

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2022

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 2022 together with comparative figures for the year ended 31 December 2021 as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2022

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Net investment income	3	254	15,960
Other income		<u>12</u>	<u>–</u>
Net income		<u>266</u>	<u>15,960</u>
Employee benefit expenses	4	(3,501)	(2,207)
Loss arising from deconsolidation of subsidiaries	1	(830,186)	(426,554)
Other operating expenses		(13,819)	(3,421)
Finance costs	4	<u>(24,177)</u>	<u>(16,153)</u>
Expenses		<u>(871,683)</u>	<u>(448,335)</u>
Loss before tax	4	(871,417)	(432,375)
Income tax expense	5	<u>–</u>	<u>(747)</u>
Loss for the year		<u>(871,417)</u>	<u>(433,122)</u>
		<i>HK cents</i>	<i>HK cents</i>
Loss per share	7		
Basic		(130.21)	(69.86)
Diluted		<u>(130.21)</u>	<u>(69.86)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the year	<u>(871,417)</u>	<u>(433,122)</u>
Total comprehensive loss for the year	<u><u>(871,417)</u></u>	<u><u>(433,122)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Assets		
Property, plant and equipment	39	19
Investment in a subsidiary	–	830,186
Insurance and other receivables	148	17
Financial assets at fair value through profit or loss ("FVPL")	517	562
Cash and time deposits at banks and other financial institutions	<u>29,330</u>	<u>42,246</u>
TOTAL ASSETS	<u>30,034</u>	<u>873,030</u>
Liabilities		
Interest-bearing borrowings	4,000	–
Insurance and other payables	953	459
Convertible bond	277,946	274,990
Tax payable	<u>747</u>	<u>747</u>
TOTAL LIABILITIES	<u>283,646</u>	<u>276,196</u>
EQUITY		
Share capital	449,778	419,778
Other reserves	3,236	1,803
Conversion reserve	129,029	139,491
(Accumulated losses) retained earnings	<u>(835,655)</u>	<u>35,762</u>
TOTAL EQUITY	<u>(253,612)</u>	<u>596,834</u>
TOTAL LIABILITIES AND EQUITY	<u>30,034</u>	<u>873,030</u>

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 2021 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.

Prior year’s consolidated financial statements

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 disclosed in note 2 “Basis of Preparation” of the consolidated financial statements of the Group for the year ended 31 December 2021, due to the Incidents mentioned under the heading of “Deconsolidation of Target Insurance Company, Limited” in the same note, the Board has not consolidated the financial statements of the Deconsolidated Subsidiaries with effect from 1 January 2021 and for the year then ended.

Current year’s consolidated financial statements

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 (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 Group recognised such Winding-up Proceedings as loss of control over the Deconsolidated Subsidiaries and recorded loss arising from deconsolidation of subsidiaries for the year ended 31 December 2022 accordingly.

Given the circumstances that the Directors have not been able to have access to complete books and records of the Deconsolidated Subsidiaries, and in the absence of available information to explain and validate the true state of affairs and financial performances of the Deconsolidated Subsidiaries up to and as at the disposal date, the Directors considered it would be extremely difficult and time consuming to ascertain the true and correct financial position and profit or loss of the Deconsolidated Subsidiaries as of the disposal date and for the period from 1 January 2022 to the disposal date respectively or to obtain sufficient documentary information to satisfy themselves regarding the true and fair presentation of the transactions of these groups of companies during the period from 1 January 2022 to the disposal dates and of the various account balances of Deconsolidated Subsidiaries as at the disposal date respectively. As at the date of approval of the consolidated financial statements of the Group for the year ended 31 December 2022 (the “**2022 Financial Statements**”), the Directors were satisfied that the Group had used its best efforts, to the extent commercially practicable, to attempt to obtain the accounting records of the Deconsolidated Subsidiaries for the past years and up to their respective disposal date, applying the best estimates and judgement based on the information of the Deconsolidated Subsidiaries that were available to the Group. In the opinion of the Board, any reconstruction of the correct accounting records would be impracticable as it would be necessary to verify the information with external and independent sources and such sources might not be available or might 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 Deconsolidated Subsidiaries.

The Board had determined that the Group would continue not consolidating the financial statements of the Deconsolidated Subsidiaries. As disclosed in the consolidated financial statements of the Group for the year ended 31 December 2021, the Deconsolidated Subsidiaries had been de-consolidated with effect from 1 January 2021. As such, the results, assets and liabilities of the Deconsolidated Subsidiaries had not been included into the consolidated financial statements of the Group since 1 January 2021. The deconsolidation of the Deconsolidated Subsidiaries had resulted in a loss 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 deconsolidation of subsidiaries”.

