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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 2020

FINANCIAL HIGHLIGHTS

- Gross premium written increased by 6.0% to HK\$559.6 million (2019: HK\$527.7 million).
- Net insurance premium revenue increased by 19.4% to HK\$475.1 million (2019: HK\$397.9 million).
- Net insurance claims and loss adjustment expenses decreased by 41.1% to HK\$301.9 million (2019: HK\$512.5 million).
- Operating profit was HK\$117.3 million (2019: loss of HK\$157.1 million), representing an increase of 174.6% from last year.
- Profit before tax was HK\$61.2 million (2019: loss of HK\$193.2 million), representing an increase of 131.7% from last year.
- Profit for the year was HK\$62.0 million (2019: loss of HK\$198.5 million), representing an increase of 131.2% from last year.
- Our basic earnings per share was HK11.90 cents (2019: basic loss of HK38.07 cents), representing an increase by 131.3% from last year.

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 2020 together with comparative figures for the year ended 31 December 2019 as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2020

	<i>Note</i>	2020 HK\$'000	2019 <i>HK\$'000</i>
Net insurance premium revenue	3	475,131	397,899
Net investment income	4	22,257	43,293
Other income		1,468	1,274
Net income		498,856	442,466
Net insurance claims and loss adjustment expenses	5	(301,909)	(512,538)
Acquisition costs and other underwriting expenses, net		(55,955)	(42,499)
Employee benefit expenses	6	(32,345)	(36,901)
Other operating expenses		(43,529)	(42,012)
Finance costs	6	(3,928)	(1,723)
Expenses		(437,666)	(635,673)
Profit (Loss) before tax	6	61,190	(193,207)
Income tax credit (expense)	7	836	(5,313)
Profit (Loss) for the year		62,026	(198,520)
		HK cents	HK cents
Earnings (Loss) per share	9		
Basic		11.90	(38.07)
Diluted		11.90	(38.07)

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit (Loss) for the year	<u>62,026</u>	<u>(198,520)</u>
Other comprehensive (loss) income		
Items that will not be reclassified to profit or loss:		
Revaluation of property, plant and equipment	(30,481)	(1,428)
Effect of deferred tax arising from revaluation	<u>5,029</u>	<u>(4,541)</u>
	<u>(25,452)</u>	<u>(5,969)</u>
Items that are reclassified or may be reclassified subsequently to profit or loss:		
<i>Financial assets at fair value through other comprehensive income</i>		
(Losses) Gains on changes in fair value arising during the year	(4,332)	25,559
Reclassification of net changes in fair value to profit or loss	542	(2,068)
Effect of deferred tax arising from changes in fair value	<u>–</u>	<u>1,006</u>
Net movement in fair value of financial assets at fair value through other comprehensive income	<u>(3,790)</u>	<u>24,497</u>
Other comprehensive (loss) income for the year, net of tax	<u>(29,242)</u>	<u>18,528</u>
Total comprehensive income (loss) for the year	<u><u>32,784</u></u>	<u><u>(179,992)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		2020	2019
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Assets			
Property, plant and equipment	10	457,165	508,556
Intangible assets		2,463	3,505
Debt securities measured at fair value through other comprehensive income ("FVOCI")		6,746	31,109
Certificates of deposit		4,748	4,451
Insurance and other receivables	11	131,236	160,486
Reinsurance assets	12	328,361	273,130
Deferred acquisition costs		34,078	35,530
Financial assets at fair value through profit or loss ("FVPL")		63,303	49,469
Statutory deposit		100,000	100,000
Pledged deposit		10,000	–
Time deposits with original maturity over 3 months		3,958	82,151
Cash and time deposits at banks and other financial institutions		949,590	758,622
TOTAL ASSETS		2,091,648	2,007,009
Liabilities			
Deferred tax liabilities		36,400	43,023
Insurance liabilities	12	1,508,802	1,533,058
Interest-bearing borrowings		168,268	84,448
Deferred commission income		5,751	6,914
Reinsurance premium payable		19,467	18,307
Insurance and other payables		13,831	14,211
Tax payable		469	1,172
TOTAL LIABILITIES		1,752,988	1,701,133
EQUITY			
Share capital		368,159	368,159
Other reserves		197,450	226,692
Accumulated losses		(226,949)	(288,975)
TOTAL EQUITY		338,660	305,876
TOTAL LIABILITIES AND EQUITY		2,091,648	2,007,009

NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. In addition, these consolidated financial statements comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

All amounts have been rounded to the nearest thousand, unless otherwise indicated.

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2019 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.

Adoption of new/revised HKFRSs

Amendments to HKASs 1 and 8: Definition of Material

The amendments clarify the definition of material and align the definition used across HKFRSs.

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

Future changes in HKFRSs

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

Amendments to HKFRS 16	Covid-19-Related Rent Concessions ¹
Amendments to HKAS 39, HKFRSs 4, 7, 9 and 16	Interest Rate Benchmark Reform – Phase 2 ²
Amendments to HKAS 16	Proceeds before Intended Use ³
Amendments to HKAS 37	Cost of Fulfilling a Contract ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ³
Annual Improvements to HKFRSs	2018–2020 Cycle ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ⁴
HKFRS 17	Insurance Contracts ⁴
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵

¹ Effective for annual periods beginning on or after 1 June 2020

² Effective for annual periods beginning on or after 1 January 2021

³ Effective for annual periods beginning on or after 1 January 2022

⁴ Effective for annual periods beginning on or after 1 January 2023

⁵ The effective date to be determined

The directors are in the process of assessing the possible impact on the future adoption of the new/revised HKFRSs, but are not yet in a position to reasonably estimate their impact on the consolidated financial statements.

