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TARGET

**TARGET INSURANCE (HOLDINGS) LIMITED**

**泰加保險(控股)有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock code: 6161)**

**ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2021**

## ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Target Insurance (Holdings) Limited (the “**Company**”) announces the consolidated financial results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2021 together with comparative figures for the year ended 31 December 2020 as follows:

### CONSOLIDATED INCOME STATEMENT

*Year ended 31 December 2021*

|   | <i>Note</i> | <b>2021</b><br><i>HK\$'000</i> | 2020<br><i>HK\$'000</i> |
|---|-------------|--------------------------------|-------------------------|
| Net insurance premium revenue                             | 2           | –                              | 475,131                 |
| Net investment income                                     | 3           | <b>15,960</b>                  | 22,257                  |
| Other income  |             | –                              | 1,468                   |
| <b>Net income</b>   |             | <b>15,960</b>                  | 498,856                 |
| Net insurance claims and loss adjustment expenses         | 4           | –                              | (301,909)               |
| Acquisition costs and other underwriting expenses,<br>net |             | –                              | (55,955)                |
| Employee benefit expenses                                 | 5           | <b>(2,207)</b>                 | (32,345)                |
| Loss arising from deconsolidation of subsidiaries         | 1           | <b>(426,554)</b>               | –                       |
| Other operating expenses                                  |             | <b>(3,421)</b>                 | (43,529)                |
| Finance costs   | 5           | <b>(16,153)</b>                | (3,928)                 |
| <b>Expenses</b>   |             | <b>(448,335)</b>               | (437,666)               |
| <b>(Loss) profit before tax</b>                           | 5           | <b>(432,375)</b>               | 61,190                  |
| Income tax (expense) credit                               | 6           | <b>(747)</b>                   | 836                     |
| <b>(Loss) profit for the year</b>                         |             | <b>(433,122)</b>               | 62,026                  |
|   |             | <i>HK cents</i>                | <i>HK cents</i>         |
| <b>(Loss) earnings per share</b>                          | 8           |                                |                         |
| Basic   |             | <b>(69.86)</b>                 | 11.90                   |
| Diluted   |             | <b>(69.86)</b>                 | 11.90                   |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

|   | 2021<br><i>HK\$'000</i> | 2020<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| <b>(Loss) profit for the year</b>   | <u>(433,122)</u>        | <u>62,026</u>           |
| <b>Other comprehensive (loss) income</b>  |                         |                         |
| <b>Items that will not be reclassified to profit or loss:</b>                                   |                         |                         |
| Revaluation of property, plant and equipment  | –                       | (30,481)                |
| Effect of deferred tax arising from revaluation   | <u>–</u>                | <u>5,029</u>            |
|   | <u>–</u>                | <u>(25,452)</u>         |
| <b>Items that are reclassified or may be reclassified subsequently to profit or loss:</b>       |                         |                         |
| <i>Financial assets at fair value through other comprehensive income</i>                        |                         |                         |
| Losses on changes in fair value arising during the year   | –                       | (4,332)                 |
| Reclassification of net changes in fair value to profit or loss                                 | <u>–</u>                | <u>542</u>              |
| Net movement in fair value of financial assets at fair value through other comprehensive income | <u>–</u>                | <u>(3,790)</u>          |
| <b>Other comprehensive loss for the year, net of tax</b>  | <u>–</u>                | <u>(29,242)</u>         |
| <b>Total comprehensive (loss) income for the year</b>   | <u><u>(433,122)</u></u> | <u><u>32,784</u></u>    |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

|   | 2021<br><i>HK\$'000</i> | 2020<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| <b>Assets</b>   |                         |                         |
| Property, plant and equipment   | 19                      | 457,165                 |
| Intangible assets   | –                       | 2,463                   |
| Debt securities measured at fair value through other comprehensive income (“FVOCI”) | –                       | 6,746                   |
| Investment in a subsidiary  | <b>830,186</b>          | –                       |
| Certificates of deposit   | –                       | 4,748                   |
| Insurance and other receivables   | 17                      | 131,236                 |
| Reinsurance assets  | –                       | 328,361                 |
| Deferred acquisition costs  | –                       | 34,078                  |
| Financial assets at fair value through profit or loss (“FVPL”)                      | <b>562</b>              | 63,303                  |
| Statutory deposit   | –                       | 100,000                 |
| Pledged deposit   | –                       | 10,000                  |
| Time deposits with original maturity over 3 months                                  | –                       | 3,958                   |
| Cash and time deposits at banks and other financial institutions                    | <b>42,246</b>           | 949,590                 |
| <b>TOTAL ASSETS</b>   | <b><u>873,030</u></b>   | <b><u>2,091,648</u></b> |
| <b>Liabilities</b>  |                         |                         |
| Deferred tax liabilities  | –                       | 36,400                  |
| Insurance liabilities   | –                       | 1,508,802               |
| Interest-bearing borrowings   | –                       | 168,268                 |
| Deferred commission income  | –                       | 5,751                   |
| Reinsurance premium payable   | –                       | 19,467                  |
| Insurance and other payables  | <b>459</b>              | 13,831                  |
| Convertible bond  | <b>274,990</b>          | –                       |
| Tax payable   | <b>747</b>              | 469                     |
| <b>TOTAL LIABILITIES</b>  | <b><u>276,196</u></b>   | <b><u>1,752,988</u></b> |
| <b>EQUITY</b>   |                         |                         |
| Share capital   | <b>419,778</b>          | 368,159                 |
| Other reserves  | <b>1,803</b>            | 197,450                 |
| Conversion reserve  | <b>139,491</b>          | –                       |
| Retained earnings (accumulated loss)  | <b>35,762</b>           | (226,949)               |
| <b>TOTAL EQUITY</b>   | <b><u>596,834</u></b>   | <b><u>338,660</u></b>   |
| <b>TOTAL LIABILITIES AND EQUITY</b>   | <b><u>873,030</u></b>   | <b><u>2,091,648</u></b> |

## NOTES TO THE FINANCIAL STATEMENTS

### 1. PRINCIPAL ACCOUNTING POLICIES

#### Basis of Preparation

Except as described below, the 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 2020 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.

