



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

2020
Interim Report

CONTENTS

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

WAN Kam To
WONG Shiu Hoi Peter
SZETO Wai Sun
ESPINA Anthony

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
ESPINA Anthony

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>

FINANCIAL REVIEW

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, employee's compensation and other general insurance policies in Hong Kong.

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

	For the six months ended 30 June		
	2020 HK\$'000	2019 HK\$'000	% Change
Gross premium written	294,827	254,619	15.8%
Net premium written	252,181	214,715	17.4%
Net insurance premium revenue	214,183	192,887	11.0%
Net insurance claims and loss adjustment expenses	(158,780)	(205,868)	(22.9%)
Acquisition costs and other underwriting expenses, net	(23,663)	(20,347)	16.3%
Operating income (loss)	31,740	(33,328)	195.2%
Investment (loss) income	(2,908)	28,931	(110.1%)
Other income	819	660	24.1%
Employee benefits expenses	(17,926)	(18,346)	(2.3%)
Other operating expenses	(22,975)	(21,366)	7.5%
Finance costs	(1,713)	(878)	95.1%
Loss before tax	(12,963)	(44,327)	(70.8%)
Loss for the period	(13,985)	(44,624)	(68.7%)
EBITDA	982	(31,318)	(103.2%)
Basic loss per share ⁽¹⁾	(2.68 cents)	(8.56 cents)	(68.7%)
Diluted loss per share ⁽¹⁾	(2.68 cents)	(8.56 cents)	(68.7%)

	For the six months ended 30 June		
	2020	2019	Difference
Retention ratio ⁽²⁾	85.5%	84.3%	1.2%
Loss ratio ⁽³⁾	74.2%	106.7%	(32.5%)
Expense ratio ⁽³⁾	30.9%	31.6%	(0.7%)
Combined ratio ⁽⁴⁾	105.1%	138.3%	(33.2%)
Investment yield	(0.3%)	2.9%	(3.2%)

- (1) The weighted average number of shares for the period ended 30 June 2020 is 521,410,000 ordinary shares (2019: 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 (2019: 521,410,000 ordinary shares).
- (2) Retention ratio is calculated by dividing net premium written by gross premium written for the respective period.
- (3) Both the loss ratio and expense ratio are based on net insurance premium revenue.
- (4) The combined ratio is the sum of the loss ratio and the expense ratio.

FINANCIAL REVIEW

GROSS PREMIUM WRITTEN

Gross premium written increased by 15.8% to HK\$294.8 million (2019: HK\$254.6 million). During the six months ended 30 June 2020, the growth was mainly driven by employees' compensation business and motor business on taxi while the motor business on PLB and other motor vehicles were reduced due to keen market competition. The detailed breakdown of gross premium written is as follows:

	2020		2019		% Change
	HK\$'000	% of Total	HK\$'000	% of Total	
Taxi	124,876	42.4%	118,627	46.6%	5.3%
Public Light Bus ("PLB")	37,117	12.6%	37,630	14.8%	(1.4%)
Other motor vehicles ⁽¹⁾	51,448	17.5%	53,655	21.1%	(4.1%)
Employees' Compensation ("EC")	76,079	25.8%	38,816	15.2%	96.0%
Others ⁽²⁾	5,307	1.7%	5,891	2.3%	(9.9%)
	294,827	100.0%	254,619	100.0%	15.8%

Notes:

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

NET INSURANCE PREMIUM REVENUE

During the period ended 30 June 2020, our retention ratio increased to 85.5% (2019: 84.3%). We arranged quota share reinsurance for part of our motor business and most of our other general insurance business to diversify our risk as we grow our portfolio. The detailed breakdown of net insurance premium revenue is as follows:

	2020		2019		% Change
	HK\$'000	% of Total	HK\$'000	% of Total	
Taxi	111,002	51.8%	112,638	58.4%	(1.5%)
PLB	34,067	15.9%	36,878	19.1%	(7.6%)
Other motor vehicles ⁽¹⁾	30,849	14.5%	33,245	17.2%	(7.2%)
EC	35,803	16.7%	8,632	4.5%	314.8%
Others ⁽²⁾	2,462	1.1%	1,494	0.8%	64.8%
	214,183	100.0%	192,887	100.0%	11.0%

Notes:

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

FINANCIAL REVIEW

NET INSURANCE CLAIMS AND LOSS RATIO

Net insurance claims and loss adjustment expenses decreased by 22.9% to HK\$158.8 million (2019: HK\$205.9 million). The loss ratio decreased to 74.1% (2019: 106.7%). During the six months ended 30 June 2020, there was a decrease in net insurance claims for motor as well as EC businesses. The net insurance claims for taxi and PLB were reduced as claims frequency reduced due to lower business activities. The net insurance claims for other motor vehicles were reduced due to the increase of business mix to private cars. The net insurance claims for EC was reduced based on actuarial estimation as at 30 June 2020.