For the current year ended 31 December 2022, the completion of deconsolidation of the Deconsolidated Subsidiaries had resulted in a loss of approximately HK\$830.2 million, which was determined based on the carrying amounts of the remaining investment cost of the Deconsolidated Subsidiaries brought forward as at 1 January 2022. This loss had been recognised in the consolidated statement of profit or loss of the Group for the year ended 31 December 2022 and presented as “loss arising from deconsolidation of subsidiaries”.

Accordingly, the opening balances as at 1 January 2022 and comparative information for the year ended 31 December 2022 presented or disclosed in the consolidated financial statements as comparatives are based on the 2021 Financial Statements, which the Auditors have expressed a disclaimer of opinion in their auditors’ report accordingly. The comparative information may not be comparable with the figures presented or disclosed in respect of the current financial year.

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 2021 (the “**2021 Financial Statements**”) and therefore may not be comparable with the figures for the current year.

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 2022 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.

Due to limited books of account and records available to the directors of the Company and the deconsolidation 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 2022 and 2021:

- 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 2022 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 7 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 2022. 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 2022, the Group incurred loss of approximately HK\$871.4 million and as of that date, the Group's total liabilities exceeded its total assets by approximately HK\$253.6 million. 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 AND REVISED TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. The paragraphs below provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts—Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16 (March 2021)	Covid-19 Related Rent Concessions beyond 30 June 2021
Annual Improvements Project	Annual Improvements to HKFRS Standards 2018–2020
Amendments to Accounting Guideline 5	Merger Accounting for Common Control Combinations

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 HKAS 1	Classification of Liabilities as Current or Non-current ¹
Amendments to HKAS 1	Non-current Liabilities with Covenants ¹
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ²
Amendments to HKAS 8	Definition of Accounting Estimates ²
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction ²
Amendments to HKFRS 16	Lease Liability in a Sales and Leaseback ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Hong Kong Interpretation 5 (2020) Presentation of Financial Statements	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ¹

¹ Effective for annual periods beginning on or after 1 January 2024.

² Effective for annual periods beginning on or after 1 January 2023.

³ To be determined by the HKICPA

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. SEGMENT INFORMATION

In the opinion of directors, the segment information is not presented as the operation of the major subsidiaries was ceased due to the fact mentioned in note 1.

3. NET INVESTMENT INCOME

	2022	2021
	HK\$'000	HK\$'000
Interest revenue calculated using the effective interest method:		
– time deposits	–	2
Others	–	(576)
Dividend income from listed financial assets mandatorily measured at FVPL	16	24
Net fair value loss of financial assets mandatorily measured at FVPL	(45)	(389)
Net foreign exchange gain	283	16,899
	<hr/>	<hr/>
Net investment income	254	15,960
	<hr/> <hr/>	<hr/> <hr/>

4. LOSS BEFORE TAX

This is stated after charging:

	2022 HK\$'000	2021 <i>HK\$'000</i>
Finance costs		
Interest on convertible bonds	23,927	15,468
Interest on unsecured loans	–	685
Interest on bank loan	250	–
	24,177	16,153
Other items		
Employee benefit expenses (including directors' emoluments)		
Salaries, bonus and allowances	3,447	2,166
Contributions to defined contribution plan	54	41
	3,501	2,207
Auditor's remuneration		
Audit services	700	1,560
Other services	–	240
Depreciation	7	1

5. 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 2022 and 2021, 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.

	2022 HK\$'000	2021 <i>HK\$'000</i>
Current tax		
Hong Kong Profits Tax		
Current year	–	747
Deferred taxation		
Origination and reversal of temporary difference	<u>–</u>	<u>–</u>
Tax expense for the year	<u><u>–</u></u>	<u><u>747</u></u>

6. DIVIDEND

The Board of Directors resolved not to declare any interim dividend and final dividend for the years ended 31 December 2022 and 2021.

7. LOSS PER SHARE

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

(A) Basic Loss Per Share

	2022	2021
Loss attributable to equity owners (<i>HK\$'000</i>)	<u>(871,417)</u>	<u>(433,122)</u>
Weighted average number of ordinary shares (<i>'000</i>)	<u>669,237</u>	<u>619,946</u>
Basic loss per share (<i>HK cents</i>)	<u>(130.21)</u>	<u>(69.86)</u>

(B) Diluted Loss Per Share

	2022	2021
Loss attributable to equity owners (<i>HK\$'000</i>)	<u>(871,417)</u>	<u>(433,122)</u>
Weighted average number of ordinary shares for the purpose of calculating diluted loss per share (<i>'000</i>)	<u>669,237</u>	<u>619,946</u>
Diluted loss per share (<i>HK cents</i>)	<u>(130.21)</u>	<u>(69.86)</u>

No adjustment has been made to the basic and diluted loss per share amount presented for the years ended 31 December 2022 and 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.