2. SEGMENT INFORMATION

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

Reportable segments

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

- Taxi
- Public Light Bus (“PLB”)
- Other motor vehicles
- Employees’ compensation (“EC”)
- Other direct business
- Reinsurance inward

Segment assets include insurance receivables, reinsurance assets and deferred acquisition costs. Segment liabilities include insurance payables, insurance liabilities, deferred commission income and reinsurance premium payable. Assets and liabilities not allocated to reportable segments are grouped in unallocated assets and unallocated liabilities respectively.

Revenue and expenses allocated to the reportable segments include premium revenue and claims recovery generated by the segment and claims related expenses and commission expenses incurred by the segment respectively. There are no transactions between reportable segments.

Geographic information

Geographical information is not presented as all of the Group’s customers, operations, assets and liabilities are located in Hong Kong.

Information about major customers

During the reporting period, no written premium from transactions with a single external customer amounted to 10% or more of the Group’s total annual gross written premium.

For the year ended 31 December 2020

	Taxi HK\$'000	PLB HK\$'000	Other motor vehicles HK\$'000	EC HK\$'000	Other direct business HK\$'000	Reinsurance inward HK\$'000	Total HK\$'000
Net insurance premium revenue	232,320	68,186	62,434	86,672	4,949	20,570	475,131
Net insurance claims and loss adjustment expenses	(180,244)	(38,658)	(31,570)	(45,793)	(876)	(4,768)	(301,909)
Acquisition costs and other underwriting expenses, net	(19,079)	(5,637)	(11,447)	(12,908)	(486)	(6,398)	(55,955)
Segment results	<u>32,997</u>	<u>23,891</u>	<u>19,417</u>	<u>27,971</u>	<u>3,587</u>	<u>9,404</u>	117,267
Unallocated investment income and other income							23,725
Unallocated corporate expenses and finance costs							(79,802)
Profit before tax							61,190
Income tax credit							836
Profit for the year							<u>62,026</u>
Assets							
Segment assets	<u>270,612</u>	<u>29,440</u>	<u>142,547</u>	<u>32,449</u>	<u>3,689</u>	<u>12,493</u>	491,230
Unallocated assets							1,600,418
Total assets							<u>2,091,648</u>
Liabilities							
Segment liabilities	<u>891,018</u>	<u>181,022</u>	<u>292,650</u>	<u>165,265</u>	<u>7,607</u>	<u>6,946</u>	1,544,508
Unallocated liabilities							208,480
Total liabilities							<u>1,752,988</u>
Other profit or loss information							
Interest income from time deposits							9,790
Interest income from debt securities at FVOCI							1,454
Interest income from certificates of deposit							371
Dividend income from financial assets at FVPL							106
Loss on derecognition of debt securities at FVOCI							542
Net fair value loss of financial assets at FVPL							4,934
Loss allowance for debt securities at FVOCI							1,441
Interest on interest-bearing borrowings							3,928
Depreciation and amortisation							<u>24,366</u>

For the year ended 31 December 2019

	Taxi HK\$'000	PLB HK\$'000	Other motor vehicles HK\$'000	EC HK\$'000	Other direct business HK\$'000	Reinsurance inward HK\$'000	Total HK\$'000
Net insurance premium revenue	227,078	72,263	65,564	28,466	4,159	369	397,899
Net insurance claims and loss adjustment expenses	(344,677)	(60,701)	(63,792)	(42,077)	(1,291)	–	(512,538)
Acquisition costs and other underwriting expenses, net	(18,578)	(5,972)	(11,753)	(5,854)	(296)	(46)	(42,499)
Segment results	<u>(136,177)</u>	<u>5,590</u>	<u>(9,981)</u>	<u>(19,465)</u>	<u>2,572</u>	<u>323</u>	<u>(157,138)</u>
Unallocated investment income and other income							44,567
Unallocated corporate expenses and finance costs							<u>(80,636)</u>
Loss before tax							(193,207)
Income tax expense							<u>(5,313)</u>
Loss for the year							<u><u>(198,520)</u></u>
Assets							
Segment assets	<u>244,385</u>	<u>25,321</u>	<u>114,897</u>	<u>53,258</u>	<u>5,491</u>	<u>143</u>	443,495
Unallocated assets							<u>1,563,514</u>
Total assets							<u><u>2,007,009</u></u>
Liabilities							
Segment liabilities	<u>938,837</u>	<u>206,974</u>	<u>290,705</u>	<u>123,350</u>	<u>8,409</u>	<u>182</u>	1,568,457
Unallocated liabilities							<u>132,676</u>
Total liabilities							<u><u>1,701,133</u></u>
Other profit or loss information							
Interest income from time deposits							11,113
Interest income from debt securities at FVOCI							18,110
Interest income from certificates of deposit							410
Dividend income from financial assets at FVPL							3,397
Gain on derecognition of debt securities at FVOCI							2,068
Net fair value gain of financial assets at FVPL							10,472
Interest on interest-bearing borrowings							1,723
Depreciation and amortisation							<u><u>24,289</u></u>