	2020		2019		% Change
	HK\$'000	Loss ratio	HK\$'000	Loss ratio	
Taxi	113,666	102.4%	134,191	119.1%	(15.3%)
PLB	24,995	73.4%	28,322	76.8%	(11.7%)
Other motor vehicles ⁽¹⁾	13,053	42.3%	32,834	98.8%	(60.2%)
EC	6,471	18.1%	10,025	116.1%	(35.5%)
Others ⁽²⁾	595	24.2%	496	33.2%	20.0%
	158,780	74.1%	205,868	106.7%	(22.9%)

Notes:

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

UNDERWRITING AND OTHER ADMINISTRATIVE EXPENSES

The underwriting and other administrative expenses slightly increased by 8.8% to HK\$66.3 million (2019: HK\$60.9 million). Our net acquisition costs and other underwriting expenses increased by 16.3% to HK\$23.7 million (2019: HK\$20.3 million) due to growth of other general insurance business with a higher commission rate. The employee benefit expenses slightly decreased by 2.3% to HK\$17.9 million (2019: HK\$18.3 million). Professional charges increased by 149.6% to HK\$4.9 million (2019: HK\$2.0 million), mainly attributable to the increase in advisory fees in claims investigation and investment. The advertising and promotion expenses substantially decreased by 35.4% to HK\$2.1 million (2019: HK\$3.2 million) due to reduction of traditional media promotion. Finance costs increased by 95.1% to HK\$1.7 million (2019: HK\$0.9 million), mainly due to the interest paid on shareholders' loans. The underwriting and other administrative expenses are summarized as follows:

	2020		2019		% Change
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Acquisition costs and other underwriting expenses, net	23,663	20,347	20,347	16.3%	
Employee benefit expenses	17,926	18,346	18,346	(2.3%)	
Depreciation and amortization	12,232	12,131	12,131	0.8%	
Professional charges	4,877	1,954	1,954	149.6%	
Advertising and promotion expenses	2,067	3,201	3,201	(35.4%)	
Finance costs	1,713	878	878	95.1%	
Entertainment	98	586	586	(83.3%)	
Donation	-	20	20	(100.0%)	
Others	3,701	3,474	3,474	6.5%	
	66,277	60,937	60,937	8.8%	

FINANCIAL REVIEW

INVESTMENT PERFORMANCE

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

	30 June 2020		31 December 2019		% Change
	HK\$'000	% of Total	HK\$'000	% of Total	
Equity securities	802	0.1%	49,469	4.8%	(98.4%)
Debt securities	9,377	0.9%	31,109	3.0%	(69.9%)
Certificates of deposit	53,875	4.9%	4,451	0.5%	1,110.4%
Currency fund	59,976	5.4%	–	0.0%	n/a
Cash and bank deposits	978,568	88.7%	940,773	91.7%	4.0%
	1,102,598	100.0%	1,025,802	100.0%	7.5%

Investment performance for the period turned net investment profit of HK\$28.9 million in 2019 to a net investment loss of approximately HK\$2.9 million in 2020. The investment yield decreased to -0.3% (2019: 2.9%). The net fair value gain on financial assets valued at fair value through profit or loss ("FVPL") decreased by 161.5% and resulted a loss of HK\$7.5 million (2019: a profit of HK\$12.1 million) due to market volatility. The investment performance is as follows:

	For the six months ended 30 June		
	2020 HK\$'000	2019 HK\$'000	% Change
Interest income	8,742	15,218	(42.6%)
Dividend income	63	2,146	(97.1%)
Loss on disposal of financial assets	(710)	(275)	158.2%
Net fair value (loss) gain on financial assets at FVPL	(7,460)	12,128	(161.5%)
Net foreign exchange loss	(2,102)	(286)	635.0%
Impairment loss of financial assets	(1,441)	–	n/a
	(2,908)	28,931	(110.1%)

OPERATING INCOME

We recorded an operating income at HK\$31.7 million (2019: a loss of HK\$33.3 million), a loss before tax at HK\$13.0 million (2019: HK\$44.3 million) and a loss for the period at HK\$14.0 million (2019: HK\$44.6 million).

	For the six months ended 30 June		
	2020 HK\$'000	2019 HK\$'000	% Change
Operating income (loss)	31,740	(33,328)	(195.2%)
Loss before tax	(12,963)	(44,327)	(70.8%)
Loss for the period	(13,985)	(44,624)	(68.7%)

FINANCIAL REVIEW

LIQUIDITY AND FINANCIAL RESOURCES

Our Group's cash and bank deposits as at 30 June 2020 amounted to HK\$978.6 million (31 December 2019: HK\$940.8 million).

FINANCIAL LEVERAGE

On 13 March 2020, our Group entered into the loan agreements with each of Dr. Cheung Haywood, Mr. Chiu Sun Ting and Mr. Lai Bing Leung (as lenders), pursuant to which each of the lenders agreed to provide to our Group the loans in the principal amount of HK\$40.0 million, HK\$25.0 million and HK\$25.0 million 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. On 25 August 2020, the term of the loan agreements extended to 12 March 2021.

As at 30 June 2020, our Group had an outstanding bank loan of HK\$81.4 million (31 December 2019: HK\$84.4 million) and no bank overdrafts (2019: Nil). Our Group had a bank guarantee of HK\$10.0 million, fully pledged with deposit, for the business operation (31 December 2019: Nil).

CAPITAL STRUCTURE

During the period ended 30 June 2020, no options were exercised to subscribe for ordinary shares of the Company. Details of share options were disclosed in the prospectus of the Company dated 31 December 2014 (the "Prospectus").

STAFF AND STAFF REMUNERATION

As at 30 June 2020, the Group had a total of 74 employees (31 December 2019: 72 employees), an increase of 2 employees. Total remuneration of the six months ended 30 June 2020 amounted to HK\$17.9 million (2019: HK\$18.3 million).

CONTINGENT LIABILITIES

Other than those incurred during the normal course of our Group's insurance business, there was neither outstanding litigation nor any other contingent liabilities as at 30 June 2020 and 31 December 2019.