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 2022.

BASIS FOR DISCLAIMER OF OPINION

(a) Corresponding figures

We expressed a disclaimer of opinion in our auditors’ report dated 17 August 2023 on the consolidated financial statements of the Group for the financial year ended 31 December 2021 (the “**2021 Financial Statements**”). The matters which led us to disclaim our opinion on the 2021 Financial Statements were in relation to the matters which are described in detail in note 2 to the consolidated financial statements, in relation to which we have not been able to obtain sufficient appropriate audit evidence to enable us to assess the effects of the matters to which they relate. There were no alternative audit procedures that we could perform to obtain sufficient and appropriate evidence as to the financial effects arising from the limitation and the authenticity of accounting records and deconsolidation of Target Insurance Company, Limited, a wholly owned subsidiary of the Company (the “**Deconsolidated Subsidiaries**”), incorporated in Hong Kong, including but not limited to its books and records, other information and explanations from management of the Deconsolidated Subsidiaries. Any adjustments found to be required in respect of these matters might have consequential significant effects on the profit, other comprehensive loss and amounts presented as cash flows from operating activities, and related elements and disclosures in the consolidated financial statements, for the year ended 31 December 2021. Details of these matters which led to our disclaimer of opinion on the 2021 Financial Statements are set out in the sub-sections headed “(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 comparative information”; “(c) Compliance with HKFRSs and applicable laws and regulations”; and (d) Interests in subsidiaries and amount due to the Deconsolidated Subsidiaries” in the “Basis for Disclaimer of Opinion” section of our auditors’ report on the 2021 Financial Statements.

(b) Loss on disposal of subsidiaries

As disclosed in note 2 to the consolidated financial statements and on 26 September 2022, the High Court of Hong Kong ordered that the Deconsolidated Subsidiaries be wound up (the “**Winding-up Proceedings**”) and the Managers be appointed as the joint and several liquidators of the Deconsolidated Subsidiaries. As a result, the Group recognised such Winding-up Proceedings as loss of control over the Deconsolidated Subsidiaries and recorded loss on disposal of subsidiaries for the year ended 31 December 2022 accordingly. As at the date of this announcement, the reconstruction of the books and records could not be completed, hence the Board considered that the Group still did not have the necessary information about the transactions and account balances of the investment and impairment loss for inclusion in the calculation of the loss on disposal of the subsidiaries.

Due to the circumstances of the lack of access to complete books and records of the Deconsolidated Subsidiaries for the relevant periods up until the respective dates on which the disposal took effect and the inability to complete the works to reconstruct the relevant books and records, the Board is unable to ascertain the completeness and recording accuracy of the assets and liabilities, as well as other account balances, of the Deconsolidated Subsidiaries as at the respective dates on which the disposal was completed.

Furthermore, the balances of the assets and liabilities of the Deconsolidated Subsidiaries as well as other account balances, if any, including the amounts with the Deconsolidated Subsidiaries, as recognised by the Group on the respective relevant dates were taken into account in the determination of the loss on disposal of these subsidiaries and hence of the financial performance and cash flows of the Group for the year ended 31 December 2022, as disclosed in note 2 to the consolidated financial statements. We have been unable to carry out alternative audit procedures to obtain sufficient appropriate audit evidence to satisfy ourselves as to the validity, accuracy and completeness of the carrying amounts of the assets and liabilities of the Deconsolidated Subsidiaries at the relevant dates which were derecognised by the Group as disclosed in note 2 to the consolidated financial statements and hence of the validity and recording accuracy of the net liabilities of the Deconsolidated Subsidiaries disposed of, represented by the net carrying amount of the assets and liabilities of the Deconsolidated Subsidiaries as at the relevant dates of 1 January 2022 and the disposal date, respectively which were reclassified to consolidated profit or loss upon the disposals, all of which entered into the determination of the loss on disposal of the subsidiaries of approximately HK\$830.2 million which was recognised in the consolidated statement of profit or loss of the Group for the year ended 31 December 2022. Therefore, we were unable to satisfy ourselves as to whether the carrying amounts of the assets and liabilities of the Deconsolidated Subsidiaries derecognised on the relevant dates, as disclosed in note 2, as well as the resulting loss on disposal of the subsidiaries which was recognised in consolidated profit or loss of the Group for the year ended 31 December 2022, were free from material misstatements.

Any adjustments found to be necessary may have a consequential significant effect on the profit and other comprehensive income and cash flows of the Group for the year ended 31 December 2022 and the related disclosures thereof in the consolidated financial statements.

(c) 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\$871.4 million during the year ended 31 December 2022 and as at that date, the Group had net liabilities of approximately HK\$253.6 million.