3. NET INSURANCE PREMIUM REVENUE

	2020 HK\$'000	2019 HK\$'000
Gross premium written	559,551	527,743
Reinsurance premium ceded	(85,007)	(84,069)
Net premium written	474,544	443,674
Change in provision for unearned premium	1,098	(53,498)
Change in unearned premium on reinsurance ceded	(511)	7,723
Change in net provision for unearned premium	587	(45,775)
Net insurance premium revenue	475,131	397,899

4. NET INVESTMENT INCOME

	2020 HK\$'000	2019 HK\$'000
Interest revenue calculated using the effective interest method:		
– time deposits	9,790	11,113
– certificates of deposit	371	410
– listed debt securities mandatorily measured at FVOCI	1,256	16,930
– unlisted debt securities mandatorily measured at FVOCI	198	1,180
Dividend income from listed financial assets mandatorily measured at FVPL	106	3,397
(Loss) Gain on derecognition of debt securities mandatorily measured at FVOCI	(542)	2,068
Loss allowance for debt securities mandatorily measured at FVOCI	(1,441)	–
Net fair value (loss) gain of financial assets mandatorily measured at FVPL	(4,934)	10,472
Net foreign exchange gain (loss)	17,453	(2,277)
Net investment income	22,257	43,293

Included in net foreign exchange gain (loss) for the year ended 31 December 2020 is a net foreign exchange gain of HK\$17,433,000 (2019: HK\$Nil) arising from spot foreign currency trading during the year.

5. NET INSURANCE CLAIMS AND LOSS ADJUSTMENT EXPENSES

	2020 HK\$'000	2019 HK\$'000
Gross claims paid	450,471	358,692
Claims recovered	(69,662)	(52,131)
Net claims paid	380,809	306,561
Change in provision for gross outstanding claims and incurred but not reported claims ("IBNR")	398	312,992
Change in claims recoverable (including IBNR recoveries)	(55,742)	(127,785)
Change in provision for unexpired risk	(23,556)	20,770
Change in net outstanding claims	(78,900)	205,977
Net insurance claims and loss adjustment expenses	301,909	512,538

6. PROFIT (LOSS) BEFORE TAX

This is stated after charging:

	2020 HK\$'000	2019 HK\$'000
Finance costs		
Interest on unsecured loans	2,529	–
Interest on bank loan	1,399	1,723
	3,928	1,723
Other items		
Employee benefit expenses (including directors' emoluments)		
Salaries, bonus and allowances	31,062	35,572
Contributions to defined contribution plan	1,283	1,329
	32,345	36,901
Auditor's remuneration		
Audit services	940	929
Other services	260	150
Depreciation	21,716	21,677
Amortisation (included in other operating expenses)	2,650	2,612
Loss on disposal of property, plant and equipment	1	1

7. 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 2020 and 2019, 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.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current tax		
Hong Kong Profits Tax		
Current year	1,122	997
Over provision in prior years	(364)	(246)
	758	751
Deferred taxation		
Origination and reversal of temporary difference	(1,594)	4,562
Tax (credit) expense for the year	(836)	5,313
Reconciliation of tax (credit) expense		
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit (Loss) before tax	61,190	(193,207)
Income tax at applicable tax rate of 16.5% (2019: 16.5%)	10,096	(31,879)
Non-deductible expenses	837	671
Tax exempt revenue	(1,670)	(2,469)
Unrecognised tax losses	290	32,521
Unrecognised temporary differences	1,407	(555)
Utilisation of previously unrecognised tax losses	(11,730)	–
Tax effect of the two-tiered profits tax rates regime	(165)	(165)
Over provision in prior years	(364)	(246)
Write-down of deferred tax assets	–	7,090
Others	463	345
Tax (credit) expense for the year	(836)	5,313

8. DIVIDEND

The Board of Directors resolved not to declare any interim dividend and not to recommend any final dividend for the years ended 31 December 2020 and 2019.

9. EARNINGS (LOSS) PER SHARE

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

(A) Basic earnings (loss) per share

	2020	2019
Profit (Loss) attributable to equity owners (<i>HK\$ '000</i>)	62,026	(198,520)
Weighted average number of ordinary shares (<i>'000</i>)	521,410	521,410
Basic earnings (loss) per share (<i>HK cents</i>)	11.90	(38.07)

(B) Diluted earnings (loss) per share

	2020	2019
Profit (Loss) attributable to equity owners (<i>HK\$ '000</i>)	62,026	(198,520)
Weighted average number of ordinary shares for the purpose of calculating diluted loss per share (<i>'000</i>)	521,410	521,410
Diluted earnings (loss) per share (<i>HK cents</i>)	11.90	(38.07)

The computation of diluted earnings per share for the year ended 31 December 2020 does not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price of the Company's shares during the year. The computation of diluted loss per share for the year ended 31 December 2019 also does not assume the exercise of the Company's share options as the exercise of the share options will give rise to an anti-dilutive effect.

10. PROPERTY, PLANT AND EQUIPMENT

The leasehold land and buildings, which consist of commercial properties and car parking spaces situated in Hong Kong, were revalued at 31 December 2020, by CHFT Advisory and Appraisal Ltd., independent professional qualified valuer, with reference to recent market transaction prices of similar properties. The revaluation gave rise to a revaluation deficit of HK\$30,481,000 (2019: HK\$1,428,000) which has been recognised in other comprehensive income and recorded in property revaluation reserve.