#### Deconsolidation of Target Insurance Company, Limited

Reference is made to the announcements of the Company dated (i) 5 January 2022 in relation to suspension of trading in the shares of the Company on the Stock Exchange; (ii) 20 January 2022, 17 February 2022 and 7 April 2022 in relation to the resumption guidance for the Company imposed by the Stock Exchange; and (iii) 5 October 2022 in relation to the winding-up order issued against Target Insurance Company, Limited (hereinafter referred to as the “**Deconsolidated Subsidiaries**”).

As announced by the Company on 10 January 2022 and 21 February 2022, pursuant to the direction of the Insurance Authority (“**IA**”) (the “**Direction**”), the affairs, business and property of the Deconsolidated Subsidiaries have come under the management of the Managers (i.e. Mr. Derek Lai and Mr. Forrest Kam of Deloitte Touche Tohmatsu), with effect from 7 January 2022 (the “**Takeover**”). The Company has made an application to the Insurance Appeals Tribunal (“**IAT**”) to review, among other things, the Direction as well as to make an urgent application to stay the execution of the said Direction (the “**Applications**”). Since the Takeover becoming effective, the Board no longer has access to the affairs, business and property of the Deconsolidated Subsidiaries.

Based on public statements made by the Managers, the Board noticed that the following decisions have been effected in respect of the Deconsolidated Subsidiaries:

- Taxi insurance policies which expired/are due to expire from February to June 2022 were not/will not be renewed;
- No new taxi insurance policies would be underwritten;
- In respect of non-taxi insurance and non-motor insurance policies, no new policies, other than renewal of existing policies, would be underwritten.

Since then, under the management of the Managers, the Deconsolidated Subsidiaries dismissed most of the employees who were responsible for developing the sector of small and medium enterprises comprehensive insurance without prior notice or consultation with the management of the Company. Such decision would affect the Group's diversified business development, and runs against the business strategy originally set by the Company with the view to benefiting the long term development of the Group.

On 26 September 2022, the High Court of Hong Kong ordered that the Deconsolidated Subsidiaries be wound up and Messrs. Lai Kar Yan (Derek) and Kam Chung Hang (Forrest) of Deloitte Touche Tohmatsu be appointed as the joint and several liquidators of the Deconsolidated Subsidiaries. The winding-up of the Deconsolidated Subsidiaries is expected to have significant adverse effect to the Group's financial position and its operations as a whole.

In between, the Company has made an application to the IAT to review, among other things, the Direction as well as to stay the execution of the said Direction (the "**Review Applications**").

Given the circumstances that the directors of the Company have not been able to have access to complete books and records of the Deconsolidated Subsidiaries and in the absence of such books and records, the management of the Deconsolidated Subsidiaries is unable to explain and validate the true state of the affairs of the Deconsolidated Subsidiaries as at the end of the Group's financial reporting periods subsequent to 31 December 2020 onwards and their financial performance for the financial years then ended, the directors of the Company considered it would be extremely difficult and time consuming to ascertain the true and correct financial position and profit or loss as of and for these financial years for the Group on a consolidated basis or to obtain sufficient documentary information to satisfy themselves regarding the treatment of the transactions during these financial years and various balances of the Group and the Deconsolidated Subsidiaries as at the end of these financial years. As of the date of approval of the consolidated financial statements of the Group, the directors of the Company are satisfied that the Group has used its best efforts, to the extent commercially practicable, to attempt to obtain the accounting records of the Deconsolidated Subsidiaries for these financial years, applying the best estimates and judgement based on the information of the Group that are available to the directors of the Company. In the opinion of the Board, any reconstruction of the correct accounting records would be impracticable as it will be necessary to verify the information with external and independent sources and such sources may not be available or may be unreliable due to their connections with the management of the Deconsolidated Subsidiaries or those responsible for the financial information within and outside of the Group.

Given these circumstances, the Board has not consolidated the financial statements of the Deconsolidated Subsidiaries with effect from 1 January 2021. As such, the results, assets and liabilities of the Deconsolidated Subsidiaries have not been included into the consolidated financial statements of the Group since 1 January 2021. The deconsolidation of the Deconsolidated Subsidiaries resulted in loss arising from deconsolidation of subsidiaries of approximately HK\$426.6 million, which was determined based on the carrying amounts of the partial investment cost of the Deconsolidated Subsidiaries brought forward as at 1 January 2021. This loss had been recognised in the consolidated statement of profit or loss of the Group for the year ended 31 December 2021 and presented as loss arising from the incidents as abovementioned (the "**Incidents**"). Certain information related to the Deconsolidated Subsidiaries are set out in note 1 to the consolidated financial statements.

In the opinion of the directors of the Company, the consolidated financial statements of the Group as at and for the year ended 31 December 2021 prepared on the aforementioned basis is the most appropriate and practical way of presenting the results and state of affairs of the Group as the directors of the Company were unable to obtain sufficient documentary information to satisfy themselves regarding the transactions and balances related to the Deconsolidated Subsidiaries.

However, the deconsolidation of the Deconsolidated Subsidiaries is not in compliance with the requirements of Hong Kong Financial Reporting Standard (“**HKFRS**”) 10 “Consolidated Financial Statements”. Given the abovementioned circumstances, the directors of the Company are unable to ascertain the impact of the Incidents with respect to the accounting records and transactions of the Deconsolidated Subsidiaries, if any, and hence how much of the reported loss arising from the Incidents related solely to the impact of deconsolidation of the Deconsolidated Subsidiaries.

Furthermore, the comparative financial information disclosed in the consolidated financial statements only represents such information as reported in the consolidated financial statements of the Group for the year ended 31 December 2020 (the “**2020 Financial Statements**”) and therefore may not be comparable with the figures for the current year.

Due to limited books of account and records available to the directors of the Company and the non-consolidation of the Deconsolidated Subsidiaries with effect from 1 January 2021, the following disclosures have not been made in the consolidated financial statements insofar as the details or information relate to the Deconsolidated Subsidiaries as at and for the years ended 31 December 2021 and 2020:

- Details of the credit policy and aging of debtors and creditors as required by the Hong Kong Listing Rules;
- Details of contingent liabilities and commitments as required by the Hong Kong Companies Ordinance and HKFRSs;
- Details of allowance account for credit losses, financial risk management and fair value disclosure as required by HKFRS 7 “Financial Instruments – Disclosures”; and
- Entity-wide disclosures as required by HKFRS 8 “Operating Segments”

Further, for the same reasons as those stated above, the Board is unable to assert that all transactions entered into by the Group for the year ended 31 December 2021 have been properly reflected in the consolidated financial statements. In this connection, the Board is also unable to assert as to the completeness, existence and accuracy of identification and the disclosures of segment information in following notes from 2 to 8 with the comparative information insofar as the details or information relate to the Deconsolidated Subsidiaries.

