

A tumultuous 2019 when accidents along with the social unrest have thrown an unprecedented variety of loss at us. 2019 is reported to be the most expensive year to our taxi motor insurance business, worse than 2018, the previous record high. Our strategy of diversification into other general business to even out our business exposures started to bear fruit and saw solid steady growth particularly in employees' compensation insurance business. Although the business might not be regarded as profitable from the actuarial standpoint due to the unavailability of our own past claims history and data, we have faith in our prudent selection of business and disciplined underwriting. We are determined and will continue to be adaptable and versatile in carrying out our mission of being the most preferred domestic general insurance company in Hong Kong.

The result of 2019 was a net loss of HK$198.5 million (2018: loss of HK$126.8 million). Gross premium written increased by 16.7% to HK$527.7 million (2018: HK$452.3 million). Net insurance premium revenue increased by 10.3% to HK$397.9 million (2018: HK$360.8 million). The Group combined ratio rose to 159.7% (2018: 141.4%).

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 the 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 regulatory and international developments on risk-based capital and insurance related financial reporting standards are hot topics for Hong Kong insurers for years ahead. 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, the Company continued to invest in the community, particularly in health and environment. We were the sponsor of City University of Hong Kong EMBAA 19th Anniversary Charity Gala Dinner, Commercial Broadcasting Road Co-op Blood Donation Day 2019 and supporter of various life planning and sports activities.

Our effort in corporate social responsibility are well-recognized by the public. We are awarded Caring Company 2018/19 by the Hong Kong Council and Social Services, Green Office Awards and Eco-Healthy Workplace Awards 2019 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 the Shareholders for the trust and confidence.

Cheung Haywood
Chairman

Hong Kong, 27 March 2020

FINANCIAL RESULTS

The Group recorded a net loss of HK$198.5 million (2018: HK$126.8 million) from net income of HK$442.5 million (2018: HK$384.3 million). Basic loss per share was HK38.07 cents (2018: HK24.32 cents). The results were mainly influenced by the substantial increase of claims frequency and severity on third party bodily injury claims on taxi motor insurance business.

PERFORMANCE REVIEW

In 2019, our Employees' Compensation ("EC") business achieved solid growth and other general business was gradually growing. The insurance products we launched since 2017 were more focused on local enterprises and individual clients and we continued to explore and launch other commercial insurance products to enhance the comprehensiveness of our product 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 keen competition. The net insurance premium increased by 3.4% to HK$227.1 million (2018: HK$219.6 million). Due to the substantial increase in claims frequency and severity on third party bodily injury claims, the net insurance claims and loss adjustment expenses increased by 29.9% to HK$344.7 million (2018: HK$265.3 million), leading the segment result into a loss of HK$136.2 million (2018: HK$63.7 million). During this year, the loss ratio for taxi increased to 151.8% (2018: 120.8%).

PLB

We had a competitive year for our PLB business in 2019. The net insurance premium revenue reduced by 3.5% to HK$72.3 million (2018: HK$74.9 million). Due to some severe accidents during 2019 and claims deterioration on prior years' claims, the net insurance claims and loss adjustment expenses increased by 67.3% to HK$60.7 million (2018: HK$36.3 million). The segment result decreased by 82.8% to HK$5.6 million (2018: HK$32.5 million). The loss ratio for PLB increased to 84.0% (2018: 48.4%).

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 9.1% to HK$65.6 million (2018: HK$60.1 million). The net insurance claims and loss adjustment expenses decreased by 25.5% to HK$63.8 million (2018: HK$85.7 million). The segment result improved by 73.1% to a loss of HK$10.0 million (2018: loss of HK$37.1 million). The loss ratio for other motor vehicles decreased to 97.3% (2018: 142.5%).

EC

Our portfolio of EC business grew significantly in 2019. The net insurance premium revenue was increased by 517.2% to HK$28.5 million (2018: HK$4.6 million). The net insurance claims and loss adjustment expenses was increased by 498.9% to HK$42.1 million (2018: HK$7.0 million). The segment result was a loss of HK$19.5 million (2018: HK$3.6 million). The loss ratio was 147.8% (2018: 152.3%).

OTHER GENERAL INSURANCE BUSINESS

Our portfolio of other general insurance grew substantially in 2019. It mainly comprised of our SME Business Insurance and Contractors' All Risks Insurance. The net insurance premium revenue was increased by 185.7% to HK$4.5 million (2018: HK$1.6 million). The net insurance claims and loss adjustment expenses was reduced by 16.9% to HK$1.3 million (2018: HK$1.6 million). The segment result was a profit of HK$2.9 million (2018: loss of HK$39,000). The loss ratio was 28.5% (2018: 98.0%).

INVESTMENTS

As at 31 December 2019, we had cash and deposits of HK$940.8 million (2018: HK$467.2 million), certificates of deposit of HK$4.5 million (2018: HK$24.3 million), equity securities of HK$49.5 million (2018: HK$113.4 million) and debt securities of HK$31.1 million (2018: HK$373.1 million). The total value of investment portfolio mildly increased by 4.9% to HK$1,025.8 million (2018: HK$978.0 million).

The investment income increased by 96.8% to HK$43.3 million (2018: HK$22.0 million). The main reasons were a net fair value gain on financial assets at fair value through profit or loss of HK$10.5 million (2018: loss of HK$16.0 million).

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.
- Working with industry stakeholders in facilitating the implementation of the new policyholders' protection scheme.

As part of the RBC regime, the Guideline on enterprise risk management ("ERM Guideline") is effective from 1 January 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. Separately, following the third Quantitative Impact Study in late 2019, the result would form the basis for IA to finalize the set of rules on Pillar 1 capital requirement, after which a consultation process is expected to be carried out in 2020.

It was announced on 17 March 2020 that the implementation of International Financial Reporting Standard 17 Insurance Contracts ("IFRS 17") will be deferred to 1 January 2023. 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 IFRS 17.

In addition, the Hong Kong Federation of Insurers ("HKFI") 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

It is too early to estimate the ongoing impact of the novel coronavirus epidemic. The main areas of potential exposure for our Group are travel and medical cover and we have received notifications of small claims to date. Pandemic is covered in a very small part of the portfolio where we have very controlled net exposure. However, some local enterprises have unfortunately suffered from economic downturn and it may take some time to get them back to normal.

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 still be keen. Coupled with the increasing number of accidents involving taxi and PLB, we expect business from these two segments will continue to be challenging despite the taxi premium rate increase in late 2019. 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 will 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 2020

We have already seen the earlier impact of the outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") on the city's business sector. For 2020, we will hone our focus on the strategies to write and grow our business more prudently.

ACHIEVING UNDERWRITING IMPROVEMENT

There is no "one size fits all" formula for success in underwriting. Our commercial exposures are particularly heterogeneous, intermediated, qualitative and required case-based assessment. We will focus our effort on disciplined underwriting through the following approaches:

– **Portfolio steering:** To strike a balance between consistency in our risk appetite and the need to continuously calibrate that appetite, we will ensure that we are willing and able to pull back when conditions are unsustainable.

– **Pricing adequacy:** To introduce technical pricing as a core part of underwriting governance and as a benchmark, we are thus provided with insight into directional movement of pricing for a portfolio over time.

– **Risk selection:** To supplement data-driven analysis, we will encourage collective risk discussion and underwriting assessment.

– **Capacity optimization:** To encourage dynamic recalibration of limits and retention, we will deploy capacity more prudently through deductibles and also through net retention across the portfolio by way of optimal use of reinsurance arrangement.

– **Coverage design:** To translate qualitative policy terms and endorsements into quantitative parameters, we will carefully control around our policy wording.

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 has rebranded itself for its capability to write a comprehensive range of general business in Hong Kong. To continue with our rebranding effort, we will maintain modest level of branding activities through traditional media (magazine, television commercial, radio etc) to reinforce our core products and more focused sales and marketing activities for new insurance products throughout the year.

BUILDING UP INTERNAL CAPACITY

There are three areas which we will continue to invest in 2020 to strengthen our internal capacity to prepare for the future:

– **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.

– **Human Resources**: We will continue to seek suitable professional talent to join our team to consolidate our capacity to deal with the business needs and regulatory developments.

– **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 organized by industry organizations and media partners.

Muk Wang Lit Jimmy
Chief Executive Officer

Hong Kong, 27 March 2020

EXECUTIVE DIRECTORS

Dr. CHEUNG HAYWOOD ("Dr. Cheung"), aged 67, 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 36 years' experience in metals trading, securities and futures brokerage and forex dealings in Hong Kong. Dr. Cheung has extensive business connections in Hong Kong and the PRC. He has served as the President of the Executive and Supervisory Committees of Chinese Gold & Silver Exchange Society (the "Society") from June 2010 to December 2014 and January 2017 to present. 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", currently 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 73, is one of the founders of the Group. Mr. Lai has about 42 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 the 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 74, is one of the founders of the Group. Mr. Chiu has about 42 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 the Group.

Mr. MUK WANG LIT JIMMY ("Mr. Muk"), aged 65, is an executive Director and the Chief Executive Officer of the Company, as well as a member of each of the nomination committee (the "Nomination Committee") and the risk committee of the Company (the "Risk Committee"). 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 IA. He joined the Group in 1979. Mr. Muk has over 40 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 has served as a member of the Executive Committee on Insurance Fraud Prevention Claims Database under HKFI since February 2019 and the Board of the Employee's Compensation Insurance Residual Scheme Bureau since June 2019.

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 57, 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 of the Company (the "Remuneration Committee") and the Risk Committee. 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 30 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.

Ms. LAU KA YEE ("Ms. Lau"), aged 39, was appointed as an executive Director of the Company on 1 January 2020. She is also the Chief Financial Officer of the Group, a member of the Risk Committee and a member of the claims settlement committee of Target, each of them a wholly-owned subsidiary of the Company. Ms. Lau joined the Group in October 2014 as the financial controller. She 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. She is a fellow member of the Hong Kong Institute of Certified Public Accountants ("HKICPA"), the Hong Kong Institute of Chartered Secretaries ("HKICS") and the Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators) ("CGI"). 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. Ms. Lau is a fellow of ANZIIF.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. WAN KAM TO ("Mr. Wan"), aged 67, 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 (the "Audit Committee"). 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 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 October 2019
Huaneng Renewables Corporation Limited	958	Stock Exchange	August 2010 to June 2019
Kerry Logistics Network Limited	636	Stock Exchange	November 2013 to May 2019
KFM Kingdom Holdings Limited	3816	Stock Exchange	September 2012 to present
Shanghai Pharmaceuticals Holding Co., Ltd.	2607 601607	Stock Exchange Shanghai Stock Exchange	June 2013 to June 2019

Mr. WONG SHIU HOI PETER ("Mr. Wong"), aged 79, 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. 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 44 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
Tai Hing Group Holdings Limited	6811	Stock Exchange	May 2019 to present
Agile Group Holdings Limited (formerly known as 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 61, 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.

SENIOR MANAGEMENT

Mr. CHAN PAK YIP JEFFERY ("Mr. J Chan"), aged 56, is the Director of Business 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 53, 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 63, 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 49, 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 56, was appointed as the company secretary of the Company (the "Company Secretary") in August 2014. Mr. Tse is a fellow member of HKICS and CGI. He is also a member of The Hong Kong Institute of Directors. Mr. Tse has more than 25 years of experience in handling listed company secretarial and compliance related matters. Mr. Tse is currently the company secretary of each of Universal Star (Holdings) Limited, O-Net Technologies (Group) Limited, SH Group (Holdings) Limited and Synertone Communication Corporation, companies listed on the Main Board of the Stock Exchange, and Larry Jewelry International Company Limited, a company 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		
	2019 HK$'000	2018 HK$'000	% Change
Gross premium written	**527,743**	452,262	16.7%
Net premium written	**443,674**	391,085	13.4%
Net insurance premium revenue	**397,899**	360,802	10.3%
Net insurance claims and loss adjustment expenses	**(512,538)**	(395,791)	29.5%
Acquisition costs and other underwriting expenses, net	**(42,499)**	(36,893)	15.2%
Operating loss	**(157,138)**	(71,882)	118.6%
Investment income	**43,293**	22,003	96.8%
Other income	**1,274**	1,532	(16.8%)
Employee benefit expenses	**(36,901)**	(35,624)	3.6%
Other operating expenses	**(42,012)**	(40,057)	4.9%
Finance costs	**(1,723)**	(1,751)	(1.6%)
Loss before tax	**(193,207)**	(125,779)	53.6%
Loss for the year	**(198,520)**	(126,786)	56.6%
EBITDA	**(167,195)**	(104,701)	59.7%
Basic loss per share (1)	**(38.07 cents)**	(24.32 cents)	
Diluted loss per share (1)	**(38.07 cents)**	(24.32 cents)	

	For the year ended 31 December		
	2019	2018	Difference
Retention ratio (2)	**84.1%**	86.5%	(2.4%)
Loss ratio (3)	**128.8%**	109.7%	19.1%
Expense ratio (3)	**30.9%**	31.7%	(0.8%)
Combined ratio (4)	**159.7%**	141.4%	18.3%
Investment yield	**4.3%**	2.3%	2.0%

(1) The weighted average number of shares for the year ended 31 December 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.