11. INSURANCE AND OTHER RECEIVABLES

	<i>Note</i>	2020 HK\$'000	2019 HK\$'000
Insurance receivables			
Premium receivables			
From third parties		83,387	96,024
From related parties		—	875
		<hr/>	<hr/>
	<i>11(A)</i>	83,387	96,899
Claims receivable from reinsurers and others		45,404	37,936
		<hr/>	<hr/>
		128,791	134,835
		<hr/>	<hr/>
Other receivables			
Sales proceeds receivable from			
financial institutions on disposal of securities		—	20,357
Deposits, prepayments and other receivables		2,445	5,294
		<hr/>	<hr/>
		2,445	25,651
		<hr/>	<hr/>
		131,236	160,486
		<hr/> <hr/>	<hr/> <hr/>

11(A) Premium receivables

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

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

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 30 days	23,401	30,217
31 – 60 days	35,836	30,607
61 – 90 days	11,326	13,718
91 – 120 days	12,824	22,357
	<hr/>	<hr/>
	83,387	96,899
	<hr/> <hr/>	<hr/> <hr/>

12. INSURANCE LIABILITIES AND REINSURANCE ASSETS

	2020 HK\$'000	2019 HK\$'000
Gross		
Outstanding claims	734,303	752,009
Claims incurred but not reported ("IBNR")	468,821	450,717
	<u>1,203,124</u>	<u>1,202,726</u>
Provision for unearned premium	294,644	295,742
Provision for unexpired risk	11,034	34,590
	<u>1,508,802</u>	<u>1,533,058</u>
Total gross insurance liabilities		
Recoverable from reinsurers		
Claims reported and loss adjustment expenses	107,611	90,616
Provision for IBNR recoveries	198,752	160,005
	<u>306,363</u>	<u>250,621</u>
Provision for unearned premium	21,998	22,509
	<u>328,361</u>	<u>273,130</u>
Total insurance liabilities recoverable		
Net		
Outstanding claims	626,692	661,393
IBNR	270,069	290,712
	<u>896,761</u>	<u>952,105</u>
Provision for unearned premium	272,646	273,233
Provision for unexpired risk	11,034	34,590
	<u>1,180,441</u>	<u>1,259,928</u>
Total net insurance liabilities		

FINAL DIVIDEND

The Directors do not recommend the payment of final dividend in respect of the year ended 31 December 2020.

FINANCIAL REVIEW

Our Group's general insurance business is operated by Target Insurance Company, Limited ("Target"). Target is a Hong Kong incorporated company and is wholly-owned by the Company. Target is principally engaged in underwriting motor and other general insurance policies in Hong Kong. The key financial performance indicators of the Group are as follows:

	For the year ended 31 December		
	2020 HK\$'000	2019 HK\$'000	% Change
Gross premium written	559,551	527,743	6.0%
Net premium written	474,544	443,674	7.0%
Net insurance premium revenue	475,131	397,899	19.4%
Net insurance claims and loss adjustment expenses	(301,909)	(512,538)	(41.1%)
Acquisition costs and other underwriting expenses, net	(55,955)	(42,499)	31.7%
Operating profit (loss)	117,267	(157,138)	174.6%
Investment income	22,257	43,293	(48.6%)
Other income	1,468	1,274	15.2%
Employee benefits expenses	(32,345)	(36,901)	(12.3%)
Other operating expenses	(43,529)	(42,012)	3.6%
Finance costs	(3,928)	(1,723)	127.9%
Profit (Loss) before tax	61,190	(193,207)	131.7%
Profit (Loss) for the year	62,026	(198,520)	131.2%
EBITDA	89,484	(167,195)	153.5%
Basic earnings (loss) per share ⁽¹⁾	11.90 cents	(38.07 cents)	
Diluted earnings (loss) per share ⁽¹⁾	11.90 cents	(38.07 cents)	
	For the year ended 31 December		
	2020	2019	Difference
Retention ratio ⁽²⁾	84.8%	84.1%	0.7%
Loss ratio ⁽³⁾	63.5%	128.8%	(65.3%)
Expense ratio ⁽³⁾	28.6%	30.9%	(2.3%)
Combined ratio ⁽⁴⁾	92.1%	159.7%	(67.6%)
Investment yield	2.1%	4.3%	(2.2%)

Notes:

- (1) The weighted average number of shares for the year ended 31 December 2020 is 521,410,000 ordinary shares (2019: 521,410,000 ordinary shares). The weighted average number of shares for the purpose of calculating diluted earnings/(loss) per share is 521,410,000 ordinary shares (2019: 521,410,000 ordinary shares).
- (2) Retention ratio is calculated by dividing net premium written by gross premium written for the respective period.
- (3) Both the loss ratio and expense ratio are based on net insurance premium revenue.
- (4) The combined ratio is the sum of the loss ratio and the expense ratio.