As per assessment by the Board based on the information available at this stage, all identified and required adjustments have been put through in the consolidated financial statements for the year ended 31 December 2021. Since the communication with the Board and formal legal procedures are still ongoing, any further adjustments and disclosures, if required, would be made in the consolidated financial statements of the Group as and when the outcome of the above uncertainties is known and the consequential adjustments and disclosures are identified.

## **Going Concern Basis of Accounting**

During the year ended 31 December 2021, the Group incurred loss of approximately HK\$433.1 million and as of that following deconsolidation of the Deconsolidated Subsidiaries, net liabilities would be appeared on the Group's consolidated statement of financial position, if full impairment was made on the remaining carrying value of the investment in a subsidiary for the year. In addition, at the request of the Company, the trading of the shares of the Company on the HKEx was suspended with effect from 5 January 2022. The directors of the Company have been unable to represent that all present and contingent liabilities of the Group have been completely identified as abovementioned. These conditions indicate the existence of a material uncertainty which may cast significant doubts on the Group's ability to continue as a going concern.

Notwithstanding the above circumstances, the consolidated financial statements have been prepared on a going concern basis. The validity of the going concern basis is dependent upon the success of the Group's future operations, its ability to generate adequate cash flows in order to meet its obligations as and when fall due. In addition, a substantial shareholder of the Company has confirmed his intention to provide continuing financial support to the Group to enable it to continue as a going concern and to settle its liabilities as and when they fall due for the foreseeable future such that the Group can meet its future working capital and financing requirements.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise. The effect of these adjustments has not been reflected in the consolidated financial statements.

## **Adoption of New/Revised HKFRSs**

In the current year, the Group has adopted the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 January 2021 as mentioned below. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, Interest Rate Benchmark Reform – Phrase 2  
HKFRS 4 and HKFRS 16

The adoption of the new and revised HKFRSs did not result in significant changes to the Group's financial statements and amounts reported for the current year and prior years.



### ***New and Amendments to HKFRSs Issued But Not Yet Effective***

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective which may be relevant to the Company:

|   |   |
|---|---|
| Amendments to HKFRS 3                               | Business Combination – Reference to the Conceptual Framework <sup>2</sup>   |
| Amendments to HKAS 16                               | Property, Plant and Equipment – Proceeds before Intended Use <sup>2</sup>   |
| Amendments to HKAS 37                               | Onerous Contracts – Cost of Fulfilling a Contract <sup>2</sup>  |
| Amendment to HKFRSs                                 | Annual Improvements to HKFRSs 2018–2020 cycle <sup>2</sup>  |
| Amendments to HKAS 1                                | Classification of Liabilities as Current or Non-current <sup>1</sup>  |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Making Materiality Judgements – Disclosure of Accounting Policies <sup>1</sup>                                    |
| Amendments to HKAS 8                                | Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates <sup>1</sup> |
| Amendments to HKAS 12                               | Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction <sup>1</sup>      |
| Amendment to HKFRS 16                               | COVID-19-Related Rent Concessions beyond 30 June 2021 <sup>3</sup>  |

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>3</sup> Effective for annual periods beginning on or after 1 April 2021.

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a 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 (“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.

## 2. NET INSURANCE PREMIUM REVENUE

|   | <b>2021</b>     | 2020                  |
|---|-----------------|-----------------------|
|   | <b>HK\$'000</b> | HK\$'000              |
| Gross premium written                           | –               | 559,551               |
| Reinsurance premium ceded                       | –               | (85,007)              |
|   | <u>–</u>        | <u>(85,007)</u>       |
| Net premium written                             | –               | 474,544               |
|   | <u>–</u>        | <u>474,544</u>        |
| Change in provision for unearned premium        | –               | 1,098                 |
| Change in unearned premium on reinsurance ceded | –               | (511)                 |
|   | <u>–</u>        | <u>(511)</u>          |
| Change in net provision for unearned premium    | –               | 587                   |
|   | <u>–</u>        | <u>587</u>            |
| <b>Net insurance premium revenue</b>            | <b>–</b>        | <b>475,131</b>        |
|   | <u><u>–</u></u> | <u><u>475,131</u></u> |

## 3. NET INVESTMENT INCOME

|   | <b>2021</b>          | 2020                 |
|---|----------------------|----------------------|
|   | <b>HK\$'000</b>      | HK\$'000             |
| Interest revenue calculated using the effective interest method:          |                      |                      |
| – time deposits   | 2                    | 9,790                |
| – certificates of deposit   | –                    | 371                  |
| – listed debt securities mandatorily measured at FVOCI                    | –                    | 1,256                |
| – unlisted debt securities mandatorily measured at FVOCI                  | –                    | 198                  |
| Others  | (576)                | –                    |
| Dividend income from listed financial assets mandatorily measured at FVPL | 24                   | 106                  |
| Loss on derecognition of debt securities mandatorily measured at FVOCI    | –                    | (542)                |
| Loss allowance for debt securities mandatorily measured at FVOCI          | –                    | (1,441)              |
| Net fair value loss of financial assets mandatorily measured at FVPL      | (389)                | (4,934)              |
| Net foreign exchange gain   | 16,899               | 17,453               |
|   | <u>16,899</u>        | <u>17,453</u>        |
| <b>Net investment income</b>  | <b>15,960</b>        | <b>22,257</b>        |
|   | <u><u>15,960</u></u> | <u><u>22,257</u></u> |

#### 4. NET INSURANCE CLAIMS AND LOSS ADJUSTMENT EXPENSES

|  | 2021<br><i>HK\$'000</i> | 2020<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Gross claims paid  | –                       | 450,471                 |
| Claims recovered   | –                       | (69,662)                |
|  | <u>–</u>                | <u>(69,662)</u>         |
| Net claims paid  | –                       | 380,809                 |
|  | <u>–</u>                | <u>380,809</u>          |
| Change in provision for gross outstanding claims and incurred but not reported claims (“IBNR”) | –                       | 398                     |
| Change in claims recoverable (including IBNR recoveries)                                       | –                       | (55,742)                |
| Change in provision for unexpired risk   | –                       | (23,556)                |
|  | <u>–</u>                | <u>(78,900)</u>         |
| Change in net outstanding claims   | –                       | (78,900)                |
|  | <u>–</u>                | <u>(78,900)</u>         |
| <b>Net insurance claims and loss adjustment expenses</b>                                       | <u>–</u>                | <u>301,909</u>          |