GROSS PREMIUM WRITTEN

Gross premium written increased by 16.7% to HK$527.7 million (2018: HK$452.3 million). During the year ended 31 December 2019, the motor business on taxi and PLB were moderately reduced due to keen market competition and the growth was mainly driven by motor business on other motor vehicles, employee's compensation business and other general insurance business. The detailed breakdown of gross premium written is as follows:

	For the year ended 31 December				
	2019		2018		
	HK$'000	**% of Total**	HK$'000	% of Total	% Change
Taxi	**244,131**	**46.3%**	246,820	54.6%	(1.1%)
PLB	**75,745**	**14.4%**	82,375	18.2%	(8.0%)
Other motor vehicles (1)	**111,025**	**21.0%**	98,800	21.8%	12.4%
EC	**85,220**	**16.1%**	21,035	4.7%	305.1%
Others (2)	**11,622**	**2.2%**	3,232	0.7%	259.6%
	527,743	**100.0%**	452,262	100.0%	16.7%

Notes:

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

(2) Others include other general insurance business except motor and employees' compensation business

NET INSURANCE PREMIUM REVENUE

During the year ended 31 December 2019, our retention ratio reduced to 84.1% (2018: 86.5%). 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. The detailed breakdown of net insurance premium revenue is as follows:

	For the year ended 31 December				
	2019		2018		
	HK$'000	**% of Total**	HK$'000	% of Total	% Change
Taxi	**227,078**	**57.0%**	219,568	60.8%	3.4%
PLB	**72,263**	**18.2%**	74,916	20.8%	(3.5%)
Other motor vehicles (1)	**65,564**	**16.5%**	60,121	16.7%	9.1%
EC	**28,466**	**7.2%**	4,612	1.3%	517.2%
Others (2)	**4,528**	**1.1%**	1,585	0.4%	185.7%
	397,899	**100.0%**	360,802	100.0%	10.3%

Notes:

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

(2) Others include other general insurance business except motor and employees' compensation business

NET INSURANCE CLAIM AND LOSS RATIO

Net insurance claims and loss adjustment expenses increased by 29.5% to HK$512.5 million (2018: HK$395.8 million). The loss ratio increased to 128.8% (2018: 109.7%). During the year ended 31 December 2019, there was a continuous trend of substantial net insurance claim increase for taxi due to the increase of claim frequency and claims severity for third party bodily injury claims, approximately 25% of it was additional provision made based on actuarial estimation as at 31 December 2019. Net insurance claim for PLB was increased due to some severe accidents during 2019 and claims deterioration on prior years' claims. Net insurance claim for other motor vehicles was reduced due to the increase of business mix to private cars. There was a notable increase in net insurance claim for EC, approximately 53% of it was additional provision made based on actuarial estimation as at 31 December 2019 as the portfolio was at an early growth stage.

	For the year ended 31 December		
	2019 HK$'000	2018 HK$'000	% Change
Taxi	**344,677**	265,255	29.9%
PLB	**60,701**	36,293	67.3%
Other motor vehicles [(1)]	**63,792**	85,664	(25.5%)
EC	**42,077**	7,080	494.3%
Others [(2)]	**1,291**	1,499	(13.9%)
	512,538	395,791	29.5%

Notes:

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

(2) Others include other general insurance business except motor and employees' compensation business

UNDERWRITING AND OTHER ADMINISTRATIVE EXPENSES

The underwriting and other administrative expenses slightly increased by 7.7% to HK$123.1 million (2018: HK$114.3 million). Our net acquisition costs and other underwriting expenses increased by 15.2% to HK$42.5 million (2018: HK$36.9 million) due to the growth of other general insurance business with a higher commission rate. The employee benefit expenses mildly increased by 3.6% to HK$36.9 million (2018: HK$35.6 million). The depreciation and amortization substantially increased by 25.7% to HK$24.3 million (2018: HK$19.3 million) because of the depreciation charges on self-occupied permanent office premises stated/measured at fair valuation and the amortization charge on the IT system. The advertising and promotion expenses substantially decreased by 28.2% to HK$6.4 million (2018: HK$8.9 million) due to reduction of traditional media promotion. The underwriting and other administrative expenses are summarized as follows:

	For the year ended 31 December		
	2019 HK$'000	2018 HK$'000	% Change
Acquisition costs and other underwriting expenses, net	**42,499**	36,893	15.2%
Employee benefit expenses	**36,901**	35,624	3.6%
Depreciation and amortization	**24,289**	19,327	25.7%
Advertising and promotion expenses	**6,392**	8,907	(28.2%)
Professional charges	**3,930**	4,153	(5.4%)
Finance costs	**1,723**	1,751	(1.6%)
Entertainment	**733**	981	(25.3%)
Donation	**51**	206	(75.2%)
Others	**6,617**	6,483	2.1%
	123,135	114,325	7.7%

INVESTMENT PERFORMANCE

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

	As at 31 December				
	2019		2018		
	HK$'000	**% of Total**	HK$'000	% of Total	% Change
Equity securities	**49,469**	**4.8%**	113,379	11.6%	(56.4%)
Debt securities	**31,109**	**3.0%**	373,126	38.2%	(91.7%)
Certificates of deposit	**4,451**	**0.5%**	24,317	2.5%	(81.7%)
Cash and bank deposits	**940,773**	**91.7%**	467,189	47.7%	101.4%
	1,025,802	**100.0%**	978,011	100.0%	4.9%

The net investment income increased by 96.8% to HK$43.3 million (2018: HK$22.0 million). The investment yield increased to 4.3% (2018: 2.3%). The net fair value gain on financial assets valued at fair value through profit or loss ("FVPL") increased by 165.4% to HK$10.5 million (2018: loss of HK$16.0 million) due to market volatility. The net investment income is as follows:

	For the year ended 31 December		
	2019	2018	
	HK$'000	HK$'000	% Change
Interest income	**29,633**	27,020	9.7%
Dividend income	**3,397**	4,264	(20.3%)
Gain on disposal of financial assets	**2,068**	5,707	(63.8%)
Net fair value gain (loss) on financial assets at FVPL	**10,472**	(16,007)	165.4%
Net foreign exchange (loss) gain	**(2,277)**	1,019	(323.5%)
	43,293	22,003	96.8%

OPERATING RESULT

We recorded an operating loss at HK$157.1 million (2018: HK$71.9 million), a loss before tax at HK$193.2 million (2018: HK$125.8 million) and a loss for the year at HK$198.5 million (2018: HK$126.8 million).

	For the year ended 31 December		
	2019	2018	
	HK$'000	HK$'000	% Change
Operating loss	**(157,138)**	(71,882)	118.6%
Loss before tax	**(193,207)**	(125,779)	53.6%
Loss for the year	**(198,520)**	(126,786)	56.6%

LIQUIDITY AND FINANCIAL RESOURCES

Our Group's cash and bank deposits as at 31 December 2019 amounted to HK$940.8 million (2018: HK$467.2 million).

FINANCIAL LEVERAGE

As at 31 December 2019, our Group has an outstanding loan facility of HK$84.4 million (31 December 2018: HK$90.4 million) and no bank overdrafts (2018: Nil).

CAPITAL STRUCTURE

During the year ended 31 December 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 31 December 2019, the Group had a total of 72 employees (2018: 67 employees), an increase of 5 employees. Total remuneration for 2019 amounted to HK$36.9 million (2018: HK$35.6 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 31 December 2019 and 2018.

The Board would like to submit their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2019.

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 consolidated financial statements.

BUSINESS REVIEW

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

MOTOR INSURANCE BUSINESS

Our key insurance products include third party insurance and comprehensive insurance for motor vehicles and 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 vehicle 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 2019 and 2018.

	For the year ended 31 December				
	2019		2018		
	HK$'000	% of Total	HK$'000	% of Total	% Change
Taxi	**244,131**	**56.7%**	246,820	57.7%	(1.1%)
PLB	**75,745**	**17.5%**	82,375	19.2%	(8.0%)
Other motor vehicles (1)	**111,025**	**25.8%**	98,800	23.1%	12.4%
	430,901	**100.0%**	427,995	100.0%	0.7%

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

During the year ended 31 December 2019, our motor business was stagnant. The motor business increased by 0.7% to HK$430.9 million (2018: HK$428.0 million). Our business on other motor vehicles motor insurance was picking up while our business on taxi and PLB motor insurance was facing keen competitions from new and existing competitors. The gross premium written on taxi and PLB motor insurance presented 74.2% of gross premium written on motor insurance for the year ended 31 December 2019 (2018: 76.9%). These two business segments were largely saturated. Our taxi motor insurance mildly decreased by 1.1% to HK$244.1 million (2018: HK$246.8 million) and our PLB motor insurance reduced by 8.0% to HK$75.7 million (2018: HK$82.4 million).

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 12.4% to HK$111.0 million (2018: HK$98.8 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

The following table illustrates the breakdown of our gross premium written by business segments for the years ended 31 December 2019 and 2018:

	For the year ended 31 December				
	2019		2018		
	HK$'000	**% of Total**	HK$'000	% of Total	% Change
EC	**85,220**	**88.0%**	21,035	86.7%	305.1%
Others [1]	**11,622**	**12.0%**	3,232	13.3%	259.6%
	96,842	**100.0%**	24,267	100.0%	299.1%

(1) Others include other general insurance business except motor and employees' compensation business

During the year ended 31 December 2019, our other general insurance business continued to grow by 299.1% to HK$96.8 million (2018: HK$24.3 million). We grew our EC business through selecting business with trusted intermediaries and disciplined underwriting. Our EC business was increased by 305.1% to HK$85.2 million (2018: HK$21.0 million). Our Others business was increased by 259.6% to HK$11.6 million (2018: HK$3.2 million) as we developed commercial insurance products supplementing our EC business, including SME Business Insurance and Contractors' All Risks Insurance.

INVESTMENTS

We invest premiums and other income generated from our insurance business. The total value of investment portfolio slightly increased by 4.9% to HK$1,025.8 million (2018: HK$978.0 million).

	As at 31 December				
	2019		2018		
	HK$'000	**% of Total**	HK$'000	% of Total	% Change
Equity securities	**49,469**	**4.8%**	113,379	11.6%	(56.4%)
Debt securities	**31,109**	**3.0%**	373,126	38.2%	(91.7%)
Certificates of deposit	**4,451**	**0.5%**	24,317	2.5%	(81.7%)
Cash and bank deposits	**940,773**	**91.7%**	467,189	47.7%	101.4%
	1,025,802	**100.0%**	978,011	100.0%	4.9%

The Group's equity portfolio is decreased by 56.4% to HK$49.5 million (2018: HK$113.4 million). Over 90% of equity securities invested are listed on the Stock Exchange. The equity securities classified by locations are as follows:

	For the year ended 31 December		
	2019 HK$'000	2018 HK$'000	% Change
Listed in Hong Kong	**45,206**	103,236	(56.2%)
Listed outside Hong Kong	**4,263**	10,143	(58.0%)
	49,469	113,379	(56.4%)

The Group's debt portfolio is decreased by 91.7% to HK$31.1 million (2018: HK$373.1 million). The debt securities classified by type are as follows:

	As at 31 December		
	2019 HK$'000	2018 HK$'000	% Change
Bonds listed in Hong Kong	**15,601**	226,146	(93.1%)
Bond listed outside Hong Kong	**5,508**	131,302	(95.8%)
Unlisted bonds	**10,000**	15,678	(36.2%)
	31,109	373,126	(91.7%)

The Group reduced the investments in certificates of deposits by 81.7% to HK$4.5 million (2018: HK$24.3 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		
	2019 **HK$'000**	2018 HK$'000	% Change
Gross premium written	**527,743**	452,262	16.7%
Net premium written	**443,674**	391,085	13.4%
Net insurance premium revenue	**397,899**	360,802	10.3%
Net insurance claims and loss adjustment expenses	**(512,538)**	(395,791)	29.5%
Acquisition costs and other underwriting expenses, net	**(42,499)**	(36,893)	15.2%
Operating loss	**(157,138)**	(71,882)	118.6%
Investment income	**43,293**	22,003	96.8%
Other income	**1,274**	1,532	(16.8%)
Employee benefit expenses	**(36,901)**	(35,624)	3.6%
Other operating expenses	**(42,012)**	(40,057)	4.9%
Finance costs	**(1,723)**	(1,751)	(1.6%)
Loss before tax	**(193,207)**	(125,779)	53.6%
Loss for the year	**(198,520)**	(126,786)	56.6%
EBITDA	**(167,195)**	(104,701)	59.6%
Basic loss per share (1)	**(38.07 cents)**	(24.32 cents)	
Diluted loss per share (1)	**(38.07 cents)**	(24.32 cents)	

	For the year ended 31 December		
	2019	2018	Difference
Retention ratio (2)	**84.1%**	86.5%	(2.4%)
Loss ratio (3)	**128.8%**	109.7%	19.1%
Expense ratio (3)	**30.9%**	31.7%	(0.8%)
Combined ratio (4)	**159.7%**	141.4%	18.3%
Investment yield	**4.3%**	2.3%	2.0%

(1) The weighted average number of shares for the year ended 31 December 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.