GROSS PREMIUM WRITTEN

Gross premium written increased by 6.0% to HK\$559.6 million (2019: HK\$527.7 million). During the year ended 31 December 2020, the growth was mainly driven by EC and reinsurance inward business. The detailed breakdown of gross premium written is as follows:

	For the year ended 31 December				% Change
	2020	2019			
	<i>HK\$'000</i>	<i>% of Total</i>	<i>HK\$'000</i>	<i>% of Total</i>	
Taxi	259,488	46.4%	244,131	46.3%	6.3%
PLB	68,179	12.2%	75,745	14.4%	(10.0%)
Other motor vehicles ⁽¹⁾	107,921	19.3%	111,025	21.0%	(2.8%)
EC	92,720	16.6%	85,220	16.1%	8.8%
Other direct business ⁽²⁾	8,712	1.5%	11,071	2.1%	(21.3%)
Reinsurance inward	22,531	4.0%	551	0.1%	3989.1%
	559,551	100.0%	527,743	100.0%	6.0%

Notes:

- (1) Other motor vehicles mainly include goods carrying vehicles, private cars and motorcycles
- (2) Other direct business includes all other general insurance business except EC business

NET INSURANCE PREMIUM REVENUE

During the year ended 31 December 2020, our retention ratio slightly increased to 84.8% (2019: 84.1%). We arranged quota share and excess of loss treaty reinsurance for part of our motor business and most of our other general insurance business to diversify our risk as we grow our portfolio. The detailed breakdown of net insurance premium revenue is as follows:

	For the year ended 31 December				% Change
	2020	2019			
	<i>HK\$'000</i>	<i>% of Total</i>	<i>HK\$'000</i>	<i>% of Total</i>	
Taxi	232,320	48.9%	227,078	57.0%	2.3%
PLB	68,186	14.4%	72,263	18.2%	(5.6%)
Other motor vehicles ⁽¹⁾	62,434	13.2%	65,564	16.5%	(4.8%)
EC	86,672	18.2%	28,466	7.2%	204.5%
Other direct business ⁽²⁾	4,949	1.0%	4,159	1.0%	19.0%
Reinsurance inward	20,570	4.3%	369	0.1%	5474.5%
	475,131	100.0%	397,899	100.0%	19.4%

Notes:

- (1) Other motor vehicles mainly include goods carrying vehicles, private cars and motorcycles
- (2) Other direct business includes all other general insurance business except EC business

NET INSURANCE CLAIMS AND LOSS RATIO

Net insurance claims and loss adjustment expenses decreased by 41.1% to HK\$301.9 million (2019: HK\$512.5 million). The loss ratio decreased to 63.5% (2019: 128.8%). During the year ended 31 December 2020, there was a substantial decrease in net insurance claims for motor business. The net insurance claims for motor were reduced as claims frequency reduced due to lower social business activities and improvement of certain prior accident year claims. The net insurance claim for EC and reinsurance inward businesses were increased due to the portfolio growth.

	For the year ended 31 December				% Change
	2020		2019		
	<i>HK\$'000</i>	<i>Loss ratio</i>	<i>HK\$'000</i>	<i>Loss ratio</i>	
Taxi	180,244	77.6%	344,677	151.8%	(47.7%)
PLB	38,658	56.7%	60,701	84.0%	(36.3%)
Other motor vehicles ⁽¹⁾	31,570	50.6%	63,792	97.3%	(50.5%)
EC	45,793	52.8%	42,077	147.8%	8.8%
Other direct business ⁽²⁾	876	17.7%	1,291	31.0%	(32.1%)
Reinsurance inward	4,768	23.2%	—	0.0%	100.0%
	301,909	63.5%	512,538	128.8%	(41.1%)

Notes:

- (1) Other motor vehicles mainly include goods carrying vehicles, private cars and motorcycles
- (2) Other direct business includes all other general insurance business except EC business

UNDERWRITING AND OTHER ADMINISTRATIVE EXPENSES

The underwriting and other administrative expenses increased by 10.2% to HK\$135.8 million (2019: HK\$123.1 million). Our net acquisition costs and other underwriting expenses increased by 31.7% to HK\$56.0 million (2019: HK\$42.5 million) due to growth of EC and reinsurance inward business with a higher commission rate. The employee benefit expenses decreased by 12.3% to HK\$32.3 million (2019: HK\$36.9 million). Professional charges increased by 99.6% to HK\$7.8 million (2019: HK\$3.9 million) mainly attributable to the increase in advisory fees in claims investigation and investment. Finance cost increased by 127.9% to HK\$3.9 million (2019: HK\$1.7 million), mainly due to the interest paid on the unsecured loans. The advertising and promotion expenses substantially decreased by 40.3% to HK\$3.8 million (2019: HK\$6.4 million) due to reduction of traditional media promotion. The underwriting and other administrative expenses are summarized as follows:

	For the year ended 31 December		
	2020	2019	% Change
	HK\$'000	HK\$'000	
Acquisition costs and other underwriting expenses, net	55,955	42,499	31.7%
Employee benefit expenses	32,345	36,901	(12.3%)
Depreciation and amortization	24,366	24,289	0.3%
Professional charges	7,843	3,930	99.6%
Finance costs	3,928	1,723	127.9%
Advertising and promotion expenses	3,816	6,392	(40.3%)
Entertainment	244	733	(66.7%)
Donation	23	51	(54.9%)
Others	7,237	6,617	9.4%
	<u>135,757</u>	<u>123,135</u>	<u>10.2%</u>