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

The following table illustrates the breakdown of our gross premium written by motor insurance business segments for the six months ended 30 June 2020 and 2019:

	2020		2019		% Change
	HK\$'000	% of Total	HK\$'000	% of Total	
Taxi	124,876	58.5%	118,627	56.5%	5.3%
PLB	37,117	17.4%	37,630	17.9%	(1.4%)
Other motor vehicles ⁽¹⁾	51,448	24.1%	53,655	25.6%	(4.1%)
	213,441	100.0%	209,912	100.0%	1.7%

Notes:

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

During the period ended 30 June 2020, our motor business was stagnant. The motor business increased by 1.7% to HK\$213.4 million (2019: HK\$209.9 million). Our business on taxi had picked up while our business on PLB and other motor vehicles were facing increased competitions from competitors. The gross premium written on taxi and PLB presents 75.9% of gross premium written on motor insurance for the period ended 30 June 2020 (2019: 74.4%). Our taxi business increased by 5.3% to HK\$124.9 million (2019: HK\$118.6 million). Our PLB business reduced by 1.4% to HK\$37.1 million (2019: HK\$37.6 million). Our business on other motor vehicles decreased by 4.1% to HK\$51.4 million (2019: HK\$53.7 million).

EMPLOYEES COMPENSATION

Our Group has significantly grown our EC insurance business during the period, it includes standalone EC Insurance and EC section of SME Business Insurance. Our construction EC insurance business increased by 22.6% to HK\$40.2 million (2019: HK\$32.8 million), whereas our non-construction EC business increased by 497.4% to HK\$35.9 million (2019: HK\$6.0 million).

BUSINESS REVIEW

The following table illustrate the breakdown of our gross premium written by EC insurance business by industry for the six months ended 30 June 2020 and 2019:

	2020		2019		
	HK\$'000	% of Total	HK\$'000	% of Total	% Change
Construction	40,223	52.9%	32,814	84.5%	22.6%
Non-construction	35,856	47.1%	6,002	15.5%	497.4%
	76,079	100.0%	38,816	100.0%	96.0%

The premium income limit on EC business in 2020 is HK\$93.0 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
- Individual Personal Accident Insurance

Commercial Insurance Products

- SME Business Insurance
- Fire Insurance
- Property All Risks Insurance
- Public Liability Insurance
- Interior Decoration Insurance
- Contractors' All Risks Insurance
- Directors' & Officers' Liability Insurance
- Group Personal Accident Insurance

During the period ended 30 June 2020, our other insurance business decreased 9.9% to HK\$5.3 million (2019: HK\$5.9 million), which mainly arising from loss of travel insurance business due to COVID-19 pandemic.

INVESTMENTS

We invested premiums and other income generated from our insurance business. During the period, we focused our strategy on more liquid investments. We began to invest in currency fund and decreased our holdings in equity and debt securities while increased our portfolio in certificates of deposit. The total value of investment portfolio increased by 7.5% to HK\$1,102.6 million (31 December 2019: HK\$1,025.8 million).

	30 June 2020		31 December 2019		
	HK\$'000	% of Total	HK\$'000	% of Total	% Change
Equity securities	802	0.1%	49,469	4.8%	(98.4%)
Debt securities	9,377	0.9%	31,109	3.0%	(69.9%)
Certificates of deposit	53,875	4.9%	4,451	0.5%	1,110.4%
Currency Fund	59,976	5.4%	—	0.0%	n/a
Cash and bank deposits	978,568	88.7%	940,773	91.7%	4.0%
	1,102,598	100.0%	1,025,802	100.0%	7.5%

BUSINESS REVIEW

The Group's equity portfolio reduced by 98.4% to HK\$0.8 million (31 December 2019: HK\$49.5 million). All equity securities are listed in Hong Kong Stock Exchange. The equity securities classified by locations are as follows:

	As at		
	30 June 2020 HK\$'000	31 December 2019 HK\$'000	% Change
Listed in Hong Kong	802	45,206	(98.2%)
Listed outside Hong Kong	–	4,263	(100.0%)
	802	49,469	(98.4%)

The Group's debt portfolio decreased by 69.9% to HK\$9.4 million (31 December 2019: HK\$31.1 million). The debt securities classified by type are as follows:

	As at		
	30 June 2020 HK\$'000	31 December 2019 HK\$'000	% Change
Bonds listed in Hong Kong	9,377	15,601	(39.9%)
Bonds listed outside Hong Kong	–	5,508	(100.0%)
Unlisted bonds	–	10,000	(100.0%)
	9,377	31,109	(69.9%)

SIGNIFICANT EVENTS AFTER 30 JUNE 2020

The Company did not note any significant events after 30 June 2020.

FUTURE DEVELOPMENT OF OUR BUSINESS

Coronavirus Disease 2019 (“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.

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.

BUSINESS REVIEW

- **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.

OTHER INFORMATION

INTERIM DIVIDEND

The Directors resolved not to declare any interim dividend in respect of the six months ended 30 June 2020.

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2020, the interest or short positions of the Directors in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Future Ordinance (Chapter 571, Laws of Hong Kong) (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 (the "Model Code"), are set out below:

INTERESTS IN THE COMPANY

Name of Director	Nature of interest	Long position/ Short position	Number of ordinary shares/ underlying shares held	Approximate percentage of shareholding
Dr. Cheung Haywood ("Dr. Cheung")	Interest of a controlled corporation	Long position	158,750,000 (Note 1)	30.45%
Mr. Lai Bing Leung ("Mr. Lai")	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 ("Mr. Chiu")	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 6)	0.25%
Ms. Lau Ka Yee	Beneficial owner	Long position	254,000 (Note 5)	0.05%
Mr. Wong Shiu Hoi Peter	Beneficial owner	Long position	500,000 (Note 6)	0.10%
Mr. Wan Kam To	Beneficial owner	Long position	500,000 (Note 6)	0.10%
Mr. Szeto Wai Sun	Beneficial owner	Long position	500,000 (Note 6)	0.10%