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 the Group in this annual report.

The key operational risks are detailed as follows:

(A) REGULATORY AND INTERNATIONAL DEVELOPMENTS

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.

Following the establishment of IA on 26 June 2017 as the regulator of Hong Kong insurance companies, it also directly regulates intermediaries on or after 23 September 2019. A multi-year consultation process is underway to develop a risk-based capital regime for Hong Kong Insurers.

On 18 May 2017, the International Accounting Standards Board ("IASB") published International Financial Reporting Standard ("IFRS") 17 Insurance Contracts, which will replace the current IFRS 4 Insurance Contracts. IFRS 17 includes some fundamental differences to current accounting in both insurance contract measurement and profit recognition. On 12 December 2017, the Hong Kong Institute of Certified Public Accountants approved the issuance of Hong Kong Financial Reporting Standard ("HKFRS") 17 Insurance Contracts. On 17 March 2020, the IASB voted to defer the effective date of IFRS 17, meaning the standard will become mandatorily effective for financial periods beginning on or after 1 January 2023.

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.

The Group addresses cybersecurity risk in consideration with Guideline on Cybersecurity issued by IA, which is effective by 1 January 2020. 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 the 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.

(E) COVID-19 OUTBREAK

On 30 January 2020, the World Health Organization declared that the COVID-19 outbreak constituted a public health emergency of international concern. It subsequently declared on 11 March 2020 that the COVID-19 outbreak will inevitably spread to all parts of the world. Hong Kong have been at the forefront of the COVID-19 outbreak, it brings economic uncertainties as the anti-epidemic measures designed to contain it delivered collapse in activity affected every sector of the economy.

The Group will act immediately to protect our employees, assess ongoing impact, address business challenges and risks, and help to mitigate the disruption of the outbreak.

IMPORTANT EVENTS SINCE THE END OF THE FINANCIAL YEAR

The Board was informed by Mr. Lai and Mr. Chiu, both being executive Directors and substantial shareholders of the Company, that on 13 January 2020 an agreement (the "Agreement") was entered into, among others, Mr. Lai, Champion City Holdings Limited ("Champion City", a company wholly and beneficially owned by Mr. Lai), Mr. Chiu, Generous Rich Limited ("Generous Rich", a company wholly and beneficially owned by Mr. Chiu) (collectively as vendors) and Smart Neo Holdings Limited (as purchaser) ("Smart Neo") and Mr. Ng Yu (as purchaser's guarantor) ("Mr. Ng") for sale and purchase of a total of 138,822,000 shares of the Company (the "Sale Shares") at the consideration of HK$1.63 per Sale Share. The Sale Shares represent approximately 26.62% of the total number of issued shares of the Company as at the date of the Agreement.

Mr. Lai conditionally agreed to dispose (i) 56,250,000 shares held through Champion City, and (ii) 12,500,000 shares held personally. Mr. Chiu conditionally agreed to dispose (i) 56,250,000 shares held through Generous Rich, (ii) 700,000 shares jointly held with his spouse, and (iii) 13,122,000 shares held personally.

The Company was further informed that the sale and purchase of the Sale Shares is subject to fulfilment and/or waiver of certain conditions precedent including, among others, all consents (whether from the IA, the Stock Exchange, the Securities and Futures Commission or pursuant to any applicable laws) which are required or appropriate for the acquisition of the Sale Shares by Smart Neo having been obtained.

Upon completion of the Agreement, Mr. Lai, Champion City, Mr. Chiu and Generous Rich will no longer hold any shares in the Company and each of them will cease to be a substantial shareholder of the Company, and Mr. Ng and Smart Neo will become substantial shareholders of the Company.

On 13 March 2020, the Group entered into the loan agreements with each of Dr. Cheung, Mr. Chiu and Mr. Lai (as lenders), pursuant to which each of the lenders agreed to provide to the Group the loans in the principal amount of HK$40,000,000, HK$25,000,000 and HK$25,000,000 respectively at an interest rate of 3.5% per annum for a term commencing from 13 March 2020 to 12 September 2020, for the purpose of capital injection into Target.

COVID-19 outbreak in Hong Kong since the beginning of 2020 is a fluid and challenging situation affecting all industries and businesses. The Group will continue to pay close attention to the development of the COVID-19 outbreak, evaluate and proactively respond to its impact on the Group's financial position and operation.

FUTURE DEVELOPMENT OF OUR BUSINESS

For 2020, we will hone our focus on the strategies to write and grow our business more prudently:

ACHIEVING UNDERWRITING IMPROVEMENT

There is no "one size fits all" formula for success in underwriting. Our commercial exposures are particularly heterogeneous, intermediated, qualitative and required case-based assessment. We will focus our effort on disciplined underwriting through the following approaches:

– **Portfolio steering:** To strike a balance between consistency in our risk appetite and the need to continuously calibrate that appetite, we will ensure that we are willing and able to pull back when conditions are unsustainable.

– **Pricing adequacy:** To introduce technical pricing as a core part of underwriting governance and as a benchmark, we are thus provided with insight into directional movement of pricing for a portfolio over time.

– **Risk selection:** To supplement data-driven analysis, we will encourage collective risk discussion and underwriting assessment.

– **Capacity optimization:** To encourage dynamic recalibration of limits and retention, we will deploy capacity more prudently through deductibles and also through net retention across the portfolio by way of optimal use of reinsurance arrangement.

– **Coverage design:** To translate qualitative policy terms and endorsements into quantitative parameters, we will carefully control around our policy wording.

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 has rebranded itself for its capability to write a comprehensive range of general business in Hong Kong. To continue with our rebranding effort, we will maintain modest level of branding activities through traditional media (magazine, television commercial, radio etc) to reinforce our core products and more focused sales and marketing activities for new insurance products throughout the year.

BUILDING UP INTERNAL CAPACITY

There are three areas which we will continue to invest in 2020 to strengthen our internal capacity to prepare for the future:

– **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.

– **Human Resources**: We will continue to seek suitable professional talent to join our team to consolidate our capacity to deal with the business needs and regulatory developments.

– **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 organized by industry organizations and media partners.

RESULTS AND APPROPRIATIONS

The Group's result for the year ended 31 December 2019 and the state of affairs of the Company and of the Group as at that date are set out in the consolidated financial statements on pages 79 to 148.

The Directors do not recommend the payment of final dividend in respect of the year ended 31 December 2019. 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 Tuesday, 26 May 2020 ("2020 AGM"), the register of members of the Company will be closed from Wednesday, 20 May 2020 to Tuesday, 26 May 2020, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2020 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 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 19 May 2020.

SHARE CAPITAL

There was no change in the Company's share capital for the year ended 31 December 2019, details of which are set out in note 26 to the consolidated 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 2019.

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). The 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 2019, the Group has complied, to the best of our knowledge, with the Listing Rules and the 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. The 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 2019, the 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 2019, the Group made charitable donations amounting to approximately HK$51,000 (2018: HK$206,000).

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 2019, the Company's reserves available for distribution to the Shareholders is HK$24.0 million (2018: HK$24.9 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 the IA, the Company intends to distribute dividend to the Shareholders of not less than 30% of any net consolidated distributable profit derived. The Company will re-evaluate its dividend policy annually.

DIRECTORS

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

Executive Directors
Dr. Cheung Haywood ("Dr. Cheung")
Mr. Lai Bing Leung ("Mr. Lai")
Mr. Chiu Sun Ting ("Mr. Chiu")
Mr. Muk Wang Lit Jimmy ("Mr. Muk")
Mr. Chan Hok Ching ("Mr. Chan")
Ms. Lau Ka Yee ("Ms. Lau") (appointed on 1 January 2020)

Independent Non-executive Directors
Mr. Wan Kam To
Mr. Wong Shiu Hoi Peter
Mr. Szeto Wai Sun
Mr. Yuen Tak Tim Anthony *MH, JP* (resigned on 7 January 2020)

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.

In accordance with Article 71 of the Articles, Ms. Lau is subject to retirement and re-election at the 2020 AGM, and being eligible, offers herself for re-election.

Each of Dr. Cheung, Mr. Lai, Mr. Chiu, Mr. Muk and Mr. Chan has entered into a renewed service contract with the Company on 13 December 2017 for the renewal of the term of appointment for three years with effect from 15 January 2018 and ending on 14 January 2021.

Ms. Lau has entered into a service contract with the Company on 11 December 2019 for an initial term of three years commencing from 1 January 2020 and she is subject to retirement and re-election at the next general meeting of the Company after her appointment and thereafter subject to retirement by rotation in accordance with the Articles.

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
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* (resigned on 7 January 2020)

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 (except Ms. Lau) 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 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.

Ms. Lau has entered into a service contract with the Company on 11 December 2019 for an initial term of three years commencing from 1 January 2020, and thereafter be continuous unless 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. She is subject to retirement and re-election at the next general meeting of the Company after her appointment and thereafter subject to retirement by rotation in accordance with the Articles. Ms. Lau is entitled to a discretionary bonus as may be determined by the Remuneration Committee 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 her individual performance.

Each of the independent non-executive Directors 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 the independent non-executive Directors 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.

None of the Directors who are proposed for re-election at the 2020 AGM has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

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 2019, the interests 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	158,750,000 (Note 1)	30.45%
Mr. Lai Bing Leung	Interest of a controlled corporation	Long position	56,250,000 (Note 2)	10.79%
	Beneficial owner	Long position	12,500,000 (Note 2)	2.40%
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	700,000 (Note 3)	0.13%
	Beneficial owner	Long position	13,122,000 (Note 3)	2.52%
Mr. Muk Wang Lit Jimmy	Beneficial owner	Long position	2,000,000 (Note 4)	0.38%
Mr. Chan Hok Ching	Beneficial owner	Long position	1,300,000 (Note 5)	0.25%
Mr. Wong Shiu Hoi Peter	Beneficial owner	Long position	500,000 (Note 5)	0.10%
Mr. Wan Kam To	Beneficial owner	Long position	500,000 (Note 5)	0.10%
Mr. Szeto Wai Sun	Beneficial owner	Long position	500,000 (Note 5)	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. (i) 56,250,000 Shares are held through Champion City Holdings Limited ("Champion City"), a company which 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; and (ii) 12,500,000 Shares are held by Mr. Lai personally.

3. (i) 56,250,000 Shares are held through Generous Rich Limited ("Generous Rich"), a company which 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; (ii) 700,000 Shares are jointly held by Mr. Chiu and Mrs. Chiu Choi Yu Hing, spouse of Mr. Chiu; and (iii) 13,122,000 Shares are held by Mr. Chiu personally.

4. Included interest in 1,640,000 Shares derived from the interest in the share options granted under the pre-IPO share option scheme (the "Pre-IPO Share Option Scheme"), details are set out in the section headed "Interest in Share Options".

5. 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 executives 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 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.

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 2019	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as at 31 December 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		

Notes:

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.

* These include 86,000 share options granted to Ms. Lau, who was appointed as an executive Director on 1 January 2020.

The Pre-IPO Share Option Scheme ended on 14 January 2015, being the day immediately prior to the date of the listing of the Shares on the Stock Exchange, i.e. 15 January 2015 (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 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 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 on the adoption date, i.e. 23 December 2014 (the "Adoption Date").

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

No share option has been granted by the Company under the Scheme since the Adoption Date 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 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	158,750,000	30.45%
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	700,000	0.13%
	Interest of spouse	Long position	69,372,000	13.30%

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 158,750,000 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 700,000 Shares jointly with Mr. Chiu and therefore Mrs. Chiu is deemed to be interested in these 700,000 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) 13,122,000 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 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 year ended 31 December 2019.