#### 5. (LOSS) PROFIT BEFORE TAX

This is stated after charging:

|  | 2021<br><i>HK\$'000</i> | 2020<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| <b>Finance costs</b>   |                         |                         |
| Interest on convertible bonds  | 15,468                  | –                       |
| Interest on unsecured loans  | 685                     | 2,529                   |
| Interest on bank loan  | –                       | 1,399                   |
|  | <u>16,153</u>           | <u>3,928</u>            |
| <b>Other items</b>   |                         |                         |
| Employee benefit expenses (including directors’ emoluments)  |                         |                         |
| Salaries, bonus and allowances   | 2,166                   | 31,062                  |
| Contributions to defined contribution plan   | 41                      | 1,283                   |
|  | <u>2,207</u>            | <u>32,345</u>           |
| Auditor’s remuneration   |                         |                         |
| Audit services (inclusive of approximately HK\$460,000 payable to predecessor auditor for the year end 31 December 2021) | 1,560                   | 940                     |
| Other services   | 240                     | 260                     |
| Depreciation   | 1                       | 21,716                  |
| Amortisation (included in other operating expenses)  | –                       | 2,650                   |
| Loss on disposal of property, plant and equipment  | –                       | 1                       |
|  | <u>1,801</u>            | <u>26,567</u>           |

## 6. 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 2021 and 2020, 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.

|  | <b>2021</b><br><i>HK\$'000</i> | 2020<br><i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| <b>Current tax</b>                               |                                |                         |
| Hong Kong Profits Tax                            |                                |                         |
| Current year                                     | 747                            | 1,122                   |
| Over provision in prior years                    | —                              | (364)                   |
|  | <u>747</u>                     | <u>758</u>              |
| <b>Deferred taxation</b>                         |                                |                         |
| Origination and reversal of temporary difference | —                              | (1,594)                 |
|  | <u>—</u>                       | <u>(1,594)</u>          |
| Tax expense (credit) for the year                | <u><u>747</u></u>              | <u><u>(836)</u></u>     |

## 7. DIVIDEND

There was no dividend declared or paid during the year ended 31 December 2021 and 2020.

## 8. (LOSS) EARNINGS PER SHARE

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

### (A) Basic (Loss) Earnings Per Share

|  | 2021             | 2020           |
|--|------------------|----------------|
| (Loss) profit attributable to equity owners (HK\$'000) | <u>(433,122)</u> | <u>62,026</u>  |
| Weighted average number of ordinary shares ('000)      | <u>619,946</u>   | <u>521,410</u> |
| Basic (loss) earnings per share (HK cents)             | <u>(69.86)</u>   | <u>11.90</u>   |

### (B) Diluted (Loss) Earnings Per Share

|   | 2021             | 2020           |
|---|------------------|----------------|
| (Loss) profit attributable to equity owners (HK\$'000)  | <u>(433,122)</u> | <u>62,026</u>  |
| Weighted average number of ordinary shares for the purpose of calculating diluted loss per share ('000) | <u>619,946</u>   | <u>521,410</u> |
| Diluted (loss) earnings per share (HK cents)  | <u>(69.86)</u>   | <u>11.90</u>   |

No adjustment has been made to the basic and diluted loss per share amount presented for the year ended 31 December 2021 in respect of a dilution as the impact of the share options and convertible bonds outstanding had an anti-dilutive effect on the basic and diluted loss per share amount presented.

The computation of diluted earnings per share for the year ended 31 December 2020 does not assume the exercise of the Company's share options as the exercise price of those options is higher than the average market price of the Company's shares during the year.

## EXTRACT OF INDEPENDENT AUDITOR’S REPORT

The following is an extract of the independent auditor’s report from McMillan Woods (Hong Kong) CPA Limited, the external auditor of the Company, on the Group’s consolidated financial statements for the year ended 31 December 2021.

### BASIS FOR DISCLAIMER OF OPINION

(a) **Authenticity of accounting records and deconsolidation of Target Insurance Company, Limited, a wholly owned subsidiary of the Company, incorporated in Hong Kong**

As disclosed in note 2 to the consolidated financial statements:

On 7 January 2022, business and property of Target Insurance Company, Limited (the “**Deconsolidated Subsidiary**”), being a wholly owned subsidiary of the Company, have come under the management of Messrs. Lai Kar Yan (Derek) and Kam Chung Hang (Forrest) of Deloitte Touche Tohmatsu to be the joint and several managers (the “**Managers**”) as appointed by the Insurance Authority (“**IA**”) (the “**Takeover**”).

On 26 September 2022, the High Court of Hong Kong ordered that the Deconsolidated Subsidiary be wound up and the Managers be appointed as the joint and several liquidators of the Deconsolidated Subsidiary. The winding-up proceedings of the Deconsolidated Subsidiary (the “**Winding-up Proceedings**”) is expected to have significant adverse effect to the Group’s financial position and its operations as a whole.

As a result, the directors of the Company had been unable to obtain and gain access to the books and records and assets of the Deconsolidated Subsidiaries for current and prior years, and resolved that the Group no longer had the controlling power to govern the financial and operating policies of the Deconsolidated Subsidiaries so as to benefit from their activities, and accordingly the control over the Deconsolidated Subsidiaries was deemed to have lost since 7 January 2022. The Deconsolidated Subsidiaries had therefore been deconsolidated from the consolidated financial statements of the Group since the beginning year of 2021, prior to 7 January 2022 due to lack of access to books and records of the Deconsolidated Subsidiaries as abovementioned.

As a result of the circumstances described above, the directors of the Company have been unable to provide us with a complete set of accounting books and records of the Deconsolidated Subsidiaries. We have therefore been unable to carry out audit procedures to obtain sufficient reliable audit evidence to satisfy ourselves as to whether:

- i. the loss on deconsolidation of the subsidiaries of approximately HK\$426.6 million as disclosed in note 2 as well as the related disclosures set out in the notes to the consolidated financial statements are free from material misstatement; and
- ii. the Group had lost its control over the Deconsolidated Subsidiaries.