INVESTMENT PERFORMANCE

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

	As at 31 December				
	2020		2019		% Change
	<i>HK\$'000</i>	<i>% of Total</i>	<i>HK\$'000</i>	<i>% of Total</i>	
Equity securities	980	0.1%	49,469	4.8%	(98.0%)
Debt securities	6,746	0.6%	31,109	3.0%	(78.3%)
Certificates of deposit	4,748	0.4%	4,451	0.5%	6.7%
Currency Fund	62,323	5.5%	–	0.0%	100.0%
Cash and bank deposits	1,063,548	93.4%	940,773	91.7%	13.1%
	<u>1,138,345</u>	<u>100.0%</u>	<u>1,025,802</u>	<u>100.0%</u>	<u>11.0%</u>

The net investment income decreased by 48.6% to HK\$22.3 million (2019: HK\$43.3 million), the investment yield decreased to 2.1% (2019: 4.3%). The net fair value on financial assets valued at fair value through profit or loss (“FVTPL”) decreased by 147.1% and resulted a loss of HK\$4.9 million (2019: a profit of HK\$10.5 million) due to market volatility. The net investment income is as follows:

	For the year ended 31 December		
	2020	2019	% Change
	<i>HK\$'000</i>	<i>HK\$'000</i>	
Interest income	11,615	29,633	(60.8%)
Dividend income	106	3,397	(96.9%)
(Loss) Gain on disposal of financial assets	(542)	2,068	(195.9%)
Loss allowance for financial assets	(1,441)	-	(100%)
Net fair value (loss) gain on financial assets at FVTPL	(4,934)	10,472	(147.1%)
Net foreign exchange gain (loss)	17,453	(2,277)	866.5%
	<u>22,257</u>	<u>43,293</u>	<u>(48.6%)</u>

OPERATING RESULT

We recorded an operating profit at HK\$117.3 million (2019: loss of HK\$157.1 million), a profit before tax at HK\$61.2 million (2019: loss of HK\$193.2 million) and a profit for the year at HK\$62.0 million (2019: loss of HK\$198.5 million).

	For the year ended 31 December		
	2020	2019	% Change
	HK\$'000	HK\$'000	
Operating profit / (loss)	117,267	(157,138)	174.6%
Profit / (Loss) before tax	61,190	(193,207)	131.7%
Profit / (Loss) for the year	<u>62,026</u>	<u>(198,520)</u>	<u>131.2%</u>

LIQUIDITY AND FINANCIAL RESOURCES

Our Group's cash and bank deposits as at 31 December 2020 amounted to HK\$1,063.5 million (2019: HK\$940.8 million).

FINANCIAL LEVERAGE

On 13 March 2020, our Group entered into the loan agreements with each of Dr. Cheung Haywood, Mr. Chiu Sun Ting and Mr. Lai Bing Leung (as lenders), pursuant to which 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 to 12 May 2021 on 5 March 2021. Dr. Cheung Haywood is currently as an executive Director and the Chairman of the Board; Mr. Chiu Sun Ting and Mr. Lai Bing Leung resigned as executive Directors with effect from 23 December 2020.

As at 31 December 2020, our Group has an outstanding bank loan facility of HK\$78.3 million (2019: HK\$84.4 million) and no bank overdrafts (2019: Nil). Our Group had a bank guarantee of HK\$10 million, fully pledged with deposit, for the business operation (31 December 2019: Nil).

CAPITAL STRUCTURE

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

STAFF AND STAFF REMUNERATION

As at 31 December 2020, the Group had a total of 78 employees (2019: 72 employees), an increase of 6 employees. Total remuneration for 2020 amounted to HK\$32.3 million (2019: HK\$36.9 million).

CONTINGENT LIABILITIES

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

BUSINESS REVIEW

The annual aggregate premium income limit in 2020 is HK\$560.0 million. Our Group has taken actions to try to improve its underwriting results through risk selection and altering our mix of business.

MOTOR INSURANCE BUSINESS

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

The following table illustrates the breakdown of our gross premium written by business segments for the year ended 31 December 2020 and 2019.

	For the year ended 31 December				
	2020		2019		% Change
	HK\$'000	% of Total	HK\$'000	% of Total	
Taxi	259,488	59.6%	244,131	56.7%	6.3%
PLB	68,179	15.7%	75,745	17.6%	(10.0%)
Other motor vehicles ⁽¹⁾	107,921	24.8%	111,025	25.8%	(2.8%)
	<u>435,588</u>	<u>100.0%</u>	<u>430,901</u>	<u>100.0%</u>	<u>1.1%</u>

Note:

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

During the year ended 31 December 2020, our motor business remained steady. The motor business increased by 1.1% to HK\$435.6 million (2019: HK\$430.9 million). The gross premium written on taxi and PLB represents 75.3% of gross premium written on motor insurance for the year ended 31 December 2020 (2019: 74.2%). Our taxi average premium rate had improved and the taxi business increased by 6.3% to HK\$259.5 million (2019: HK\$244.1 million). However, our businesses on PLB and other motor vehicles faced keen market competition. Our PLB business reduced by 10.0% to HK\$68.2 million (2019: HK\$75.7 million) and our business on other motor vehicles decreased by 2.8% to HK\$107.9 million (2019: HK\$111.0 million).

EC INSURANCE BUSINESS

Our EC insurance business, which includes standalone EC insurance and EC section of SME Business Insurance, achieved diversification during the year. Our construction EC insurance decreased by 26.0% to HK\$54.7 million (2019: HK\$73.9 million), whereas our non-construction EC business increased by 236.3% to HK\$38.0 million (2019: HK\$11.3 million).