CONNECTED TRANSACTIONS

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

EXEMPT CONTINUING CONNECTED TRANSACTIONS

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

1. PROVISION OF INSURANCE SERVICES BY TARGET TO CONNECTED PERSONS

The Group provides insurance services to certain connected persons in the ordinary and usual course of business of the Group. Each of the above insurance policies is for a term of one year and on normal commercial terms. Each of the insurance policies was individually entered into between Target 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 Group, namely Dr. Cheung, Mr. Lai, Mr. Muk, Mr. Chan, Mr. Wong, Mr. Wan, Mr. Yuen, Ms. Lau, former executive director Dr. Choi Chiu Fai Stanley ("Dr. Choi") 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 2019, the aggregate annual premium paid to the Group from the relevant connected persons were approximately HK$0.6 million (2018: HK$1.7 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 2019, the aggregate amount of commissions paid to Oscar was approximately HK$1.1 million (2018: 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 2019, the aggregate amount of commissions paid to Abacus was approximately HK$17,000 (2018: 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 Convoy Services 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 2019, the aggregate amount of commission paid to Convoy Services was approximately HK$0.9 million (2018: 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, a former executive director who resigned on 25 January 2019. The Group paid approximately HK$110,000 (2018: HK$166,000) 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 regarded as a connected person of the Company under the Listing Rules.

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 ended 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.

Annual Cap

The annual cap under the Atlantic Ocean Agreement for the financial year ended 31 December 2019 is HK$7.7 million.

For the year ended 31 December 2019, the aggregate amount of commission paid to Atlantic Ocean was approximately HK$3.5 million (2018: HK$6.4 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 Convoy Solutions 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.

Annual Cap

The annual cap under the Convoy Solutions Broker Agreement for the financial year ended 31 December 2019 is HK$9.75 million.

For the year ended 31 December 2019, the aggregate amount of commission paid to Convoy Solutions was approximately HK$0.3 million (2018: HK$0.3 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 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 respective agreements governing such transactions that are fair and reasonable and in the interests of the 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 Solutions, 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 caps.

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 2019.

The independent non-executive Directors 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 2019.

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 the 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 2019, the percentage of gross premium written attributable to the largest customer and the five largest customers of the Group is 2.0% and 7.4% respectively.

During 2019, the largest reinsurer and the five largest reinsurers of the Group accounted for approximately 50.6% and 86.4% 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 2019.

AUDIT COMMITTEE

The Company established the Audit Committee on 23 December 2014 with written terms of reference in compliance with the CG Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee during the year 2019 were to review and supervise the financial reporting process and internal control system of the Group. The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Wan Kam To (as chairman), Mr. Wong Shiu Hoi Peter and Mr. Szeto Wai Sun. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2019.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 51 to 60 of the 2019 Annual Report.

AUDITOR

There was no change in auditor during the past three years.

The consolidated financial statements for the year ended 31 December 2019 have been audited by Mazars CPA Limited, whose term of appointment shall expire at the conclusion of the 2020 AGM. A resolution will be submitted to the 2020 AGM for the re-appointment of Mazars CPA Limited as auditor of the Company.

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

Hong Kong, 27 March 2020

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 2019, 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 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 2019.

BOARD OF DIRECTORS

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 six executive Directors and three 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
Ms. LAU Ka Yee (appointed on 1 January 2020)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. WAN Kam To
Mr. WONG Shiu Hoi Peter
Mr. SZETO Wai Sun

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 17 to 21 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 three 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 2019, and the Company considers each of them was independent under Rule 3.13 of the Listing Rules.

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

BOARD MEETINGS

During the financial year ended 31 December 2019, 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
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	3/4
Mr. Yuen Tak Tim Anthony (resigned on 7 January 2020)	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 2019, the 2019 annual general meeting of the Company was held on 23 May 2019.

Name of Director	Number of attendance
Dr. Cheung Haywood	1/1
Mr. Lai Bing Leung	1/1
Mr. Chiu Sun Ting	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 (resigned on 7 January 2020)	1/1

The Board is responsible for maintaining an on-going dialogue with Shareholders and in particular, uses annual general meeting 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 2019 to the Company.

The individual training record of each Director received for the year ended 31 December 2019 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	√
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 (resigned on 7 January 2020)	√

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 the 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 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, 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 2019, the Nomination Committee held two meetings and reviewed the structure, size and diversity of the Board, assessed the independence of each independent non-executive director and considered the proposed nomination of Director.

Name of Director	Number of attendance
Mr. Szeto Wai Sun *(chairman)*	2/2
Mr. Muk Wang Lit Jimmy	2/2
Mr. Wong Shiu Hoi Peter	2/2

REMUNERATION COMMITTEE

The Company established the 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 2019, the Remuneration Committee held three meetings and has reviewed the salary adjustment and bonus of the Directors and senior management, the amendment to the remuneration policy of the Company and reviewed the remuneration of the proposed Director.

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

The Company has adopted the Pre-IPO Share Option Scheme and the 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 consolidated 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' and senior management's remuneration for the year ended 31 December 2019 are set out in notes 10 and 11, respectively, to the consolidated 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 currently comprises three independent non-executive Directors, namely Mr. Wan Kam To (as chairman), Mr. Wong Shiu Hoi Peter and Mr. Szeto Wai Sun.

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

Terms of reference of the Audit Committee is currently made available on the Stock Exchange's website and the Company's website.

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

During the financial year ended 31 December 2019, the Audit Committee held three meetings and reviewed, among others, the 2018 annual results and 2019 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 (resigned on 7 January 2020)	3/3

RISK COMMITTEE

The Company established the Risk Committee on 23 December 2014, with written terms of reference aligned with the code provisions set out in the CG Code and Guideline on Corporate Governance issued by IA. The terms of reference was revised on 11 December 2019. The primary duties of the Risk Committee are (i) to advise the risk profile, risk appetite 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 risk management framework 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.

The Risk Committee currently comprises two independent non-executive Directors and three executive Directors, namely Mr. Wong Shiu Hoi Peter (as chairman), Mr. Szeto Wai Sun, Mr. Muk Wang Lit Jimmy, Mr. Chan Hok Ching and Ms. Lau Ka Yee.

During the financial year ended 31 December 2019, the Risk Committee held three meetings and reviewed (i) the interim and annual risk assessment of the Company, (ii) the financial impact of proposed salary adjustment and (iii) reviewed the updated risk management policy.

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 (resigned on 7 January 2020)	3/3
Mr. Muk Wang Lit Jimmy	3/3
Mr. Chan Hok Ching	3/3
Ms. Lau Ka Yee (appointed on 1 January 2020)	N/A

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 2019, the Board has reviewed the Company's policies and practices on corporate governance.

AUDITOR'S REMUNERATION

For the year ended 31 December 2019, 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)	929
– Non-audit services (Note 2)	150
Total	1,079

Notes:

1. The audit services provided by Mazars include the audit of the financial statements of Target for the six months ended 30 June 2019 and the audit of the consolidated financial statements of the Group for the year ended 31 December 2019.

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 2019, tax services, report on the continuing connected transactions of the Company for the year ended 31 December 2019 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, an executive Director and 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 2019.

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 2019, there was no change in the Articles.

The existing Articles 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 2020 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 2019, 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 annual 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 2019. 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	Responsibilities
Board of Directors	• Approve the ESG Policy • Identify and evaluate material ESG issues • Review process achieving the ESG approach and material ESG issues at least annually • Ensure the ESG Policy is reviewed annually
Risk Management Function	• Provide oversight of the implementation of the ESG approach and progress of material ESG issues
HR and Administration Department	• Implement the ESG approach • Manage material ESG issues • Report on the implementation of the ESG approach
All employees	• Be aware of the ESG Policy and approach

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

We have developed and implemented a number of internal environmental guidelines to improve our environmental performance. Our office installed automatic lighting control with motion sensors and energy saving fluorescent tubes. 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 1.3% 74,402 kWh in 2019 (2018: 75,356 kWh). Our internal environmental guidelines helped to maintain the energy consumption per office area at 4 kWh/ft^2 (2018: 4 kWh/ft^2). We were awarded Green Office Awards Labelling Scheme by World Green Organization for seven consecutive years. This award was a great recognition to our effort on environmental protection.

WASTE REDUCTION AND RECYCLING

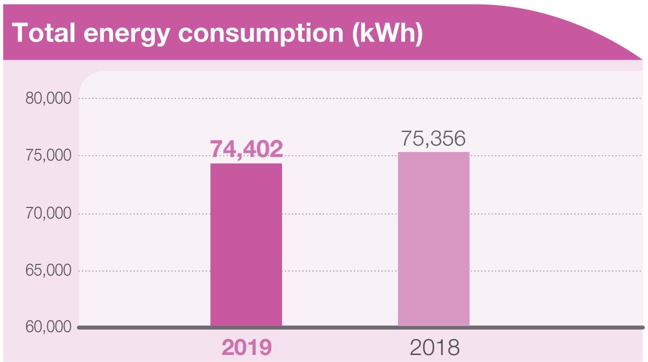
Our Group proactively advocates the use of electronic platforms in daily operation to reduce the consumption on papers. We develop a comprehensive company platform (www.6161.com.hk) to promote our company and products. This platform allows our customers to purchase motor, travel and home insurance online. The insurance policies/cover notes will be sent to our customers' e-mail accounts immediately. In 2019, more than 10,400 motor cover notes and 8,700 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 1 firewall, 1 printer, 2 personal computers and 83 boxes of toners to Caritas in 2019, 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.

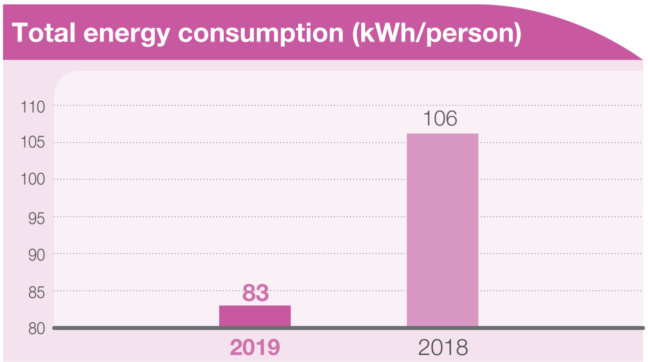
Environmental Performance	2019	2018
Paper		
Paper purchases		
Total paper used (kg)(1)	**Immaterial**	Immaterial
Total energy consumption		
Total electricity consumption (kWh)	**74,402**	75,356
Energy intensity		
By floor area (kWh/ft^2)	**4**	4
By number of employees (kWh/person)	**83**	106
Greenhouse Gas GHG emissions		
Direct emissions (Scope 1) (tonnes)	**–**	–
Indirect emissions (Scope 2) (tonnes)	**42**	43
Other indirect emissions (Scope 3) (tonnes)(1)	**Immaterial**	Immaterial
Water		
Total Water consumption (cubic metres)(1)	**Immaterial**	Immaterial

Note:

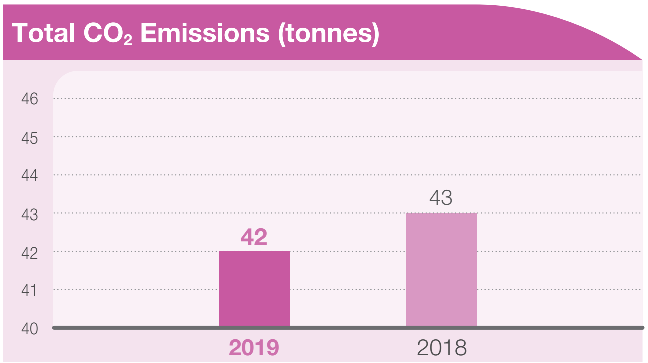
(1) Since our Group does not have manufacturing operations, the resources consumption have immaterial impact to the environment.

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 of Singing Bike Battle" breaks boundaries with the traditional power generation and cycling. More than 15 colleagues joined this event and challenged their own physical limits, and won the "Best Team Spirit" award. The competition spreads the message of environmental protection through power generating by cycling.