The deconsolidation of the Deconsolidated Subsidiaries with effect from the beginning year of 2021 also resulted in the exclusion of the assets, liabilities, revenue, income, expenses, and cash flows of the Deconsolidated Subsidiaries from the consolidated financial statements of the Group for the year ended 31 December 2021. As a result, this accounting outcome is a departure from the requirements of Hong Kong Financial Reporting Standard (“**HKFRS**”) 10 “Consolidated Financial Statements”, which requires all subsidiaries controlled by the Company and its subsidiaries to be included in the consolidated financial statements of the Group. The facts and circumstances described above do not show that the Group had lost control over the Deconsolidated Subsidiaries with effect for the period from 1 January 2021 to 31 December 2021. Accordingly, under HKFRS 10, the Company should have consolidated the Deconsolidated Subsidiaries in its consolidated financial statements for the year ended 31 December 2021. Had these subsidiaries been consolidated, many elements in the consolidated financial statements of the Group for the year ended 31 December 2021 would have been materially affected. However, as stated above, we have not been able to obtain sufficient appropriate audit evidence to enable us to assess the financial effects of the matters to which the Deconsolidated Subsidiaries relate. Accordingly, the effects on the consolidated financial statements of the Group of the failure to consolidate the Deconsolidated Subsidiaries could not be determined.

Any adjustment that might have been found to be necessary in respect of the above may have a significant effect on the state of the Group’s affairs as at 31 December 2021 and on its loss for the year ended 31 December 2021.

**(b) Opening balances and the comparative information**

The opening balances as at 1 January 2021 and the comparative figures as at and for the year ended 31 December 2021 presented or disclosed in the financial statements are based on the audited consolidated financial statements of the Group for the year ended 31 December 2020 on which the auditors' report issued by the predecessor auditors dated 31 March 2021 expressed an unmodified opinion.

As explained in paragraph above, due to lack of access to books and records of the Deconsolidated Subsidiaries, we have not been able to obtain sufficient appropriate audit evidence as to whether the opening balances as at 1 January 2021 and the comparative figures for the year ended 31 December 2021 were properly recorded and accounted for and in compliance with the requirements of applicable HKFRSs.

In view of the matters described above, we were unable to determine whether adjustments might have been necessary in respect of the figures as at and for the year ended 31 December 2020 presented as comparative figures in the financial statements and the possible effects of these matters on the comparability of the current year's figures and the comparative figures.

Furthermore, the closing balances as at 31 December 2020 of the assets and liabilities of the Group entered into the determination of the financial performance and cash flows of the Group for the current financial year ended 31 December 2021 and have carry forward effects on the closing balances of the assets and liabilities of the Group as at 31 December 2021. Consequently, any adjustments found to be necessary to the closing balances as at 31 December 2020 may significantly affect the balance of retained profits of the Group as at 1 January 2021, the Group's results and cash flows for the year ended 31 December 2021, the closing balances of assets and liabilities as at 31 December 2021 and related disclosures in the notes to the financial statements of the Group for the year ended 31 December 2021. Accordingly, we were also unable to determine whether adjustments might have been necessary in respect of the financial performance of the Group for the year ended 31 December 2021 reported in the statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income, the cash flows for the year ended 31 December 2021 reported in the statement of cash flows and the financial position of the Group as at 31 December 2021 reported in the statement of financial position.



**(c) Compliance with HKFRSs and applicable laws and regulations**

As disclosed in note 2 to the consolidated financial statements, the financial statements of the Group have been prepared by the directors of the Company under the circumstances of limited financial information concerning the books and records of the Deconsolidated Subsidiaries and lack of response from management of the Deconsolidated Subsidiaries to the requests for information and explanations concerning the books and records of the Deconsolidated Subsidiaries. The Board believed it was not practicable to ascertain the correct amounts and balances of the Deconsolidated Subsidiaries for inclusion in the financial statements.

The matters described above also caused the Board to believe it was unable to assert that the financial statements complied with HKFRSs, or that the disclosure requirements of the Hong Kong Companies Ordinance and the Hong Kong Listing Rules had been complied with. Accordingly, the notes to the financial statements do not contain the statement of compliance with HKFRSs and these disclosure requirements. This constitutes a non-compliance with the relevant disclosure requirements to state such compliance in the financial statements.

Further, due to lack of access to complete books and records and management personnel of the Deconsolidated Subsidiaries made available to us, we have not been able to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether there was non-compliance with applicable laws and regulations by the Deconsolidated Subsidiaries and hence about the completeness of any actual or contingent liabilities in the financial statements. There were no practicable alternative procedures that we could perform to satisfy ourselves as to whether there existed unrecorded provisions or undisclosed contingent liabilities and hence whether there were material misstatements of the financial statements due to non-compliance with laws and regulations. Any adjustments found to be necessary may have a consequential significant effect on the net liabilities or net assets of the Group as at 31 December 2020 and 2021 and of the result and other comprehensive income or loss and cash flows of the Group for the years then ended and the related disclosures thereof in the financial statements.

Up to the date of approval of the consolidated financial statements, the Group's measures described above have not yet been completed. There were material uncertainties on the Group's ability to execute the future plan. In view of the significance of the extent of the uncertainty relating to the ongoing availability of finance to the Group, we disclaim our opinion in respect of year ended 31 December 2021. Should the Group fail to achieve all of the above-mentioned measures on a timely basis, it may not be able to continue as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities to current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

**(d) Interests in subsidiaries and amount due to the Deconsolidated Subsidiaries**

Included in the statement of financial position of the Company to the consolidated financial statements were (i) investment in subsidiaries of gross carrying amount of approximately HK\$830.2 million at 31 December 2021 and (ii) amount due to the Deconsolidated Subsidiaries if any at 31 December 2021. Impairment losses, if any, in respect of the interests in subsidiaries of approximately HK\$426.6 million were recognised by the Company for the year ended 31 December 2021.