The following table illustrates the breakdown of our gross premium written by industry for the year ended 31 December 2020 and 2019.

	For the year ended 31 December				
	2020		2019		% Change
	<i>HK\$'000</i>	<i>% of Total</i>	<i>HK\$'000</i>	<i>% of Total</i>	
Construction	54,713	59.0%	73,920	86.7%	(26.0%)
Non-construction	38,007	41.0%	11,300	13.3%	236.3%
	92,720	100.0%	85,220	100.0%	8.8%

The premium income limit on EC business in 2020 is HK\$93.0 million.

OTHER DIRECT BUSINESS

Our Group offers different personal and commercial insurance products to individual clients and local enterprises.

Personal Insurance Products

- Home Protection
- Travel Insurance
- Fire Insurance
- Interior Decoration Insurance
- Personal Accident Insurance
- Health Green Hospitalization Medical Insurance
- Health Red Cancer Insurance
- Individual Personal Accident Insurance

Commercial Insurance Products

- SME Business Insurance
- Fire Insurance
- Property All Risk Insurance
- Public Liability Insurance
- Building Owners' Corporations Third Party Liability
- Interior Decoration Insurance
- Contractors' All Risks Insurance
- Directors' & Officers' Liability Insurance
- Group Personal Accident Insurance

During the year ended 31 December 2020, the gross premium written from other direct business decreased by 21.3% to HK\$8.7 million (2019: HK\$11.1 million).

REINSURANCE INWARD BUSINESS

Our Group also started to develop reinsurance inward business operations. By accepting risk as the reinsurer, we aim to diversify the Group's insurance products to reduce its reliance on motor vehicles insurance. Our Group obtain business from industry peers while maintaining close business relationship with renowned reinsurance brokers for potential business opportunities.

Our portfolio of reinsurance business continued to grow substantially in 2020. The net insurance premium revenue increased by 5,474.5% to HK\$20.6 million (2019: HK\$0.4 million).

INVESTMENTS

We invested premiums and other income generated from our insurance business. During the year, we focus our strategy on more liquid investments. We decreased our holdings in equity and debt securities while began to invest in currency fund and increased our portfolio in certificates of deposit. The total value of investment portfolio increased by 11.0% to HK\$1,138.3 million (2019: HK\$1,025.8 million).

	As at 31 December				
	2020		2019		% Change
	HK\$'000	% of Total	HK\$'000	% of Total	
Equity securities	980	0.1%	49,469	4.8%	(98.0%)
Debt securities	6,746	0.6%	31,109	3.0%	(78.3%)
Certificates of deposit	4,748	0.4%	4,451	0.5%	6.7%
Currency fund	62,323	5.5%	–	0.0%	100.0%
Cash and bank deposits	1,063,548	93.4%	940,773	91.7%	13.1%
	1,138,345	100.0%	1,025,802	100.0%	11.0%

The Group's equity portfolio reduced by 98.0% to HK\$1.0 million (2019: HK\$49.5 million). All equity securities are listed on the Stock Exchange. The equity securities classified by locations are as follows:

	As at 31 December		
	2020	2019	% Change
	HK\$'000	HK\$'000	
Listed in Hong Kong	980	45,206	(97.8%)
Listed outside Hong Kong	–	4,263	(100.0%)
	980	49,469	(98.0%)

The Group's debt portfolio decreased by 78.3% to HK\$6.7 million (2019: HK\$31.1 million). The debt securities classified by type are as follows:

	As at 31 December		
	2020	2019	
	HK\$'000	HK\$'000	% Change
Bonds listed in Hong Kong	6,746	15,601	(56.8%)
Bonds listed outside Hong Kong	—	5,508	(100.0%)
Unlisted bonds	—	10,000	(100.0%)
	<u>6,746</u>	<u>31,109</u>	<u>(78.3%)</u>

IMPORTANT EVENTS SINCE THE END OF THE FINANCIAL YEAR

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 the Company at the placing price of HK\$0.50 per placing share (the "Placing"). 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 placees at the placing price of HK\$0.50 per placing share.

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

On 26 January 2021, the Company entered into a subscription agreement with Smart Neo Holdings Limited (the "Subscriber"), a substantial shareholder of the Company and is wholly-owned by Dr. Ng Yu, an executive Director and the 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 convertible bonds in the aggregate principal amount of HK\$400.0 million, which may be converted into 701,754,385 new shares of the Company at the initial conversion price of HK\$0.57 per conversion share (subject to adjustments) (the "Subscription"). The Subscription constituted a connected transaction of the Company under Chapter 14A of the Listing Rules and subject to among others, approval by the independent shareholders of the Company. Completion of the Subscription is subject to the fulfilment of certain conditions precedent. The Subscription was approved by the independent shareholders of the Company at the general meeting of the Company held on 29 March 2021.

For the details of the Subscription, please refer to the announcements of the Company dated 26 January 2021, 27 January 2021, 18 February 2021 and 29 March 2021, and the circular of the Company dated 11 March 2021.

On 5 March 2021, the Company entered into agreements with each of Mr. Lai Bing Leung and Mr. Chiu Sun Ting, former executive Directors resigned on 23 December 2020 (collectively, the “Lenders”) pursuant to which the Lenders agreed to further extend the maturity date of the unsecured loans granted to the Company in the principal amount of HK\$25 million each to 12 May 2021.