WORKPLACE

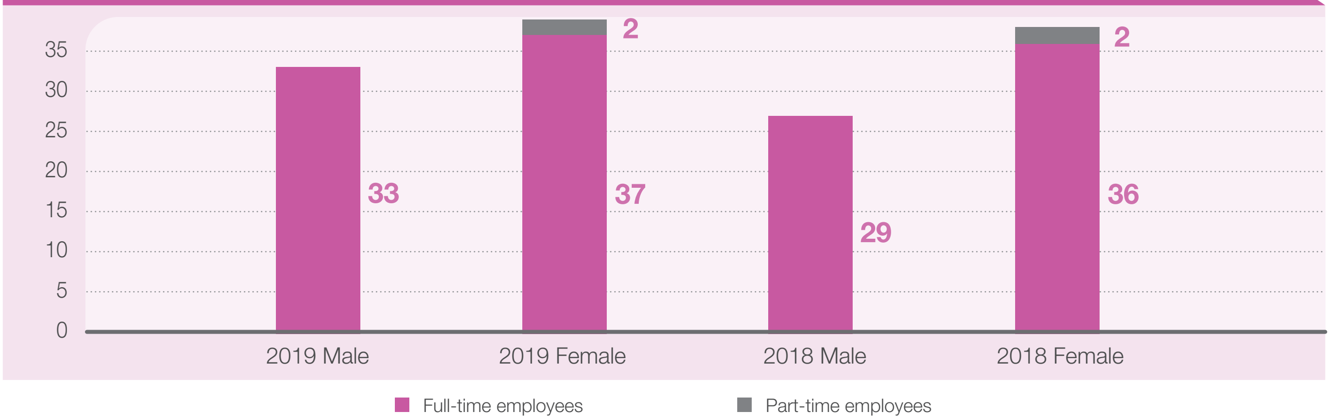
POLICY

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.

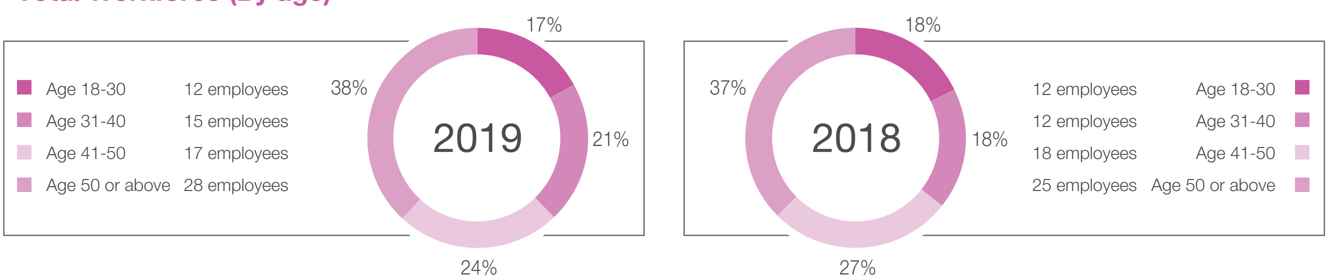
EMPLOYMENT

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 2019, our Group had a total headcount of 70 full-time employees and 2 part-time employees, an 7.5% increase in headcount comparing to the previous year (2018: 65 full-time employees and 2 part-time employees). Our gender mix is 46% male and 54% female (2018: 43% male and 57% 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. However, in the process of identifying suitable talents to accommodate our changing business needs, our Group's turnover rate decreased to 19.4% (2018: 25.4%).

2019

Male	Female	Age 18-30	Age 31-40	Age 41-50	Age 50 above	Turnover rate
8	6	5	3	3	3	19.4%

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%

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.

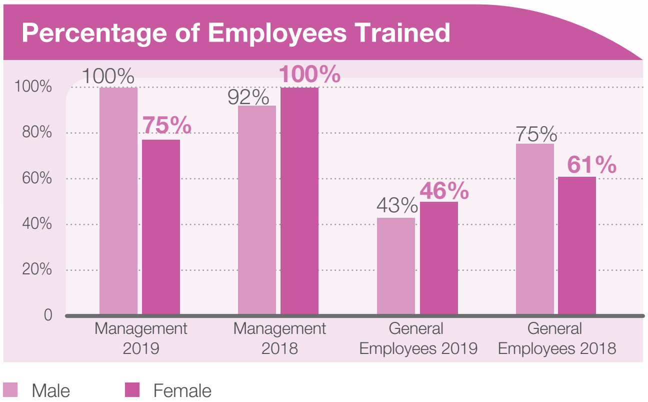
Any potential health or safety hazards and all injuries or accidents should be reported to senior management immediately. Our Group also takes a pro-active approach on handling employees' compensation cases to speed up injured staff's recovery and accommodate seamless return-to-work.

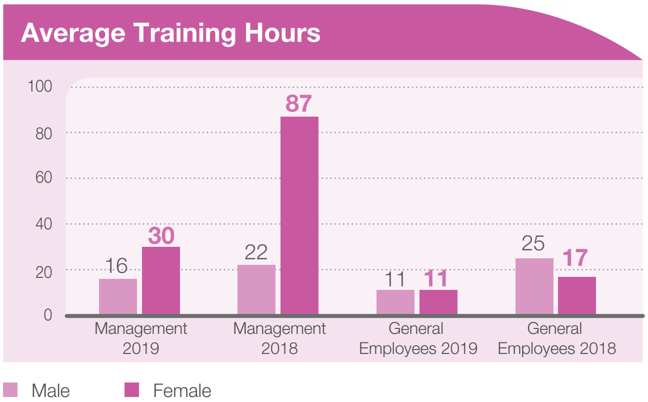
We were awarded Eco-Healthy Workplace Awards Labelling Scheme by World Green Organization in 2019.

Occupational health and safety performance	2019	2018
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 and updated the same on 11 December 2019 to ensure our customers' complaints are resolved in an effective and efficient manner. We received 7 complaints in 2019 (2018: 4) and 3 complaints (2018: 4) 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 2019, 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.

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		
	2019 HK$'000	2018 HK$'000	% Change
Health/Environment	**31**	57	(45.6%)
Sports	**20**	29	(31.0%)
Education	**–**	120	(100%)
	51	206	(75.2%)

2. SPONSORSHIPS

	For the year ended 31 December		
	2019 HK$'000	2018 HK$'000	% Change
Health/Environment	**37**	38	(2.6%)
Community	**32**	–	n/a
Culture	**20**	10	100%
Sports	**11**	49	(77.6%)
Education	**2**	–	n/a
	102	97	5.2%

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 63
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 64 to 65
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 63 to 65
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 63 to 65
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 64 to 65
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 63 to 65
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	Pages 63 to 65
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	Pages 63 to 65

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)	Pages 65 to 67
	KPI B1.1	Total workforce by gender, employment type, age group and geographical region	Page 66
	KPI B1.2	Employee turnover rate by gender, age group and geographical region	Page 67
	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 67
	KPI B2.1	Number and rate of work-related fatalities	Page 67
	KPI B2.2	Lost days due to work injury	Page 67
	KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	Page 67
	Development and Training		
	General disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. (Description of training activities)	Page 68
	KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management)	Page 68
	KPI B3.2	The average training hours completed per employee by gender and employee category	Page 68
	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 68
	KPI B4.1	Description of measures to review employment practices to avoid child and forced labour	Page 68
	KPI B4.2	Description of steps taken to eliminate such practices when discovered	Page 68

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 68
	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 68
	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 relating to products and services provided and methods of redress)	Page 69
	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 69
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	Page 69
	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 69
	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 69
	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	2019: None 2018: None
	KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	Page 69
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 69
	KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Pages 3 to 5 and 70
	KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Page 70

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

MAZARS CPA LIMITED
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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 79 to 148, which comprise the consolidated statement of financial position as at 31 December 2019, 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 2019, 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 has engaged an independent professional actuary to conduct a review on the adequacy of the reserves for the motor vehicle segments and the employees' compensation segment of the Group at the end of the reporting period.	– 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. – 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. – Evaluating the competence, capabilities and objectivity of the Group's independent professional actuaries and comparing the methodologies and models used by the independent professional actuaries against recognised actuarial practices and those used in previous reporting period.

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 2019, leasehold land and buildings held by the Group were stated at fair value of HK$500,000,000. 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 2019 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, 27 March 2020

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

	Note	2019 HK$'000	2018 HK$'000
Net insurance premium revenue	4	**397,899**	360,802
Net investment income	5	**43,293**	22,003
Other income	6	**1,274**	1,532
Net income		**442,466**	384,337
Net insurance claims and loss adjustment expenses	7	**(512,538)**	(395,791)
Acquisition costs and other underwriting expenses, net	8	**(42,499)**	(36,893)
Employee benefit expenses	9	**(36,901)**	(35,624)
Other operating expenses		**(42,012)**	(40,057)
Finance costs	9	**(1,723)**	(1,751)
Expenses		**(635,673)**	(510,116)
Loss before tax	9	**(193,207)**	(125,779)
Income tax expense	12	**(5,313)**	(1,007)
Loss for the year		**(198,520)**	(126,786)
		HK cents	HK cents
Loss per share	14		
Basic		**(38.07)**	(24.32)
Diluted		**(38.07)**	(24.32)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2019

	2019 HK$'000	2018 HK$'000
Loss for the year	**(198,520)**	(126,786)
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Revaluation of property, plant and equipment	**(1,428)**	126,069
Effect of deferred tax arising from revaluation	**(4,541)**	(17,621)
	(5,969)	108,448
Items that are reclassified or may be reclassified subsequently to profit or loss:		
Financial assets at fair value through other comprehensive income		
Gains (Losses) on changes in fair value arising during the year	**25,559**	(32,309)
Reclassification of net changes in fair value to profit or loss	**(2,068)**	(3,007)
Effect of deferred tax arising form changes in fair value	**1,006**	–
Net movement in fair value of financial assets at fair value through other comprehensive income	**24,497**	(35,316)
Other comprehensive income for the year, net of tax	**18,528**	73,132
Total comprehensive loss for the year	**(179,992)**	(53,654)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Year ended 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
Assets			
Property, plant and equipment	15	**508,556**	531,357
Intangible assets	16	**3,505**	5,494
Debt securities measured at fair value through other comprehensive income ("FVOCI")	18	**31,109**	373,126
Certificates of deposit	18	**4,451**	24,317
Deferred tax assets	19	**–**	6,084
Insurance and other receivables	20	**160,486**	106,845
Reinsurance assets	21	**273,130**	137,622
Deferred acquisition costs	22	**35,530**	26,533
Financial assets at fair value through profit or loss ("FVPL")	18	**49,469**	113,379
Statutory deposit	23	**100,000**	100,000
Time deposits with original maturity over 3 months	23	**82,151**	31,925
Cash and time deposits at banks and other financial institutions	23	**758,622**	335,264
TOTAL ASSETS		**2,007,009**	1,791,946
Liabilities			
Deferred tax liabilities	19	**43,023**	41,010
Insurance liabilities	21	**1,533,058**	1,145,798
Interest-bearing borrowing	24	**84,448**	90,418
Deferred commission income	22	**6,914**	4,657
Reinsurance premium payable		**18,307**	12,145
Insurance and other payables	25	**14,211**	11,629
Tax payable		**1,172**	421
TOTAL LIABILITIES		**1,701,133**	1,306,078
EQUITY			
Share capital	26	**368,159**	368,159
Other reserves	28	**226,692**	208,164
Accumulated losses		**(288,975)**	(90,455)
TOTAL EQUITY		**305,876**	485,868
TOTAL LIABILITIES AND EQUITY		**2,007,009**	1,791,946

These consolidated financial statements on pages 79 to 148 were approved and authorised for issue by the Board of Directors on 27 March 2020 and signed on its behalf by

Cheung Haywood
Director

Muk Wang Lit Jimmy
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

	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	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 FVOCI	–	–	(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

	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 losses HK$'000	Total HK$'000
At 1 January 2019	368,159	236,485	(30,124)	24,936	(24,936)	1,803	(90,455)	485,868
Loss for the year	–	–	–	–	–	–	(198,520)	(198,520)
Other comprehensive income								
Revaluation of property, plant and equipment	–	(5,969)	–	–	–	–	–	(5,969)
Net movement in fair value of financial assets at FVOCI	–	–	24,497	–	–	–	–	24,497
	–	(5,969)	24,497	–	–	–	–	18,528
Total comprehensive loss for the year	–	(5,969)	24,497	–	–	–	(198,520)	(179,992)
At 31 December 2019	368,159	230,516	(5,627)	24,936	(24,936)	1,803	(288,975)	305,876

CONSOLIDATED STATEMENT OF CASH FLOW

Year ended 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
OPERATING ACTIVITIES			
Cash (used in) generated from operations	29(A)	**(9,471)**	61,996
Income tax refunded		**–**	5,197
Net cash (used in) from operating activities		**(9,471)**	67,193
INVESTING ACTIVITIES			
Interest received		**26,455**	23,842
Dividend received from financial assets at FVPL		**3,397**	4,264
Proceeds from derecognition of debt securities at FVOCI		**396,700**	40,293
Proceeds from derecognition of certificates of deposit		**40,000**	30,000
Proceeds from derecognition of financial assets at FVPL		**137,488**	214,714
Purchase of debt securities at FVOCI		**(29,258)**	(174,699)
Purchase of certificates of deposit		**(20,000)**	(20,000)
Purchase of financial assets at FVPL		**(63,106)**	(304,524)
Maturity of statutory and time deposits with original maturity over 3 months		**146,925**	381,946
Placement of statutory and time deposits with original maturity over 3 months		**(197,151)**	(381,925)
Purchase of property, plant and equipment		**(305)**	(1,311)
Additions of intangible assets		**(623)**	(4,098)
Net cash from (used in) investing activities		**440,522**	(191,498)
FINANCING ACTIVITIES			
Dividend paid	29(B)	**–**	(26,071)
Repayment of bank loan	29(B)	**(5,970)**	(5,895)
Interest paid		**(1,723)**	(1,751)
Net cash used in financing activities		**(7,693)**	(33,717)
Net increase (decrease) in cash and cash equivalents		**423,358**	(158,022)
Cash and cash equivalents at beginning of year		**335,264**	493,286
Cash and cash equivalents at end of year, represented by cash and time deposits with original maturity within 3 months at banks and other financial institutions	23	**758,622**	335,264

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 2018 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:

HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
HKFRS 16	Leases

HK(IFRIC)-INT 23: UNCERTAINTY OVER INCOME TAX TREATMENTS

The Interpretation supports the requirements in HKAS 12 Income Taxes by specifying how to reflect the effects of uncertainty in accounting for income taxes.