OTHER INFORMATION

Notes:

1. Independent Assets Management Limited (“Independent Assets”) is the registered and beneficial owner of these shares of the Company (the “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. On 13 January 2020, an agreement (the “Agreement”) was entered into between, among others, Mr. Lai, Champion City, Smart Neo Holdings Limited (“Smart Neo”) and Mr. Ng Yu (“Mr. Ng”) for the sale and purchase of, among others, 68,750,000 Shares at HK\$1.63 per share subject to fulfillment of certain conditions precedent. The consideration per Share was subsequently adjusted to HK\$1.3 pursuant to the supplemental agreement entered into between the parties on 24 July 2020.
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. On 13 January 2020, Mr. Chiu, Generous Rich, Smart Neo and Mr. Ng were entered into the Agreement for the sale and purchase of, among others, 70,072,000 Shares at HK\$1.63 per share subject to fulfillment of certain conditions precedent. The consideration per Share was subsequently adjusted to HK\$1.3 pursuant to the supplemental agreement entered into between the parties on 24 July 2020.
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. Included interest in 86,000 Shares derived from the interest in the share options granted under the Pre-IPO Share Option Scheme, details are set out in the section headed “Interest in Share Options”.
6. These interests are derived from the interest in the share options granted under the Pre-IPO Share Option Scheme, details are set out in the section headed “Interest in Share Options”.

Save as disclosed above, none of the Directors or chief executive of the Company or their associates, had any interest or short position in any shares, underlying shares or debentures of the Company or its associated corporations as at 30 June 2020 as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS IN SHARE OPTIONS

PRE-IPO SHARE OPTION SCHEME

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

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 three executive Directors, three independent non-executive Directors and certain employees and consultants of the Group.

OTHER INFORMATION

Name or category of participants	Balance as at 1 January 2020	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding as at 30 June 2020	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
Ms. Lau Ka Yee	86,000	–	–	–	86,000	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:	4,526,000	–	–	–	4,526,000		
Employees	3,090,000	–	–	–	3,090,000	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:

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

The Pre-IPO Share Option Scheme ended on 14 January 2015, being the day immediately prior to the date of the listing of the Shares on the Stock Exchange, i.e. 15 January 2015 (the “Listing Date”).

OTHER INFORMATION

SHARE OPTION SCHEME

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

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

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

DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2020, 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 (Notes 3 & 6)	Beneficial owner	Long position	56,250,000	10.79%
Generous Rich Limited (Notes 4 & 6)	Beneficial owner	Long position	56,250,000	10.79%
Mrs. Chiu Choi Yu Hing (Notes 5 & 6)	Interest held jointly with another person	Long position	700,000	0.13%
	Interest of spouse	Long position	69,372,000	13.30%
Smart Neo Holdings Limited (Notes 6 & 7)	Beneficial owner	Long position	138,822,000	26.62%
Mr. Ng Yu (Notes 6 & 7)	Interest of controlled corporation	Long position	138,822,000	26.62%

OTHER INFORMATION

Notes:

1. Independent Assets is wholly-owned by Dr. Cheung, the chairman of the Board and an executive Director, and therefore, Dr. Cheung is deemed to be interested in these 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.
6. On 13 January 2020, Mr. Chiu, Mrs. Chiu, Mr. Lai, Champion City, Generous Rich, Smart Neo and Mr. Ng have entered into an agreement for the sale and purchase of an aggregate of 138,822,000 Shares at HK\$1.63 per Share subject to fulfilment of certain conditions precedent. The 138,822,000 Shares including (i) 56,250,000 Shares held through Champion City; (ii) 12,500,000 shares held by Mr. Lai; (iii) 56,250,000 Shares held through Generous Rich; (iv) 700,000 Shares held jointly by Mr. Chiu and Mrs. Chiu; and (v) 13,122,000 Shares held by Mr. Chiu. The consideration per Share was subsequently adjusted to HK\$1.3 pursuant to the supplemental agreement entered into between the parties on 24 July 2020.
7. Smart Neo is wholly and beneficially owned by Mr. Ng, and therefore, Mr. Ng is deemed to be interested in the same number of Shares which Smart Neo is interested.

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 30 June 2020.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code during the six months ended 30 June 2020.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities during the six months ended 30 June 2020.

CORPORATE GOVERNANCE PRACTICE

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

During the six months ended 30 June 2020, the Company was in compliance with the relevant code provisions set out in the CG Code.

OTHER INFORMATION

AUDIT COMMITTEE

The Company established an audit committee (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 were to review and supervise the financial reporting process, risk management and internal control systems of the Group. The Audit Committee currently comprises four independent non-executive Directors, namely Mr. Wan Kam To (as chairman), Mr. Wong Shiu Hoi Peter, Mr. Szeto Wai Sun and Mr. Anthony Espina. The Audit Committee has reviewed the unaudited condensed interim financial information of the Group for the six months ended 30 June 2020.

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

Hong Kong, 28 August 2020

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



MAZARS CPA LIMITED

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

INTRODUCTION

We have reviewed the condensed interim financial information set out on pages 19 to 42, which comprises the condensed consolidated statement of financial position of Target Insurance (Holdings) Limited (the “Company”) and its subsidiaries (together the “Group”) as of 30 June 2020 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months then ended and other explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The directors of the Company are responsible for the preparation and presentation of this condensed interim financial information in accordance with HKAS 34.