As disclosed in the consolidated financial statements, the cost of investment in subsidiaries of the Company as at 31 December 2021 represented the investment cost in the equity interests in wholly owned subsidiaries directly held by the Company. These subsidiaries are investment holding companies and the investment costs were utilised by them, to a large extent, as investment costs in and loans and advances to the Deconsolidated Subsidiaries. As disclosed in the consolidated financial statements, the directors of the Company have been unable to gain access to complete books and records of the Deconsolidated Subsidiaries and have been unable to obtain information and explanations from management of the Deconsolidated Subsidiaries on matters concerning the books and records of the Deconsolidated Subsidiaries. Given these circumstances, the directors of the Company considered that the Group does not possess relevant information about the Deconsolidated Subsidiaries' financial position and financial ability to repay to enable impairment assessments of the Company's investment cost in its subsidiaries to be carried out. Accordingly, the directors of the Company have recognised the loss arising from deconsolidation of subsidiaries of approximately HK\$426.6 million of the investment cost in subsidiaries for the year ended 31 December 2021.

Due to the circumstances as described herein, we were unable to perform audit procedures to obtain sufficient appropriate audit evidence to satisfy ourselves about the validity and completeness of the investment costs in subsidiaries as at 31 December 2021 and 2020. In addition, as no documentation of impairment assessment of the interests in subsidiaries as at 31 December 2021 and 2020 was made available to us, we have not been able to obtain sufficient appropriate audit evidence to satisfy ourselves that the recoverable amounts of the interests in subsidiaries were properly assessed as at 31 December 2021 and 2020. There were no alternative audit procedures that we could perform to satisfy ourselves as to whether the interests in subsidiaries as at 31 December 2021 and 2020, and the impairment loss recognised in respect of these interests in subsidiaries were free from material misstatement. Any adjustments found to be required may have consequential significant effects on the carrying amounts of the interests in subsidiaries and the impairment loss in respect thereof as at 31 December 2021 and 2020 and hence on the net assets of the Company as at 31 December 2021 and 2020 and related disclosures thereof in the consolidated financial statements.

(e) **Multiple uncertainties relating to going concern**

As described in Note 2 to the consolidated financial statements, the Group incurred a net loss of approximately HK\$433.1 million during the year ended 31 December 2021 and as at that date, the Group would have recorded net liabilities on its consolidated statement of financial position if full impairment was made on the investment in a subsidiary for the year.

On 5 January 2022, the Company's shares have been suspended from trading on The Stock Exchange of Hong Kong Limited.

On 7 January 2022, business and property of Target Insurance Company, Limited ("**Subsidiary**"), being a wholly owned subsidiary of the Company, have come under the management of Messrs. Lai Kar Yan (Derek) and Kam Chung Hang (Forrest) of Deloitte Touche Tohmatsu to be the joint and several managers (the "**Managers**") as appointed by the IA (the "**Takeover**").

On 26 September 2022, the High Court of Hong Kong ordered that the Subsidiary be wound up and the Managers be appointed as the joint and several liquidators of the Subsidiary. The winding-up proceedings of the Subsidiary (the "**Winding-up Proceedings**") is expected to have significant adverse effect to the Group's financial position and its operations as a whole.

These conditions indicate the existence of material uncertainties which may cast significant doubts about the Group's ability to continue as a going concern. Notwithstanding the abovementioned, the consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the Group's ability to successfully operate of the Group's future business and generate adequate cash flows. As of the date of this report, we have not obtained the Group's cash flow forecast, including related reasonable and supportable bases for the underlying data and assumptions, which are necessary for us to assess the appropriateness of the use of the going concern assumption in the preparation of the consolidated financial statements. Because of the significance of these matters, we were unable to satisfy ourselves as to whether the use of going concern assumption in the preparation of the consolidated financial statements was appropriate. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively.

## FINAL DIVIDEND

The Directors do not recommend the payment of final dividend in respect of the year ended 31 December 2021.

## OPERATING RESULT

The Group has no operation during the year ended 31 December 2021 and no operating profit or loss was recorded due to the Incidents mentioned in note 1 (2020: profit of HK\$117.3 million), a loss before tax at HK\$432.4 million (2020: profit of HK\$61.2 million) and a loss for the year at HK\$433.1 million (2020: profit of HK\$62.0 million).

|                            | For the year ended |                 |
|----------------------------|--------------------|-----------------|
|                            | 31 December        |                 |
|                            | 2021               | 2020            |
|                            | <i>HK\$'000</i>    | <i>HK\$'000</i> |
| Operating (loss) profit    | –                  | 117,267         |
| (Loss) profit before tax   | (432,375)          | 61,190          |
| (Loss) profit for the year | <u>(433,122)</u>   | <u>62,026</u>   |

## LIQUIDITY AND FINANCIAL RESOURCES

Our Group's cash and bank deposits as at 31 December 2021 amounted to HK\$42.2 million (2020: HK\$1,063.5 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 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 which were further extended and have been fully repaid to Dr. Cheung Haywood on 26 January 2021 and to Mr. Chiu Sun Ting and Mr. Lai Bing Leung on 3 May 2021. Dr. Cheung Haywood resigned as executive Director and the Chairman of the Board with effect from 9 August 2021; Mr. Chiu Sun Ting and Mr. Lai Bing Leung resigned as executive Directors with effect from 23 December 2020.

As at 31 December 2021, our Group has no bank loan facility (2020: HK\$78.3 million) and no bank overdrafts (2020: Nil). Our Group has no bank guarantee (31 December 2020: HK\$10 million).

## CAPITAL STRUCTURE

During the year ended 31 December 2021, 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**”).

## PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 4 January 2021, the Company entered into a placing agreement with Emperio Securities and Assets Management Limited (the “**Placing Agent**”), as placing agent, pursuant to which the Placing Agent conditionally agreed to procure on a best effort basis not less than six placees, who are professional, institutional and other investors who and whose ultimate beneficial owners (if any) are third parties independent of the Company and connected persons of the Company, to subscribe for up to 104,282,000 new ordinary shares of no par value in the share capital of the Company (the “**Placing Shares**”) at the placing price of HK\$0.50 per Placing Share (the “**Placing**”). The placing price of HK\$0.50 per Placing Share represents a discount of approximately 19.35% to the closing price of HK\$0.62 per share of the Company as quoted on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 4 January 2021, being the date of the placing agreement.

The reasons for and benefits of the Placing was to strengthen the financial position of the Group and to provide general working capital for the Group. The Placing also represented a good opportunity to broaden the shareholder base and the capital base of the Company.

The Placing was completed on 22 January 2021. All Placing Shares had been successfully placed by the Placing Agent and the Company issued and allotted 104,282,000 Placing Shares to not less than six places at the placing price of HK\$0.50 per Placing Share. The net proceeds (after deduction of placing fees and other expenses of the Placing) from the Placing amounted to approximately HK\$51.62 million, representing a net price of approximately HK\$0.495 per Placing Share.