The adoption of the Interpretation 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 9: PREPAYMENT FEATURES WITH NEGATIVE COMPENSATION

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income instead of at FVPL if specified conditions are met.

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

HKFRS 16: LEASES

HKFRS 16 replaces HKAS 17 and related Interpretations for annual periods beginning on or after 1 January 2019. It significantly changes, among others, the lessee accounting by replacing the dual-model under HKAS 17 with a single model which requires a lessee to recognise right-of-use assets and lease liabilities for the rights and obligations created by all leases with a term of more than 12 months, unless the underlying asset is of low value.

At the date of initial application, the Group elected to present its right-of-use assets within the line item “property, plant and equipment” on the consolidated statement of financial position.

The adoption of HKFRS 16 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 debt securities and certificates of deposit measured at FVOCI (“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.

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.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

SUBSIDIARIES (Continued)

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

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.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

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, except for financial assets mandatorily measured at FVPL, Mandatory FVOCI and financial assets measured at amortised cost which are accounted for on the settlement 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

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) equity securities measured at FVOCI ("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.

(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 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 cash and time deposits at banks and other financial institutions, statutory deposit, time deposits and other receivables.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

FINANCIAL INSTRUMENTS (Continued)

FINANCIAL ASSETS (Continued)

CLASSIFICATION AND MEASUREMENT (Continued)

(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 includes debt securities and certificates of deposit.

(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.

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.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

FINANCIAL INSTRUMENTS (Continued)

FINANCIAL LIABILITIES (Continued)

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 directly 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

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.

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).

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

FINANCIAL INSTRUMENTS (Continued)

IMPAIRMENT OF FINANCIAL ASSETS AND OTHER ITEMS (Continued)

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. In particular, the following information is taken into account in the assessment:

- the debtor's failure to make payments of principal or interest on the due dates;
- an actual or expected significant deterioration in the financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- actual or expected changes in the technological, market, economic or legal environment that have or may have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

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.

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.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

FINANCIAL INSTRUMENTS (Continued)

IMPAIRMENT OF FINANCIAL ASSETS AND OTHER ITEMS (Continued)

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.

As detailed in note 31 to the consolidated financial statements, the following financial instruments are determined to have low credit risk:

- Other receivables;
- Cash and time deposits at banks and other financial institutions; and
- Mandatory FVOCI with international long-term/short-term credit risk rating not lower than BBB-/A-3 (Standard & Poor's), Baa/P-3 (Moody's), BBB/F3 (Fitch) or B+/bbb (A.M. Best).

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.

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.

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 in hand and at banks and other financial institutions, 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 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.

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.

(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.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

INSURANCE CONTRACTS (Continued)

(C) REINSURANCE ASSETS (Continued)

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 on premiums written without deducting the policy acquisition costs for the year.

(F) OUTSTANDING CLAIMS

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

PROVISIONS

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

FOREIGN CURRENCY TRANSLATION

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

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

EMPLOYEE BENEFITS

(A) SHORT TERM EMPLOYEE BENEFITS

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

(B) DEFINED CONTRIBUTION PLANS

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

(C) LONG SERVICE PAYMENTS

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

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

SHARE-BASED PAYMENT TRANSACTIONS

EQUITY-SETTLED TRANSACTIONS

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

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

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

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

TAXATION

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

RELATED PARTIES

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

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

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

  (ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

SEGMENT REPORTING

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

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(1) KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

(B) VALUATION OF LEASEHOLD LAND AND BUILDINGS

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

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

FUTURE CHANGES IN HKFRSs

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

Amendments to HKASs 1 and 8	Definition of Material [1]
Amendments to HKAS 39, HKFRSs 7 and 9	Interest Rate Benchmark Reform [1]
Amendments to HKFRS 3	Definition of a Business [2]
HKFRS 17	Insurance Contracts [3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [4]

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

The directors are in the process of assessing the possible impact on the future adoption of 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
- Employees' compensation
- Others

3. SEGMENT INFORMATION (Continued)

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 2019

	Taxi HK$'000	PLB HK$'000	Other motor vehicles HK$'000	Employees' compensation HK$'000	Others HK$'000	Total HK$'000
Net insurance premium revenue	227,078	72,263	65,564	28,466	4,528	397,899
Net insurance claims and loss adjustment expenses	(344,677)	(60,701)	(63,792)	(42,077)	(1,291)	(512,538)
Acquisition costs and other underwriting expenses, net	(18,578)	(5,972)	(11,753)	(5,854)	(342)	(42,499)
Segment results	(136,177)	5,590	(9,981)	(19,465)	2,895	(157,138)
Unallocated investment income and other income						44,567
Unallocated corporate expenses and finance costs						(80,636)
Loss before tax						(193,207)
Income tax expense						(5,313)
Loss for the year						(198,520)
Assets						
Segment assets	244,385	25,321	114,897	53,258	5,634	443,495
Unallocated assets						1,563,514
Total assets						2,007,009
Liabilities						
Segment liabilities	938,837	206,974	290,705	123,350	8,591	1,568,457
Unallocated liabilities						132,676
Total liabilities						1,701,133
Other profit or loss information						
Interest income from bank deposits						11,113
Interest income from debt securities at FVOCI						18,110
Interest income from certificates of deposit						410
Dividend income from financial assets at FVPL						3,397
Gain on derecognition of debt securities at FVOCI						2,068
Net fair value gain of financial assets at FVPL						10,472
Interest on bank loan						1,723
Depreciation and amortisation						24,289

3. SEGMENT INFORMATION (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

	Taxi HK$'000	PLB HK$'000	Other motor vehicles HK$'000	Employees' compensation HK$'000	Others HK$'000	Total HK$'000
Net insurance premium revenue	219,568	74,916	60,121	4,612	1,585	360,802
Net insurance claims and loss adjustment expenses	(265,255)	(36,293)	(85,664)	(7,026)	(1,553)	(395,791)
Acquisition costs and other underwriting expenses, net	(17,997)	(6,113)	(11,552)	(1,160)	(71)	(36,893)
Segment results	(63,684)	32,510	(37,095)	(3,574)	(39)	(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	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
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

4. NET INSURANCE PREMIUM REVENUE

	2019 HK$'000	2018 HK$'000
Gross premium written	527,743	452,262
Reinsurance premium ceded	(84,069)	(61,177)
Net premium written	443,674	391,085
Change in provision for unearned premium	(53,498)	(36,223)
Change in unearned premium on reinsurance ceded	7,723	5,940
Change in net provision for unearned premium	(45,775)	(30,283)
Net insurance premium revenue	397,899	360,802

5. NET INVESTMENT INCOME

	2019 HK$'000	2018 HK$'000
Interest revenue calculated using the effective interest method:		
– time deposits	11,113	6,672
– certificates of deposit	410	547
– listed debt securities mandatorily measured at FVOCI	16,930	19,089
– unlisted debt securities mandatorily measured at FVOCI	1,180	712
Dividend income from listed financial assets mandatorily measured at FVPL	3,397	4,264
Gain on derecognition of debt securities mandatorily measured at FVOCI *(2018: including reversal of impairment loss of HK$2,700,000 upon settlement)*	2,068	5,707
Net fair value gain (loss) of financial assets mandatorily measured at FVPL	10,472	(16,007)
Net foreign exchange (loss) gain	(2,277)	1,019
Net investment income	43,293	22,003

6. OTHER INCOME

	2019 HK$'000	2018 HK$'000
Handling fee income	**1,206**	1,409
Others	**68**	123
	1,274	1,532

7. NET INSURANCE CLAIMS AND LOSS ADJUSTMENT EXPENSES

	2019 HK$'000	2018 HK$'000
Gross claims paid	**358,692**	302,142
Claims recovered	**(52,131)**	(29,367)
Net claims paid	**306,561**	272,775
Change in provision for gross outstanding claims and incurred but not reported claims ("IBNR")	**312,992**	151,497
Change in claims recoverable (including IBNR recoveries)	**(127,785)**	(42,301)
Change in provision for unexpired risk	**20,770**	13,820
Change in net outstanding claims	**205,977**	123,016
Net insurance claims and loss adjustment expenses	**512,538**	395,791

8. ACQUISITION COSTS AND OTHER UNDERWRITING EXPENSES, NET

	2019 HK$'000	2018 HK$'000
Acquisition costs and other underwriting expenses		
Insurance commission	**54,913**	40,764
Other underwriting expenses	**8,864**	9,135
Change in deferred acquisition costs	**(8,997)**	(5,277)
Acquisition costs and other underwriting expenses, gross	**54,780**	44,622
Commission income		
Insurance commission from reinsurers	**(14,538)**	(9,723)
Change in deferred commission income	**2,257**	1,994
Commission income	**(12,281)**	(7,729)
Acquisition costs and other underwriting expenses, net	**42,499**	36,893

9. LOSS BEFORE TAX

This is stated after charging:

	2019 HK$'000	2018 HK$'000
Finance costs		
Interest on bank loan	1,723	1,751
Other items		
Employee benefit expenses (including directors' emoluments)		
Salaries, bonus and allowances	35,572	34,260
Equity-settled share-based payments	–	10
Contributions to defined contribution plan	1,329	1,354
	36,901	35,624
Auditor's remuneration		
Audit services	929	1,051
Other services	150	150
Depreciation	21,677	17,178
Amortisation (included in other operating expenses)	2,612	2,149
Loss on disposal of property, plant and equipment	1	3

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 2019

	Directors' fees HK$'000	Salaries and allowances HK$'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)	8	91	–	5	104
Chan Hok Ching	96	1,407	–	54	1,557
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	–	60	1,658
Independent non-executive directors					
Wong Shiu Hoi Peter	189	–	–	–	189
Wan Kam To	189	–	–	–	189
Szeto Wai Sun	189	–	–	–	189
Yuen Tak Tim Anthony (ii)	214	–	–	–	214
	1,269	6,276	–	119	7,664

10. INFORMATION ABOUT THE BENEFITS OF DIRECTORS (Continued)

(A) *DIRECTORS' REMUNERATIONS* (Continued)

YEAR ENDED 31 DECEMBER 2018

	Directors' fees HK$'000	Salaries and allowances HK$'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 (ii)	214	–	–	–	214
	1,357	7,277	3	175	8,812

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

(ii) Mr. Yuen Tak Tim Anthony resigned as independent non-executive director on 7 January 2020.