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

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim financial information as at 30 June 2020 is not prepared, in all material respects, in accordance with HKAS 34.

Mazars CPA Limited

Certified Public Accountants

Hong Kong, 28 August 2020

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2020

	Note	For the six months ended 30 June	
		2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Net insurance premium revenue	3	214,183	192,887
Net investment (loss) income	4	(2,908)	28,931
Other income		819	660
Net income		212,094	222,478
Net insurance claims and loss adjustment expenses	5	(158,780)	(205,868)
Acquisition costs and other underwriting expenses, net	6	(23,663)	(20,347)
Employee benefit expenses		(17,926)	(18,346)
Other operating expenses		(22,975)	(21,366)
Finance costs	7	(1,713)	(878)
Expenses		(225,057)	(266,805)
Loss before tax	7	(12,963)	(44,327)
Income tax expense	8	(1,022)	(297)
Loss for the period, attributable to owners of the Company		(13,985)	(44,624)
Loss per share	10	HK cents	HK cents
Basic		(2.68)	(8.56)
Diluted		(2.68)	(8.56)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	For the six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Loss for the period, attributable to owners of the Company	(13,985)	(44,624)
Other comprehensive (loss) income		
Items that are reclassified or may be reclassified subsequently to profit or loss:		
<i>Financial assets at fair value through other comprehensive income</i>		
(Losses) Gains on changes in fair value arising during the period	(2,088)	23,997
Reclassification of net changes in fair value to profit or loss	711	275
Net movement in fair value of financial assets at fair value through other comprehensive income	(1,377)	24,272
Total comprehensive loss for the period, attributable to owners of the Company	(15,362)	(20,352)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	Note	At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
Assets			
Property, plant and equipment	11	498,173	508,556
Intangible assets		3,298	3,505
Debt securities measured at fair value through other comprehensive income ("FVOCI")	12	9,377	31,109
Certificates of deposit	12	53,875	4,451
Insurance and other receivables	13	174,103	160,486
Reinsurance assets	14	277,864	273,130
Deferred acquisition costs		39,183	35,530
Financial assets at fair value through profit or loss ("FVPL")	12	60,778	49,469
Statutory deposit		100,000	100,000
Pledged deposit		10,000	–
Time deposits with original maturity over 3 months		11,423	82,151
Cash and time deposits at banks and other financial institutions		857,145	758,622
TOTAL ASSETS		2,095,219	2,007,009
Liabilities			
Deferred tax liabilities		43,754	43,023
Insurance liabilities	14	1,550,871	1,533,058
Interest-bearing borrowings	15	171,399	84,448
Deferred commission income		5,998	6,914
Reinsurance premium payable		15,747	18,307
Insurance and other payables		16,479	14,211
Tax payable		457	1,172
TOTAL LIABILITIES		1,804,705	1,701,133
EQUITY			
Share capital	16	368,159	368,159
Other reserves		225,315	226,692
Accumulated losses		(302,960)	(288,975)
TOTAL EQUITY		290,514	305,876
TOTAL LIABILITIES AND EQUITY		2,095,219	2,007,009

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Share capital (Unaudited) HK\$'000	Property revaluation reserve (Unaudited) HK\$'000	Fair value reserve (Unaudited) HK\$'000	Merger relief reserve (Unaudited) HK\$'000	Other reserve (Unaudited) HK\$'000	Share option reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 January 2019	368,159	236,485	(30,124)	24,936	(24,936)	1,803	(90,455)	485,868
Loss for the period	-	-	-	-	-	-	(44,624)	(44,624)
Other comprehensive income Net movement in fair value of financial assets at FVOCI	-	-	24,272	-	-	-	-	24,272
Total comprehensive loss for the period	-	-	24,272	-	-	-	(44,624)	(20,352)
At 30 June 2019	368,159	236,485	(5,852)	24,936	(24,936)	1,803	(135,079)	465,516
	Share capital (Unaudited) HK\$'000	Property revaluation reserve (Unaudited) HK\$'000	Fair value reserve (Unaudited) HK\$'000	Merger relief reserve (Unaudited) HK\$'000	Other reserve (Unaudited) HK\$'000	Share option reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 January 2020	368,159	230,516	(5,627)	24,936	(24,936)	1,803	(288,975)	305,876
Loss for the period	-	-	-	-	-	-	(13,985)	(13,985)
Other comprehensive loss Net movement in fair value of financial assets at FVOCI	-	-	(1,377)	-	-	-	-	(1,377)
Total comprehensive loss for the period	-	-	(1,377)	-	-	-	(13,985)	(15,362)
At 30 June 2020	368,159	230,516	(7,004)	24,936	(24,936)	1,803	(302,960)	290,514

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	For the six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
OPERATING ACTIVITIES		
Cash used in operations	(11,438)	(7,833)
Net cash used in operating activities	(11,438)	(7,833)
INVESTING ACTIVITIES		
Interest received	5,564	13,529
Dividend received	63	2,146
Proceeds from derecognition of financial assets	107,405	107,420
Purchase of financial assets	(157,394)	(81,759)
Maturity of statutory and time deposits with original maturity over 3 months	182,151	131,925
Placement of statutory and time deposits with original maturity over 3 months	(111,423)	(131,967)
Additions of intangible assets	(1,185)	(190)
Others	(458)	(251)
Net cash from investing activities	24,723	40,853
FINANCING ACTIVITIES		
Shareholders' loans raised	90,000	–
Others	(4,762)	(3,849)
Net cash from (used in) financing activities	85,238	(3,849)
Net increase in cash and cash equivalents	98,523	29,171
Cash and cash equivalents at beginning of period	758,622	335,264
Cash and cash equivalents at end of period, represented by cash and time deposits with original maturity within 3 months at banks and other financial institutions	857,145	364,435

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

This condensed interim financial information contains the condensed consolidated financial statements and selected explanatory notes for the six months ended 30 June 2020. This condensed interim financial information thereon does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2019.