For the year ended 31 December 2021, the above net proceeds have been fully utilized as intended as to (i) HK\$40.0 million for the repayment of loans; and (ii) HK\$8.92 million as general working capital of the Group mainly including HK\$2.0 million on professional charges and HK\$0.7 million on interest paid.

For the details of the Placing, please refer to the announcements of the Company dated 4 January 2021 and 22 January 2021.

## **ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE**

On 26 January 2021, the Company entered into a subscription agreement with Smart Neo Holdings Limited (the “**Subscriber**”), a substantial shareholder of the Company which is wholly-owned by Dr. Ng Yu, an executive Director and the then Chairman of the Board, pursuant to which the Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for the zero coupon unsecured redeemable convertible bonds in the aggregate principal amount of HK\$400.0 million, which may be converted into 701,754,385 new ordinary shares of no par value in the share capital of the Company at the initial conversion price of HK\$0.57 per conversion share (subject to adjustments) (the “**Convertible Bonds**”) (the “**Subscription**”). The initial conversion price of HK\$0.57 per conversion share represents a discount of approximately 8.06% to the closing price of HK\$0.62 per share of the Company as quoted on the Stock Exchange on 26 January 2021, being the date of the subscription agreement.

The Subscription constituted a connected transaction of the Company under Chapter 14A of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange and subject to, among others, approval by the independent shareholders of the Company. The Subscription was approved by the independent shareholders of the Company at the general meeting of the Company held on 29 March 2021 and was completed on 30 April 2021.

The reasons for and benefits of the Subscription was to enhance the financial strength of the Group and to raise the authorized annual aggregate gross premium income limit on the Deconsolidated Subsidiaries, imposed by the Insurance Authority, which is essential to the Deconsolidated Subsidiaries in order for it to sustain its business expansion strategy and growth momentum.

The net proceeds from the Subscription, after deduction of expenses, amounted to approximately HK\$399.0 million. Assuming conversion of the Convertible Bonds into conversion shares in full at the initial conversion price of HK\$0.57 per conversion share, the net price per conversion share is HK\$0.57 and a total of 701,754,385 new ordinary shares of the Company will fall to be issued. None of the Convertible Bonds was redeemed or converted since issuance.

During the six months ended 30 June 2021, the above net proceeds have been utilized as intended as to (i) HK\$50.0 million for the repayment of loans; (ii) HK\$330.0 million for capital injection into the Deconsolidated Subsidiaries for business expenses, and (iii) HK\$19 million for general working capital of the Group.

For details of the Subscription, please refer to the circular of the Company dated 11 March 2021.

## **STAFF AND STAFF REMUNERATION**

As at 31 December 2021, the Group had a total of 10 employees (2020: 78 employees).

## **CONTINGENT LIABILITIES**

Other than those incurred during the normal course of our Group's insurance business or relating to the fact stated in Note 1 above, there was neither outstanding litigation nor any other contingent liabilities as at 31 December 2021 and 2020.

## MATERIAL DEVELOPMENTS

### SUSPENSION OF TRADING

At the request of the company, trading in the shares of the company on the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) has been suspended with effect from 9:00 a.m. on 5 January 2022. According to the announcements of the Company dated 20 January 2022, 17 February 2022, 7 April 2022 and 28 April 2023, the Stock Exchange has set out the following resumption guidance (the “**Resumption Guidance**”) for the Company to follow in devising its action plan for resumption:

- i. demonstrate its compliance with Rule 13.24 of the Listing Rules;
- ii. demonstrate its compliance with Rules 3.10, 3.10A, 3.21, 3.25 and 3.27A of the Listing Rules;
- iii. publish all outstanding financial results and address any audit modifications;
- iv. inform the market of all material information for the Shareholders and investors to appraise the Company’s position; and
- v. demonstrate that there is no reasonable regulatory concern about management integrity and/or the integrity of any persons with substantial influence over the Company’s management and operations, which may pose a risk to investors and damage market confidence.

The Stock Exchange indicated that it may modify the Resumption Guidance and/or give further guidance if the Company’s situation changes.

The Company is taking appropriate steps to resolve the outstanding issues causing its trading suspension and will seek to resume trading of its shares as soon as possible. On 14 July 2023, the Company received a letter from the Stock Exchange stating that the Listing Committee of the Stock Exchange had made a decision to cancel the listing of the shares of the Company (the “**Delisting Decision**”) under Rule 6.01A. On 26 July 2023, the Company has submitted a written request to the secretary of the Listing Review Committee of the Stock Exchange for a review of the Delisting Decision pursuant to Chapter 2B of the Listing Rules. The Company will keep its shareholders and potential investors informed of the latest progress as and when appropriate.

### THE TAKEOVER AND THE REVIEW APPLICATIONS

The former principal operating subsidiary, Target Insurance Company, Limited (“**Target Insurance**”) was treated as being deconsolidated from the Group since the commencement of the financial year ended 31 December 2021. For details, please refer to the paragraph headed “Basis of Preparation” in this announcement.



According to the announcements of the Company dated 10 January 2022, 21 February 2022 and 31 March 2022, pursuant to the direction (the “**Direction**”) of the Insurance Authority (the “**IA**”), the affairs, business and property of Target Insurance, have come under the management of Messrs. Lai Kar Yan (Derek) and Kam Chung Hang (Forrest) of Deloitte Touche Tohmatsu, who were appointed by the IA on 7 January 2022 to be the joint and several managers (the “**Managers**”), with effect from 7 January 2022 (the “**Takeover**”).

According to the announcement of the Company dated 31 March 2023, the Company has previously applied to the Insurance Appeals Tribunal for an appeal review on the takeover by the IA. Since then, both parties have continued to communicate and negotiate with each other on the hearing of review applications and other matters. In view of the amicable discussions between the parties, the Company has agreed to withdraw the review applications. The management of the Company is of the view that this move is in the interest of its shareholders as a whole and shall enhance the overall corporate image of the Group.

## **THE WINDING-UP PETITION IN RESPECT OF TARGET INSURANCE**

As announced on 15 July 2022, a petition was filed by the Managers (as appointed by the IA since the Takeover took effect on 7 January 2022) with the High Court of the Hong Kong Special Administrative Region (the “**High Court**”) for the winding-up of Target Insurance under the provisions of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) on the ground of alleged insolvency of Target Insurance.