No directors have waived emoluments in respect of the years ended 31 December 2019 and 2018. 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 (2018: 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 2019

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	**1,068**
Head & Shoulders Securities Limited	Choi Chiu Fai Stanley (Note 10(a)(i))	Brokerage paid	**5**

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 10(a)(i))	Brokerage paid	166

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 (2018: three) whose emoluments are set out in Note 10 above. Details of the emoluments of the remaining highest paid individuals are as follows:

	2019 HK$'000	2018 HK$'000
Salaries and allowances	**2,952**	2,785
Contributions to defined contribution plan	**120**	120
	3,072	2,905

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:

	2019	2018
HK$1,000,001-HK$1,500,000	1	1
HK$1,500,001-HK$2,000,000	1	1
	2	2

No non-director individuals have waived emoluments in respect of the years ended 31 December 2019 and 2018. 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:

	2019 HK$'000	2018 HK$'000
Salaries and allowances	5,737	6,009
Contributions to defined contribution plan	210	219
	5,947	6,228

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

	2019	2018
Nil to HK$1,000,000	2	2
HK$1,000,001-HK$1,500,000	2	2
HK$1,500,001-HK$2,000,000	1	1
	5	5

12. TAXATION

The Company and its subsidiaries are domiciled or 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 corporation will be taxed at 8.25% and profits above HK$2 million will be taxed at 16.5%.

For the years ended 31 December 2019 and 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.

	2019 HK$'000	2018 HK$'000
Current tax		
Hong Kong Profits Tax		
Current year	**997**	930
(Over) Under provision in prior years	**(246)**	77
	751	1,007
Deferred taxation		
Origination and reversal of temporary difference (Note 19)	**4,562**	–
Tax expense for the year	**5,313**	1,007

RECONCILIATION OF TAX EXPENSE

	2019 HK$'000	2018 HK$'000
Loss before tax	**(193,207)**	(125,779)
Income tax at applicable tax rate of 16.5% (2018: 16.5%)	**(31,879)**	(20,753)
Non-deductible expenses	**671**	304
Tax exempt revenue	**(2,469)**	(1,856)
Unrecognised tax losses	**32,521**	19,127
Unrecognised temporary differences	**(555)**	4,273
Tax effect of the two-tiered profits tax rates regime	**(165)**	(165)
(Over) Under provision in prior years	**(246)**	77
Write-down of deferred tax assets	**7,090**	–
Others	**345**	–
Tax expense for the year	**5,313**	1,007

13. DIVIDEND

The Board of Directors resolved not to declare any interim dividend and final dividend for the years ended 31 December 2019 and 2018.

14. LOSS PER SHARE

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

(A) BASIC LOSS PER SHARE

	2019	2018
Loss attributable to equity owners (HK$'000)	**(198,520)**	(126,786)
Weighted average number of ordinary shares ('000)	**521,410**	521,410
Basic loss per share (HK cents)	**(38.07)**	(24.32)

(B) DILUTED LOSS PER SHARE

	2019	2018
Loss attributable to equity owners (HK$'000)	**(198,520)**	(126,786)
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)	**(38.07)**	(24.32)

The computation of diluted loss per share for the years ended 31 December 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.

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 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
Reconciliation of carrying amount – year ended 31 December 2019						
At beginning of year	**520,000**	**549**	**1,784**	**8,695**	**329**	**531,357**
Additions	**–**	**63**	**41**	**201**	**–**	**305**
Revaluation	**(1,428)**	**–**	**–**	**–**	**–**	**(1,428)**
Disposal	**–**	**(1)**	**–**	**–**	**–**	**(1)**
Depreciation	**(18,572)**	**(158)**	**(455)**	**(2,388)**	**(104)**	**(21,677)**
At the end of the reporting period	**500,000**	**453**	**1,370**	**6,508**	**225**	**508,556**
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
At 31 December 2019						
Cost/Valuation	**500,000**	**840**	**8,045**	**12,000**	**520**	**521,405**
Accumulated depreciation	**–**	**(387)**	**(6,675)**	**(5,492)**	**(295)**	**(12,849)**
	500,000	**453**	**1,370**	**6,508**	**225**	**508,556**

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 2019, 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 deficit of HK$1,428,000 (2018: surplus of HK$126,069,000) 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$239,257,000 (2018: HK$248,118,000) 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 2018	
At beginning of year	3,545
Additions	4,098
Amortisation	(2,149)
At the end of the reporting period	5,494
Reconciliation of carrying amount – year ended 31 December 2019	
At beginning of year	**5,494**
Additions	**623**
Amortisation	**(2,612)**
At the end of the reporting period	**3,505**
At 31 December 2018	
Cost	8,397
Accumulated amortisation	(2,903)
	5,494
At 31 December 2019	
Cost	**9,020**
Accumulated amortisation	**(5,515)**
	3,505

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

	2019 HK$'000	2018 HK$'000
At fair value		
Mandatorily measured at FVOCI		
Debt securities mandatorily measured at FVOCI		
Listed debt securities		
Bonds listed in Hong Kong	15,601	226,146
Bonds listed outside Hong Kong	5,508	131,302
Unlisted debt securities		
Bonds with fixed maturity dates	10,000	15,678
	31,109	373,126
Certificates of deposit	4,451	24,317
Financial assets at FVPL		
Equity securities mandatorily measured at FVPL		
Listed in Hong Kong	45,206	103,236
Listed outside Hong Kong	4,263	10,143
	49,469	113,379
	85,029	510,822

DEBT SECURITIES AT FVOCI AND CERTIFICATES OF DEPOSIT

Debt securities at FVOCI and certificates of deposit earn interest at coupon rates of 3.2% to 13.75% (2018: 1.625% to 10.75%) per annum and those that have maturity date will mature in 2 years to 4 years (2018: 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 2018	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)
(Charge) Credit to profit or loss (Note 12)	(6,737)	(353)	2,528	(4,562)
Credit (Charge) to other comprehensive income	–	1,006	(4,541)	(3,535)
At 31 December 2019	**–**	**–**	**(43,023)**	**(43,023)**

UNRECOGNISED DEFERRED TAX ASSETS ARISING FROM

	2019 HK$'000	2018 HK$'000
Deductible temporary differences	**1,000**	39,127
Tax losses	**353,133**	116,115
At end of the reporting period	**354,133**	155,242

Neither the tax losses nor the deductible temporary differences expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

20. INSURANCE AND OTHER RECEIVABLES

	Note	2019 HK$'000	2018 HK$'000
Insurance receivables			
Premium receivables			
From third parties		96,024	70,168
From related parties		875	701
	20(A)	96,899	70,869
Claims receivable from reinsurers and others	20(B)	37,936	26,016
		134,835	96,885
Other receivables			
Sales proceeds receivable from financial institutions on disposal of securities		20,357	–
Deposits, prepayments and other receivables		5,294	9,960
		25,651	9,960
		160,486	106,845

20(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 reporting period, premium receivables from third parties and related parties, based on the invoice date, are aged as follows:

	2019 HK$'000	2018 HK$'000
Within 30 days	30,217	34,223
31 – 60 days	30,607	25,815
61 – 90 days	13,718	10,384
91 – 120 days	22,357	447
	96,899	70,869

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:

	2019 HK$'000	2018 HK$'000
Balances past due		
Within 30 days	21,155	4,236
31 – 60 days	4,851	940
61 – 90 days	80	427
Over 90 days	708	75
	26,794	5,678

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 credit period granted.

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 third parties 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	2019 HK$'000	2018 HK$'000
Gross			
Outstanding claims		752,009	683,616
Claims incurred but not reported ("IBNR")		450,717	206,118
	21(i)	1,202,726	889,734
Provision for unearned premium	21(ii)	295,742	242,244
Provision for unexpired risk	21(iii)	34,590	13,820
Total gross insurance liabilities		1,533,058	1,145,798
Recoverable from reinsurers			
Claims reported and loss adjustment expenses		90,616	74,375
Provision for IBNR recoveries		160,005	48,461
	21(i)	250,621	122,836
Provision for unearned premium	21(ii)	22,509	14,786
Total insurance liabilities recoverable		273,130	137,622
Net			
Outstanding claims		661,393	609,241
IBNR		290,712	157,657
	21(i)	952,105	766,898
Provision for unearned premium	21(ii)	273,233	227,458
Provision for unexpired risk	21(iii)	34,590	13,820
Total net insurance liabilities		1,259,928	1,008,176

The Group determines the ultimate liabilities for its motor vehicle segments and employees' compensation segment with reference to the review by an independent professional actuary, using the paid and incurred loss development methods, supplemented by the Bornhuetter-Ferguson method.

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 2018	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
Provision incurred	671,684	(179,916)	491,768
Claims paid	(358,692)	52,131	(306,561)
At 31 December 2019	**1,202,726**	**(250,621)**	**952,105**

(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 2018	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
Premium written	527,743	(84,069)	443,674
Premium earned	(474,245)	76,346	(397,899)
At 31 December 2019	**295,742**	**(22,509)**	**273,233**

(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 1 January 2019	13,820	–	13,820
Provision made	20,770	–	20,770
At 31 December 2019	**34,590**	**–**	**34,590**

22. DEFERRED ACQUISITION COSTS AND DEFERRED COMMISSION INCOME

	Deferred acquisition costs HK$'000	**Deferred commission income** HK$'000	**Net** HK$'000
At 1 January 2018	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
Commission expense (income)	63,777	(14,538)	49,239
(Charged) Credited to income statement	(54,780)	12,281	(42,499)
At 31 December 2019	**35,530**	**(6,914)**	**28,616**

23. CASH AND DEPOSITS AT BANKS AND OTHER FINANCIAL INSTITUTIONS

	2019 **HK$'000**	2018 HK$'000
Cash and time deposits at banks and other financial institutions		
Time deposits with original maturity within 3 months	**638,986**	294,987
Cash in hand and at banks and other financial institutions	**119,636**	40,277
	758,622	335,264
Statutory deposit	**100,000**	100,000
Time deposits with original maturity over 3 months	**82,151**	31,925
	940,773	467,189

Cash at banks and other financial institutions 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 4 months to 12 months and earn interest at deposit rates between 2.1% to 2.4% (2018: between 6 months to 12 months and earn interest at deposit rates between 1.1% to 3.3%) per annum.

The Group had a time deposit of HK$100,000,000 (2018: HK$100,000,000) at 31 December 2019 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 (2018: HK$330,000,000) with the banks in Hong Kong pursuant to the instruction given by the Insurance Authority.

24. INTEREST-BEARING BORROWING

	2019 HK$'000	2018 HK$'000
Interest-bearing borrowing		
Secured bank loan	**84,448**	90,418

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 2019 is 1.96% (2018: 1.87%).

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

	2019 HK$'000	2018 HK$'000
Insurance payables		
Premium surcharge and other payables	**10,178**	8,823
Other payables		
Professional fee payables	**905**	1,035
Other accruals and payables	**3,128**	1,771
	4,033	2,806
	14,211	11,629

26. SHARE CAPITAL

	2019		2018	
	No. of shares	**HK$'000**	No. of shares	HK$'000
Issued and fully paid				
At beginning of the year and 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 2019 are as follows:

Type	Date of grant	Exercise period	Exercise price per share	Fair value per share	Number of share options: Outstanding at beginning of year	Exercised	Forfeited	Outstanding at end of year	Exercisable at end of year
			HK$	HK$	'000	'000	'000	'000	'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 year ended 31 December 2018 are as follows:

Type	Date of grant	Exercise period	Exercise price per share	Fair value per share	Number of share options: Outstanding at beginning of year	Exercised	Forfeited	Outstanding at end of year	Exercisable at end of year
			HK$	HK$	'000	'000	'000	'000	'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

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 the end of the reporting period and is dealt with in accordance with the accounting policies adopted.

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.

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.

DISTRIBUTABLE RESERVES

At 31 December 2019, 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$24,046,000 (2018: HK$24,924,000).

29. OTHER CASH FLOW INFORMATION

29(A) CASH (USED IN) GENERATED FROM OPERATIONS

	2019 HK$'000	2018 HK$'000
Loss before tax	**(193,207)**	(125,779)
Depreciation and amortisation	**24,289**	19,327
Net fair value (gain) loss of financial assets at FVPL	**(10,472)**	16,007
Loss on disposal of property, plant and equipment	**1**	3
Gain on derecognition of debt securities at FVOCI	**(2,068)**	(5,707)
Dividend income from financial assets at FVPL	**(3,397)**	(4,264)
Interest income from debt securities at FVOCI	**(18,110)**	(19,801)
Interest income from certificates of deposit	**(410)**	(547)
Interest income from time deposits	**(11,113)**	(6,672)
Interest expenses	**1,723**	1,751
Equity-settled share-based payments	**–**	10
Changes in working capital:		
Insurance and other receivables	**(50,463)**	35,052
Reinsurance assets	**(135,508)**	(48,241)
Deferred acquisition costs	**(8,997)**	(5,277)
Insurance liabilities	**387,260**	201,540
Deferred acquisition income	**2,257**	1,994
Reinsurance premium payable	**6,162**	3,368
Insurance and other payables	**2,582**	(768)
Cash (used in) generated from operations	**(9,471)**	61,996

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 2019	**Interest-bearing borrowing HK$'000**	**Dividend payable HK$'000**	**Total HK$'000**
At beginning of the year	90,418	–	90,418
Net cash flows			
Repayment of bank loan	(5,970)	–	(5,970)
At the end of the reporting period	**84,448**	**–**	**84,448**

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

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	2019 HK$'000	2018 HK$'000
The Oscar Motors Company Limited, a company controlled by Lai Bing Leung, a director of the Company	Commission paid (ii)	**1,068**	931
Head & Shoulders Securities Limited, a company controlled by Choi Chiu Fai Stanley, a director of the Company (Note 10(a)(i))	Brokerage paid (ii)	**5**	166

(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, employees' compensation and other general businesses. The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the nature of an insurance contract, this risk is random and therefore unpredictable.