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

The consolidated statement of financial position as at 31 December 2019 that is included in the condensed interim financial information for the six months ended 30 June 2020 as comparative information does not constitute the Company’s specified financial statements for the financial year ended 31 December 2019 as defined in section 436 of the HKCO but is derived therefrom.

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

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

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

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

The accounting policies adopted in preparing this condensed interim financial information are consistent with those applied in preparing the Group’s annual financial statements for the year ended 31 December 2019. The adoption of the new/revised Hong Kong Financial Reporting Standards (“HKFRSs”) that are relevant to the Group and effective for the current period had no significant effects on the results and financial position of the Group for the current and prior periods.

Amendments to HKASs 1 and 8

Definition of Material

The Group has not early adopted any new/revised HKFRSs that have been issued but are not yet effective for the financial year beginning on 1 January 2020. The directors are in the process of assessing the possible impact on the future adoption of these new/revised HKFRSs, but are not yet in a position to reasonably estimate their impact on the Group’s results and financial position.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

2. SEGMENT INFORMATION

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

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

- Taxi
- Public Light Bus (“PLB”)
- Other motor vehicles
- Employees’ compensation
- Others

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

2. SEGMENT INFORMATION (Continued)

SEGMENT RESULTS

	For the six months ended 30 June 2020					
	Taxi	PLB	Other motor vehicles	Employees' compensation	Others	Consolidated
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Net insurance premium revenue	111,002	34,067	30,849	35,803	2,462	214,183
Net insurance claims and loss adjustment expenses	(113,666)	(24,995)	(13,053)	(6,471)	(595)	(158,780)
Acquisition costs and other underwriting expenses, net	(9,123)	(2,830)	(5,383)	(6,082)	(245)	(23,663)
Segment results	(11,787)	6,242	12,413	23,250	1,622	31,740
Unallocated net investment loss and other income						(2,089)
Unallocated corporate expenses and finance costs						(42,614)
Loss before tax						(12,963)
Income tax expense						(1,022)
Loss for the period						(13,985)

For the six months ended 30 June 2019

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

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

2. SEGMENT INFORMATION (Continued)

SEGMENT ASSETS AND LIABILITIES

	At 30 June 2020					
	Taxi (Unaudited) HK\$'000	PLB (Unaudited) HK\$'000	Other motor vehicles (Unaudited) HK\$'000	Employees' compensation (Unaudited) HK\$'000	Others (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Assets						
Segment assets	251,444	28,834	125,626	73,952	6,154	486,010
Unallocated assets						1,609,209
Total assets						2,095,219
Liabilities						
Segment liabilities	920,645	203,996	282,755	168,706	9,296	1,585,398
Unallocated liabilities						219,307
Total liabilities						1,804,705

	At 31 December 2019					
	Taxi (Audited) HK\$'000	PLB (Audited) HK\$'000	Other motor vehicles (Audited) HK\$'000	Employees' compensation (Audited) HK\$'000	Others (Audited) HK\$'000	Consolidated (Audited) HK\$'000
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

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

3. NET INSURANCE PREMIUM REVENUE

	For the six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Gross premium written	294,827	254,619
Reinsurance premium ceded	(42,646)	(39,904)
Net premium written	252,181	214,715
Change in provision for unearned premium	(37,412)	(26,207)
Change in unearned premium on reinsurance ceded	(586)	4,379
Change in net provision for unearned premium	(37,998)	(21,828)
Net insurance premium revenue	214,183	192,887

4. NET INVESTMENT (LOSS) INCOME

	For the six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Interest revenue	8,742	15,218
Dividend income	63	2,146
Loss on derecognition of financial assets at FVOCI	(710)	(275)
Net fair value (loss) gain of financial assets at FVPL	(7,460)	12,128
Net foreign exchange loss	(2,102)	(286)
Impairment loss of financial assets at FVOCI	(1,441)	–
Net investment (loss) income	(2,908)	28,931

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

5. NET INSURANCE CLAIMS AND LOSS ADJUSTMENT EXPENSES

	For the six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Gross claims paid	217,351	162,197
Claims recovered	(33,652)	(18,756)
Net claims paid	183,699	143,441
Change in provision for gross outstanding claims and incurred but not reported claims ("IBNR")	(9,628)	108,301
Change in claims recoverable (including IBNR recoveries)	(5,320)	(55,502)
Change in provision for unexpired risk	(9,971)	9,628
Change in net outstanding claims	(24,919)	62,427
Net insurance claims and loss adjustment expenses	158,780	205,868

6. ACQUISITION COSTS AND OTHER UNDERWRITING EXPENSES, NET

	For the six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Acquisition costs and other underwriting expenses		
Insurance commission	29,541	26,698
Other underwriting expenses	4,499	4,364
Change in deferred acquisition costs	(3,653)	(5,151)
Acquisition costs and other underwriting expenses, gross	30,387	25,911
Commission income		
Insurance commission from reinsurers	(5,808)	(6,832)
Change in deferred commission income	(916)	1,268
Commission income	(6,724)	(5,564)
Acquisition costs and other underwriting expenses, net	23,663	20,347

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

7. LOSS BEFORE TAX

This is stated after charging:

	For the six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Finance costs		
Interest on shareholders' loans	941	–
Interest on bank loan	772	878
	1,713	878
Other items		
Employee benefit expenses (including directors' emoluments)		
Salaries, bonus and allowances	17,282	17,654
Contributions to defined contribution plan	644	692
	17,926	18,346
Auditor's remuneration	756	860
Depreciation	10,840	10,843
Amortisation (included in other operating expenses)	1,392	1,288
Loss on disposal of property, plant and equipment	1	–

8. TAXATION

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

The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime was signed into law and gazetted in March 2018. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporations will be taxed at 8.25% and profits above HK\$2 million will be taxed at 16.5%.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

8. TAXATION (Continued)

For the six months ended 30 June 2020 and 2019, Hong Kong Profits Tax for the qualifying company is calculated in accordance with the two-tiered profits tax regime. The profits of corporations in the Group not qualifying for the two-tiered profits tax rates regime continue to be taxed at a flat rate of 16.5% on the estimated assessable profits arising in Hong Kong.

	For the six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Current tax		
Hong Kong Profits Tax		
Current period	291	297
Deferred taxation		
Origination and reversal of temporary difference	731	–
	1,022	297

9. DIVIDEND

The Board of Directors resolved not to declare any interim dividend for the six months ended 30 June 2020 and 2019.

10. LOSS PER SHARE

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

(A) BASIC LOSS PER SHARE

	For the six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Loss attributable to ordinary equity owners (HK\$'000)	(13,985)	(44,624)
Weighted average number of ordinary shares ('000)	521,410	521,410
Basic loss per share (HK cents)	(2.68)	(8.56)

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

10. LOSS PER SHARE (Continued)

(B) DILUTED LOSS PER SHARE

	For the six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Loss attributable to ordinary equity owners (HK\$'000)	(13,985)	(44,624)
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)	(2.68)	(8.56)

The computation of diluted loss per share for the period ended 30 June 2020 and 2019 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.

11. PROPERTY, PLANT AND EQUIPMENT

The Group's leasehold land and buildings are stated at valuation less accumulated depreciation. The leasehold land and buildings were last revalued by an independent professional qualified valuer at 31 December 2019 with reference to recent market transaction prices of similar properties. As at 30 June 2020, the directors of the Company considered that the carrying amount of the Group's leasehold land and buildings did not differ significantly from their fair values.

The carrying amount of the leasehold land and buildings at the end of the reporting period would have been HK\$234,826,000 (31 December 2019: HK\$239,257,000) had they been stated at cost less accumulated depreciation and accumulated impairment losses.

The leasehold land and buildings with a carrying amount of HK\$490,741,000 (31 December 2019: HK\$500,000,000) were pledged to secure the bank loan of the Group. At the end of the reporting period, the Group had an outstanding bank loan of HK\$81,399,000 (31 December 2019: HK\$84,448,000) and the principal plus accrued interest are repayable by 180 equal monthly instalments, and subject to an "on demand" clause.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

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

	At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
At fair value		
Mandatorily measured at FVOCI ("Mandatory FVOCI")		
Debt securities mandatorily measured at FVOCI		
Listed debt securities		
Bonds listed in Hong Kong	9,377	15,601
Bonds listed outside Hong Kong	–	5,508
Unlisted debt securities		
Bonds with fixed maturity dates	–	10,000
	9,377	31,109
Certificates of deposit	53,875	4,451
Financial assets at FVPL		
Equity securities mandatorily measured at FVPL		
Listed in Hong Kong	802	45,206
Listed outside Hong Kong	–	4,263
Unlisted investment fund	59,976	–
	60,778	49,469
	124,030	85,029

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

13. INSURANCE AND OTHER RECEIVABLES

	Note	At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
Insurance receivables			
Premium receivables			
From third parties		118,087	96,024
From related parties		891	875
	13(A)	118,978	96,899
Claims receivable from reinsurers and others		49,985	37,936
		168,963	134,835
Other receivables			
Sales proceeds receivable from financial institutions on disposal of securities		–	20,357
Deposits, prepayments and other receivables		5,140	5,294
		5,140	25,651
		174,103	160,486

13(A) PREMIUM RECEIVABLES

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

The premium receivables from related parties are unsecured, interest free and with credit period of 90 days from the month end date of inception of the corresponding insurance contract. At the end of the reporting period, there was no provision made for non-repayment.

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

	At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
Within 30 days	45,433	30,217
31 – 60 days	36,533	30,607
61 – 90 days	19,933	13,718
91 – 120 days	17,079	22,357
	118,978	96,899

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

13. INSURANCE AND OTHER RECEIVABLES (Continued)

13(A) PREMIUM RECEIVABLES (Continued)

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

	At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
Balances past due		
Within 30 days	11,908	21,155
31 – 60 days	3,083	4,851
61 – 90 days	42	80
Over 90 days	266	708
	15,299	26,794

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

14. INSURANCE LIABILITIES AND REINSURANCE ASSETS

	At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
Gross		
Outstanding claims	746,891	752,009
IBNR	446,207	450,717
	1,193,098	1,202,726
Provision for unearned premium	333,154	295,742
Provision for unexpired risk	24,619	34,590
Total gross insurance liabilities	1,550,871	1,533,058
Recoverable from reinsurers		
Claims reported and loss adjustment expenses	91,066	90,616
Provision for IBNR recoveries	164,875	160,005
	255,941	250,621
Provision for unearned premium	21,923	22,509
Total insurance liabilities recoverable	277,864	273,130
Net		
Outstanding claims	655,825	661,393
IBNR	281,332	290,712
	937,157	952,105
Provision for unearned premium	311,231	273,233
Provision for unexpired risk	24,619	34,590
Total net insurance liabilities	1,273,007	1,259,928

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

15. INTEREST-BEARING BORROWINGS

	Note	At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
Unsecured shareholders' loans	(i)	90,000	–
Secured bank loan		81,399	84,448
		171,399	84,448

- (i) 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, for shareholders' 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, which are subsequently extended to 12 March 2021 on 25 August 2020.