FUTURE DEVELOPMENT OF OUR BUSINESS

With the enduring uncertainty relating to the Coronavirus Disease 2019 (“COVID-19 outbreak”) on the city’s business sector, we shall continue to hone our focus on the strategies to write and grow our business more prudently for 2021.

ACHIEVING UNDERWRITING IMPROVEMENT

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

- **Portfolio steering:** To strike a balance between consistency in our risk appetite and the need to continuously calibrate that appetite, we will ensure that we are willing and able to pull back when conditions are unsustainable.
- **Pricing adequacy:** To introduce technical pricing as a core part of underwriting governance and as a benchmark, we are thus provided with insight into directional movement of pricing for a portfolio over time.
- **Risk selection:** To supplement data-driven analysis, we will encourage collective risk discussion and underwriting assessment.
- **Capacity optimization:** To encourage dynamic recalibration of limits and retention, we will deploy capacity more prudently through deductibles and also through net retention across the portfolio by way of optimal use of reinsurance arrangement.
- **Coverage design:** To translate qualitative policy terms and endorsements into quantitative parameters, we will carefully control around our policy wording.

DEVELOPING OTHER GENERAL INSURANCE PRODUCTS

We will take a progressive approach to develop other general insurance products which suit the needs of local enterprises and individual clients. Notwithstanding the intense competition, we develop other general insurance products which can leverage our strengths, distribution networks and expertise. We will also manage our insurance risk exposures with adequate reinsurance protections.

REBRANDING OUR CORPORATE IMAGE

It is clear from the feasibility study that there is a strong demand for well-planned packaged insurance products to satisfy the insurance needs and services of the Hong Kong market. Transitioning from mono motor insurance business to all general insurance business, Target has rebranded itself for its capability to write a comprehensive range of general business in Hong Kong. To continue with our rebranding effort, we will maintain modest level of branding activities through traditional media (magazine, television commercial, radio etc.) to reinforce our core products and more focused sales and marketing activities for new insurance products throughout the year.

BUILDING UP INTERNAL CAPACITY

There are three areas which we will continue to invest in 2021 to strengthen our internal capacity to prepare for the future:

- **Claims Management:** To enhance claims handling and settling, we will continue to develop resources to guard against fraudulent claims and strive to have fraudulent claims reported to Police.
- **Human Resources:** We will continue to seek suitable professional talent to join our team to consolidate our capacity to deal with the business needs and regulatory developments.
- **Information Technology:** To support the adoption of IFPCD, risk-based capital framework and new accounting standards, we will continue to upgrade our information technology systems. We will also enhance our B2B automation platform for motor insurance business.

INCREASING OUR MOTOR INSURANCE BUSINESS ON OTHER TYPES OF MOTOR VEHICLES

We will continue to direct our effort towards the development of our insurance business on other types of motor vehicles. The introduction of online business platforms for private cars and commercial vehicles had provided additional channel for us to reach out to our customers directly. We will also explore different distribution channels to further grow our motor insurance business. We are proactively forming alliances with other business partners to provide all rounded services to our customers and extend our reach to our target customers. Our dedicated customer service team can promptly attend to all customers' enquiries and provide a better experience to our customers.

STRENGTHENING RELATIONSHIP WITH INSURANCE INTERMEDIARIES

Actively managing our relationship with existing agent network and developing new relationship with other insurance intermediaries become the key to maintain our market position. We will continue to participate in and sponsor activities organized by industry organizations and media partners.

CLOSURE OF REGISTER OF MEMBERS

For determining the identity of the shareholders of the Company to attend and vote at the forthcoming annual general meeting of the Company to be held on Wednesday, 26 May 2021 (“2021 AGM”), the register of members of the Company will be closed from Friday, 21 May 2021 to Wednesday, 26 May 2021, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2021 AGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company’s share registrar and transfer office, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 20 May 2021.

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 2020.

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 the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code during the year ended 31 December 2020.

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 2020.

SCOPE OF WORK OF MAZARS 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, Mazars CPA Limited, to the amounts set out in the Group’s consolidated financial statements for the year ended 31 December 2020. The work performed by Mazars 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 Mazars 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 five independent non-executive Directors, namely Mr. Wan Kam To (as chairman), Mr. Wong Shiu Hoi Peter, Mr. Anthony Espina, Mr. Leung Ho Yin Alexander and Dr. Wang Jun Sheng. The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2020.

By order of the Board
Target Insurance (Holdings) Limited
Tse Kam Fai
Company Secretary

Hong Kong, 31 March 2021

As at the date of this announcement, the Board comprises nine executive Directors, namely Dr. Cheung Haywood (Chairman), Dr. Ng Yu (Co-chairman), Mr. Muk Wang Lit Jimmy (Chief Executive Officer), Mr. Chan Hok Ching, Ms. Lau Ka Yee, Mr. Wei Weicheng, Mr. Lin Feng, Mr. Dai Chengyan, and Mr. Rui Yuanqing; and five independent non-executive Directors, namely Mr. Wan Kam To, Mr. Wong Shiu Hoi Peter, Mr. Anthony Espina, Mr. Leung Ho Yin Alexander and Dr. Wang Jun Sheng.