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

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

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

INSURANCE RISK (Continued)

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

(I) FREQUENCY AND SEVERITY OF CLAIMS

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

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

The Group manages these risks through adequate reinsurance arrangements and claims monitoring programmes. The Group also enforces a policy of actively managing and promptly pursuing of claims, in order to reduce its exposure to unpredictable future developments that can adversely impact the Group. The Group's insurance contracts are protected by excess of loss reinsurance arrangements with predetermined 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$'000	Employees' compensation HK$'000	Others HK$'000	Total HK$'000
2019	**Gross**	**775,567**	**163,534**	**218,818**	**43,463**	**1,344**	**1,202,726**
	Net	**607,237**	**152,513**	**153,739**	**37,478**	**1,138**	**952,105**
2018	Gross	551,591	156,704	173,669	6,703	1,067	889,734
	Net	486,406	144,449	129,323	5,855	865	766,898

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 (2018: 5%); and
- an increase or decrease of 5% in the risk margin (2018: 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:

	2019 **HK$'000**	2018 HK$'000
Increase (decrease) in net insurance liabilities and increase/(decrease) in loss after tax and equity		
– as a result of 5% increase in ultimate loss ratio	**21,271**	4,535
– as a result of 5% decrease in ultimate loss ratio	**(21,269)**	(4,533)

	2019 **HK$'000**	2018 HK$'000
Increase (decrease) in net insurance liabilities and increase/(decrease) in loss after tax and equity		
– as a result of 5% increase in risk margin	**39,750**	35,039
– as a result of 5% decrease in risk margin	**(39,208)**	(35,037)

(IV) LOSS DEVELOPMENT TRIANGLE

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

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

INSURANCE RISK (Continued)

(IV) LOSS DEVELOPMENT TRIANGLE (Continued)

Gross insurance claims – 2019

	2015 HK$'000	2016 HK$'000	2017 HK$'000	2018 HK$'000	2019 HK$'000	Total HK$'000
Development Year	228,268	262,425	297,136	347,952	473,070	
One year later	233,413	276,339	332,829	426,977		
Two years later	239,542	310,836	377,020			
Three years later	253,432	359,938				
Four years later	252,227					
Current estimate of cumulative gross claims	252,227	359,938	377,020	426,977	473,070	1,889,232
Cumulative gross payments to date	(221,348)	(267,846)	(190,403)	(113,043)	(27,398)	(820,038)
Sub-total	30,879	92,092	186,617	313,934	445,672	1,069,194
Gross insurance claims in respect of years prior to 2015						**21,558**
Unallocated loss adjustment expenses and risk margin						**111,974**
Total gross general insurance claims liability						**1,202,726**

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

INSURANCE RISK (Continued)

(IV) LOSS DEVELOPMENT TRIANGLE (Continued)

Net insurance claims – 2019

	2015 HK$'000	2016 HK$'000	2017 HK$'000	2018 HK$'000	2019 HK$'000	Total HK$'000
Development Year	212,121	237,630	261,620	298,137	381,324	
One year later	206,575	247,891	290,633	356,154		
Two years later	213,177	272,335	309,323			
Three years later	225,276	300,322				
Four years later	217,747					
Current estimate of cumulative net claims	217,747	300,322	309,323	356,154	381,324	1,564,870
Cumulative net payments to date	(199,881)	(239,813)	(160,019)	(90,990)	(22,858)	(713,561)
Sub-total	17,886	60,509	149,304	265,164	358,466	351,309
Net insurance claims in respect of years prior to 2015						**7,707**
Unallocated loss adjustment expenses and risk margin						**93,089**
Total net general insurance claims liability						**952,105**

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

INSURANCE RISK (Continued)

(IV) LOSS DEVELOPMENT TRIANGLE (Continued)

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

The prior year net reserve estimates increased by HK$97,165,000 (2018: HK$70,770,000) for the year ended 31 December 2019. This is primarily attributable to the increase in claims frequency and claims severity.

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, cash and time deposits at banks and other financial institutions. 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 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 2019, if there had been a 5% (2018: 5%) increase/decrease in market value of the equity securities while all other variables were held constant, the Group's net loss would be decreased/increased by approximately HK$2,473,000 (2018: HK$5,669,000) due to changes in fair value of financial assets at FVPL.

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"), Renminbi ("RMB") and Euro ("EUR") 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, RMB and EUR are as follows.

	As at 31 December	
	2019 **HK$'000**	2018 HK$'000
Time deposits with original maturity over 3 months	**–**	1,925
Cash and time deposits at banks and other financial institutions	**26,020**	1,651
Debt securities measured at FVOCI	**–**	28,384
Certificates of deposit	**4,451**	4,322
Financial assets at FVPL	**4,263**	10,143
Premium receivables	**4**	–
Overall net exposure	**34,738**	46,425

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

If AUD, THB, RMB and EUR had weakened/strengthened by 5% against HKD, the Group's net loss for the reporting period would have been approximately increased/decreased by HK$1,737,000 (2018: HK$2,321,000).

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, 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 44% (2018: 41%) of the insurance receivables were due from the Group's five largest intermediaries at 31 December 2019.

OTHER RECEIVABLES

As the carrying amount of other receivables as at 31 December 2019 was HK$25,651,000 (2018: HK$9,960,000), 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.

CASH AND TIME DEPOSITS AT BANKS AND OTHER FINANCIAL INSTITUTIONS

The Group's cash 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)

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

At 31 December 2019

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	–
3	A+ to A-/A-2	A/P-2	A/F2	A to A-/a	–	–	12-month	8,649
4	BBB+ to BBB-/A-3	Baa/P-3	BBB/F3	B++ to B+/bbb	–	–	12-month	4,005
Unrated	–	–	–	–	–	–	12-month	10,000
5	BB+ to BB-	Ba	BB	B to B-/bb	–	–	12-month	15,765
6	B+ to B-/B	B/NP	B/B	C++ to C+/b	1.60	0.90	12-month	–
7	Below B-/C and lower	Caa and lower	CCC/C and lower	C/ccc and lower	18.70	27.90	Lifetime	1,526
								39,945

At 31 December 2018

Internal credit rating band	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 but there is 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 on lifetime ECL basis.

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

FINANCIAL RISK (Continued)

(IV) CREDIT RISK (Continued)

The Group did not have any debt securities or certificates of deposits that were past due but not impaired as at 31 December 2019 (2018: HK$Nil). 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.

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 2019				
Debt securities and certificates of deposit	**–**	**35,560**	**–**	**35,560**
Insurance and other receivables	**160,486**	**–**	**–**	**160,486**
Reinsurance assets	**97,988**	**143,846**	**8,787**	**250,621**
Statutory deposits	**100,000**	**–**	**–**	**100,000**
Time deposits	**82,151**	**–**	**–**	**82,151**
Cash and time deposits at banks and other financial institutions	**758,622**	**–**	**–**	**758,622**
	1,199,247	**179,406**	**8,787**	**1,387,440**
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
Cash and time deposits at banks and other financial institutions	335,264	–	–	335,264
	656,114	209,912	228,287	1,094,313

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 2019				
Outstanding claims and IBNR	**426,286**	**748,157**	**28,283**	**1,202,726**
Interest-bearing borrowing	**84,448**	**–**	**–**	**84,448**
Reinsurance premium payable	**18,307**	**–**	**–**	**18,307**
Insurance and other payables	**14,211**	**–**	**–**	**14,211**
	543,252	**748,157**	**28,283**	**1,319,692**
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

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$84,448,000 (2018: HK$90,418,000) 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:

	2019 HK$'000	2018 HK$'000
Interest-bearing borrowing		
Within 1 year	**7,641**	7,698
1 – 2 years	**7,641**	7,698
2 – 5 years	**22,921**	23,094
Over 5 years	**56,357**	64,471
	94,560	102,961

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 2019 and 2018.

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 capital and solvency margin requirements during the year except for the fact that the solvency margin of Target as at 31 July 2019 and 31 December 2019, after the additional provision for insurance liabilities recommended by the independent professional actuary, fell below 200% of the Minimum Solvency Margin required by the IA. These constituted temporary technical breaches to the requirements as the Group has disposed part of its investment portfolio and has injected HK$90 million into Target after the end of the reporting period as mentioned in Note 35(B). In addition, the Group has undertaken to upkeep and maintain the capital of Target and to provide adequate financial resources so as to enable Target to comply all solvency margin requirements during the year. The directors believe such technical breaches will not have significant impacts on the financial and operations of the insurance business of Target.

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; and
- Level 3: (lowest level): unobservable inputs for the asset or liability.

33. FAIR VALUE MEASUREMENT (Continued)

	As at 31 December	
	2019	2018
	HK$'000	HK$'000
Assets measured at fair value		
Level 1		
Mandatory FVOCI		
Listed debt securities	**21,109**	357,448
Financial assets at FVPL		
Listed equity securities:		
– Utilities	**13,013**	16,604
– Financial services	**11,609**	43,766
– Conglomerates	**6,300**	9,391
– Construction	**5,710**	–
– Properties	**5,147**	–
– Consumer goods	**2,740**	14,368
– Transportation	**2,303**	
– Industrials	**2,178**	5,137
– Information technology	**–**	9,734
– Telecommunications	**–**	7,125
– Others	**469**	7,254
	70,578	470,827
Level 2		
Mandatory FVOCI		
Unlisted debt securities	**10,000**	15,678
Certificates of deposit	**4,451**	24,317
	14,451	39,995
Level 3		
Leasehold land and buildings		
Commercial properties and car parking spaces located in Hong Kong	**500,000**	520,000

33. FAIR VALUE MEASUREMENT (Continued)

During the years ended 31 December 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.

Movements in Level 3 fair value measurements

	Leasehold land and buildings	
	2019	2018
	HK$'000	HK$'000
At beginning of the year	**520,000**	408,000
Revaluation (deficit) surplus	**(1,428)**	126,069
Depreciation charge	**(18,572)**	(14,069)
	500,000	520,000

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 9% (2018: 17%) 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	2019 HK$'000	2018 HK$'000
Assets			
Investments in subsidiaries		**397,186**	397,186
Financial assets at FVPL		**921**	692
Other receivables		**29**	46
Cash and time deposits at banks		**21,018**	22,108
TOTAL ASSETS		**419,154**	420,032
Liabilities			
Other payables		**210**	210
TOTAL LIABILITIES		**210**	210
EQUITY			
Share capital	26	**368,159**	368,159
Share option reserve	34(A)	**1,803**	1,803
Merger relief reserve	34(A)	**24,936**	24,936
Accumulated profits	34(A)	**24,046**	24,924
TOTAL EQUITY		**418,944**	419,822
TOTAL LIABILITIES AND EQUITY		**419,154**	420,032

This statement of financial position was approved and authorised for issue by the Board of Directors on 27 March 2020 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 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
At 1 January 2019	24,936	1,803	24,924	51,663
Loss for the year and **total comprehensive loss for the year**	–	–	(878)	(878)
At 31 December 2019	**24,936**	**1,803**	**24,046**	**50,785**

35. EVENTS AFTER THE REPORTING PERIOD

35(A) OUTBREAK OF COVID-19

COVID-19 outbreak in Hong Kong since the beginning of 2020 is a fluid and challenging situation affecting all industries and businesses. The Group will continue to pay close attention to the development of the COVID-19 outbreak, evaluate and proactively respond to its impact on the Group's financial position and operation.

35(B) PROVISION OF LOAN BY CONNECTED PERSONS

On 13 March 2020, the Group entered into the loan agreements with each of Dr. Cheung Haywood, Mr. Chiu Sun Ting, and Mr. Lai Bing Leung, pursuant to which each of the lenders agreed to provide to the Group the loans in the principal amount of HK$40,000,000, HK$25,000,000 and HK$25,000,000 respectively at an interest rate of 3.5% per annum for a term commencing from 13 March 2020 to 12 September 2020, for the purpose of capital injection into Target.