16. SHARE CAPITAL

	At 30 June 2020 (Unaudited)		At 31 December 2019 (Audited)	
	No. of shares	HK\$'000	No. of shares	HK\$'000
Issued and fully paid				
At beginning of the period/year and at end of the reporting period	521,410,000	368,159	521,410,000	368,159

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

17. SHARE OPTION SCHEME

The Company adopted a pre-IPO share option scheme (the “Scheme”) pursuant to a resolution passed on 30 September 2014. The purpose of the Scheme is to recognise and acknowledge the contributions that participants (directors, senior management and other employees) have made or may make to the Group, to provide participants with an opportunity to have a personal stake in the Company with the view to achieve motivating the participants to optimise their performance and efficiency for the benefit of the Group, to attract and retain or otherwise maintain ongoing business relationship with participant, whose contributions are or will be beneficial to the long term growth of the Group. A summary of the principal terms and conditions of the Scheme is set out in the “Interest in Share Options” section of the Directors’ Report in 2019 Annual Report.

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

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

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

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

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

17. SHARE OPTION SCHEME (Continued)

Movements of share options during the six months ended 30 June 2020 are as follows:

Type	Date of grant	Exercise period	Exercise price per share HK\$	Fair value per share HK\$	Number of share option				
					Outstanding at beginning of period '000	Exercised '000	Forfeited '000	Outstanding at end of period '000	Exercisable at end of period '000
Directors	7 October 2014	15 January 2016 – 6 October 2024	1.288	0.169	4,526*	–	–	4,526	4,526
Senior management	7 October 2014	15 January 2016 – 6 October 2024	1.288	0.169	350*	–	–	350	350
Other employees	7 October 2014	15 January 2016 – 6 October 2024	1.288	0.167	4,742	–	–	4,742	4,742

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

Type	Date of grant	Exercise period	Exercise price per share HK\$	Fair value per share HK\$	Number of share option				
					Outstanding at beginning of period '000	Exercised '000	Forfeited '000	Outstanding at end of period '000	Exercisable at end of period '000
Directors	7 October 2014	15 January 2016 – 6 October 2024	1.288	0.169	4,440	–	–	4,440	4,440
Senior management	7 October 2014	15 January 2016 – 6 October 2024	1.288	0.169	436	–	–	436	436
Other employees	7 October 2014	15 January 2016 – 6 October 2024	1.288	0.167	4,742	–	–	4,742	4,742

The Company also adopted a share option scheme which was approved by a resolution of the then shareholders passed on 23 December 2014. No option under this scheme has been granted. A summary of the principal terms and conditions of this scheme is set out in the “Share Option Scheme” section of the Directors’ Report in 2019 Annual Report.

* 86,000 share options are granted to Ms. Lau Ka Yee, who was a senior management and then appointed as an executive director on 1 January 2020.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

18. RELATED PARTY TRANSACTIONS

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

		For the six months ended 30 June	
		2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Related party relationship	Nature of transaction		
Key management personnel, excluding directors	Short-term employee benefits	2,217	2,869
	Post-employment benefits	75	105
		2,292	2,974
The Oscar Motors Company Limited, a company controlled by Lai Bing Leung, a director of the Company	Commission paid	582	507
Head & Shoulders Securities Limited, a company controlled by Choi Chiu Fai Stanley, a former director of the Company (i)	Brokerage paid	-	5

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

19. FAIR VALUE MEASUREMENT

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

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

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

19. FAIR VALUE MEASUREMENT (Continued)

19(A) ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

	At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
Assets measured at fair value		
Level 1		
Mandatory FVOCI		
Listed debt securities	9,377	21,109
Financial assets at FVPL		
Listed equity securities:		
– Financial services	802	11,609
– Utilities	–	13,013
– Conglomerates	–	6,300
– Construction	–	5,710
– Properties	–	5,147
– Consumer goods	–	2,740
– Transportation	–	2,303
– Industrials	–	2,178
– Others	–	469
	10,179	70,578
Level 2		
Mandatory FVOCI		
Unlisted debt securities	–	10,000
Certificates of deposit	53,875	4,451
Financial assets at FVPL		
Unlisted investment fund	59,976	–
	113,851	14,451
Level 3		
Leasehold land and buildings		
Commercial properties and car parking spaces located in Hong Kong	490,741	500,000

During the six months ended 30 June 2020 and 2019, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

19. FAIR VALUE MEASUREMENT (Continued)

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

FAIR VALUE OF MANDATORY FVOCI AND FINANCIAL ASSETS AT FVPL

The fair values of the listed equity and debt securities are determined based on the quoted market bid prices available on The Stock Exchange of Hong Kong Limited or relevant stock exchanges. The fair values of the unlisted debt securities and certificates of deposit are determined with reference to over-the-counter quotations from brokers, bid prices from the Central Money markets Unit of the Hong Kong Monetary Authority or Depository Trust Company. The fair values of the unlisted investment fund are determined with reference to quoted market bid prices from relevant fund administrator.

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

The financial assets and financial liabilities of the Group are carried at amounts not materially different from their fair values as at 30 June 2020 and 31 December 2019.

20. APPROVAL OF CONDENSED INTERIM FINANCIAL INFORMATION

The condensed interim financial information was approved by the Board of Directors on 28 August 2020.