On 26 September 2022, Target Insurance was wound up by order of the High Court and Messrs. Lai Kar Yan (Derek) and Kam Chung Hang (Forrest) of Deloitte Touche Tohmatsu were appointed as the joint and several liquidators of Target Insurance by the order of the High Court of on the same date.

## **THE ACTION AGAINST FORMER DIRECTORS IN RESPECT OF INVESTMENTS MADE BY TARGET INSURANCE**

As announced by the Company on 15 July 2022, the Company has instituted legal actions (the “**Actions**”) at the High Court against certain former executive Directors, including Dr. Cheung Haywood, Mr. Chan Hok Ching and Ms. Lau Ka Yee (collectively, the “**Defendants**”) on 15 July 2022. It is the Company’s case that, from around 2000 to late 2021, the Defendants have breached his/her duties owed to the Company, fiduciary and/or otherwise, by procuring, causing and/or permitting Target Insurance to enter into agreement(s) with Nerico Brothers Limited (“**NBL**”), for carrying out spot forex trading using cash assets of Target Insurance placed with NBL (the “**Sum**”) and to increase the amount of the Sum from time to time, while NBL being an entity controlled and/or related and/or connected to Dr. Cheung Haywood, there was no proper disclosure of interests being made.

Subsequently, despite repeated requests, NBL failed to return the Sum (then in the amount of approximately HK\$1,200,000,000), the Company claims against the Defendants for, among other things, (1) a declaration that each of the Defendants was in breach of his/her duties owed to the Company, fiduciary and/or otherwise; and (2) the Sum (for an amount of not less than approximately HK\$1,200,000,000) and/or damages and/or equitable compensation to be assessed. The Actions remain on-going as at the date of this announcement.

## **BUSINESS PROSPECTS**

The Company endeavours to develop the international insurance business and other insurance related business in the United Arab Emirates and other overseas countries in the near future. The Company was also granted with unsecured facilities of AED\$100 million (approximately HK\$213 million) from Dr. Ng Yu to support the development of insurance business and other insurance related business in the United Arab Emirates. To achieve rapid development of the Company's business as soon as possible, the Company is considering to conduct external debt financing and the proceeds raised will be mainly used for the development of business.

## **ANNUAL GENERAL MEETING AND PERIOD OF CLOSURE OF REGISTER OF MEMBERS**

The Company will arrange the time of convening the forthcoming annual general meeting (“AGM”) as soon as practicable, and the notice of the AGM will be published and despatched to the Shareholders in a timely manner in accordance with the requirements of the Listing Rules and the Articles of Association of the Company. Once the date of the AGM is finalized, the Company will publish the period of closure of register of members of the Company in the notice of the AGM.

## **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 2021.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by Directors of the Company. Among those Directors who held directorships in the Company during the year ended 31 December 2021, Dr. Ng Yu, Mr. Dai Chengyan, Mr. Wang Jun Sheng and Ms. Lau Ka Yee confirmed that each of them had complied with the required standard as set out in the Model Code for the year ended 31 December 2021, while the Company was unable or not in the position to seek confirmation from the other Directors whether they had complied with the said requirement.

## **CORPORATE GOVERNANCE PRACTICE**

The Company has adopted the code provisions set out in the Corporate Governance Code (the “**Old CG Code**”) previously contained in Appendix 14 to the Listing Rules as its own code of corporate governance for the year ended 31 December 2021. The Company was in compliance with the relevant provisions of the Old CG Code throughout the year ended 31 December 2021.

## **SCOPE OF WORK OF MCMILLAN WOODS (HONG KONG) CPA LIMITED**

The figures contained in the preliminary announcement of the Group’s results for the year have been agreed by the Group’s auditor, McMillan Woods (Hong Kong) CPA Limited, to the amounts set out in the Group’s consolidated financial statements for the year ended 31 December 2021. The work performed by McMillan Woods (Hong Kong) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements, or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by McMillan Woods (Hong Kong) CPA Limited on the preliminary announcement.

## **AUDIT COMMITTEE**

The Company established the audit committee of the Company (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 Audit Committee currently comprises three independent non-executive Directors, namely Mr. Chiam Tat Yiu (as chairman), Dr. He Xiaobin, and Mr. Yu Cho Tak. The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2021.

## **DISCLAIMER OF OPINION BY THE AUDITOR AND MATERIAL UNCERTAINTIES RELATED TO GOING CONCERN**

As set out in the independent auditor’s report extracted below hereto, McMillan Woods (Hong Kong) CPA Limited did not express an opinion on the consolidated financial statements of the Group for the year ended 31 December 2021 because of (a) Authenticity of accounting records and deconsolidation of Target Insurance Company, Limited, a wholly owned subsidiary of the Company, incorporated in Hong Kong; (b) Opening balances and the comparative information; (c) Compliance with HKFRSs and applicable laws and regulations; (d) Interests in subsidiaries and amount due to the Deconsolidated Subsidiaries; and (e) Multiple uncertainties relating to going concern as described in the Basis for Disclaimer of Opinion section of the independent auditor’s report. Please refer to the enclosed independent auditor’s report for more details.

With regards to the Basis for Disclaimer of Opinion with details mentioned, (i) the Audit Committee communicated with the Auditor in detail during several meetings in June 2023 and on 17 August 2023; (ii) the Audit Committee also reported the situation to the Board during the Board meeting on the same dates; (iii) the Audit Committee and the Board both agreed that the matter is non-recurring, the modified opinion shall not have any impact on the results of the Company for the year ending 31 December 2023 and the financial position of the Company as at 31 December 2023 upon completion of the disposal of Target Insurance Company, Limited; and (iv) neither the Company's corporate governance, nor the impartiality of the Board and management, was impaired.

By order of the Board  
**Target Insurance (Holdings) Limited**  
**Liang Qin**  
*Executive Director*

Hong Kong, 17 August 2023

*As at the date of this announcement, the board of directors of the Company comprises one executive Director, namely Ms. Liang Qin; two non-executive Directors, namely Dr. Ng. Yu (Chairman) and Mr. Ling Xujun; and three independent non-executive Directors, namely Dr. He Xiaobin, Mr. Chiam Tat Yiu and Mr. Yu Cho Tak.*