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 Insurance Authority ("**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 announcement, 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 2022.

OPERATING RESULT

The Group has no operation during the year ended 31 December 2022 and no operating profit or loss was recorded, a loss before tax at HK\$871.4 million (2021: HK\$432.4 million) and a loss for the year at HK\$871.4 million (2021: HK\$433.1 million).

	For the year ended	
	31 December	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss before tax	(871,417)	(432,375)
Loss for the year	<u>(871,417)</u>	<u>(433,122)</u>

LIQUIDITY AND FINANCIAL RESOURCES

Our Group's cash and bank deposits as at 31 December 2022 amounted to HK\$29.3 million (2021: HK\$42.2 million).

FINANCIAL LEVERAGE

As at 31 December 2022 and 31 December 2021, our Group has no bank loan facility and no bank overdrafts. Our Group has no bank guarantee as at 31 December 2022 and 31 December 2021.

CAPITAL STRUCTURE

During the year ended 31 December 2022, 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**”).

On 24 February 2022 and 16 March 2022, the convertible bonds with each of the principal amount of HK\$15,000,000 and total principal amount of HK\$30,000,000 were converted into 52,631,578 shares in total at a conversion price of HK\$0.57 per ordinary share.

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 places, 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 Co-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 expand, 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 2022, the Group had a total of 4 employees (2021: 10 employees).

CONTINGENT LIABILITIES

Other than those incurred during the normal course of our Group's insurance business, there was neither outstanding litigation nor any other contingent liabilities as at 31 December 2022 and 2021.

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.

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 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.

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 2022.

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. Save that the Company was unable or not in the position to seek confirmation from Mr. Chan Yat Wai (resigned on 9 January 2022), Mr. Dai Cheng Yan (resigned on 27 May 2022), Mr. Anthony Espina (deceased in early 2022), Ms. Lau Ka Yee (resigned on 7 January 2022), Mr. Leung Ho Ying (resigned on 7 January 2022), Mr. Lin Feng (resigned on 27 May 2022) and Mr. Muk Wang Lit Jimmy (resigned on 9 January 2022), the Directors confirmed that they had complied with the required standard as set out in the Model Code for the year ended 31 December 2022.

CORPORATE GOVERNANCE PRACTICE

The Company has adopted the code provisions set out in the Corporate Governance Code (“**CG Code**”) as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. In the opinion of the Directors, the Company was in compliance with the relevant provisions of the CG Code throughout the year ended 31 December 2022, except for the deviations as mentioned below.

Below a summary for certain deviations of these relevant CG Code provisions:

CG Code provisions	Description of deviations
C.2.1	<p>Since early 2022, the Company did not have an official position of chief executive officer and the day-to-day management of the Group's business has been handled by the executive Director and supported by members of management team. The Board believes that the arrangement is adequate to ensure an effective management and control of the Group's business operations.</p> <p>The situation is under constant review and the Board will assess whether any changes to the current practice, including re-designation of the executive Director as chief executive officer, are needed.</p>
C.2.1 to C.2.9	<p>Since May 2022, the Company did not have a Chairman and the situation was rectified upon the appointment of Dr. Ng Yu as the Chairman of the Board on 14 March 2023.</p>
E.1.1 to E.1.3	<p>The Company did not hold the annual general meeting in year 2022.</p> <p>As no annual general meeting was held in year 2022, the Directors are unable to comment as to whether the Company has complied with the said code provisions contained in Appendix 14 of the Listing Rules.</p>
Mandatory disclosure requirement B.(f)	<p>Following the resignation/passing away of certain Directors in the first half of 2022, the number of independent non-executive Directors fell below one-third of the Board.</p> <p>As a remedial action, the Company appointed Mr. Chiam Tat Yiu and Mr. Yu Cho Tak as independent non-executive Directors with effect from 6 April 2022, and Dr. He Xiaobin as independent non-executive Director on 14 March 2023. By so doing, the number of independent non-executive Directors was increased to three and made up of at least one-third of the Board.</p>

CG Code provisions	Description of deviations
Mandatory disclosure requirement E.(d)(i)	<p>Following the resignation/passing away of certain Directors in the first half of 2022, the number of members of the audit committee of the Company fell below three.</p> <p>As a remedial action, the Company appointed Mr. Chiam Tat Yiu and Mr. Yu Cho Tak as independent non-executive Directors with effect from 6 April 2022, and Dr. He Xiaobinas as independent non-executive Director on 14 March 2023. By so doing, the number of members of the audit committee of the Company was increased to three.</p>

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 2022. 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 2022.

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 2022 because of (a) Corresponding figures; (b) Loss on disposal of subsidiaries; and (c) 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.