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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)**

**ANNOUNCEMENT OF INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

**FINANCIAL HIGHLIGHTS**

- Gross premium written increased by 26.1% to HK\$371.6 million (2020: HK\$294.8 million).
- Net insurance premium revenue increased by 27.5% to HK\$273.1 million (2020: HK\$214.2 million).
- Net insurance claims and loss adjustment expenses increased by 16.2% to HK\$184.5 million (2020: HK\$158.8 million).
- EBITDA increased by 8,839.8% to HK\$87.8 million (2020: HK\$1.0 million).
- Operating profit increased by 65.5% to HK\$52.5 million (2020: HK\$31.7 million).
- Investment income was HK\$65.2 million (2020: loss of HK\$2.9 million).
- Profit before tax was HK\$70.7 million (2020: loss of HK\$13.0 million).
- Profit for the period was HK\$68.9 million (2020: loss of HK\$14.0 million).
- Our basic earnings per share was HK11.22 cents (2020: loss per share of HK2.68 cents).
- Our diluted earnings per share was HK5.59 cents (2020: loss per share of HK2.68 cents).



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2021  
Interim Report

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### EXECUTIVE DIRECTORS

NG Yu (*Chairman of the Board*)  
CHAN Yat Wai (*Chief Executive Officer*)  
MUK Wang Lit Jimmy  
LIN Feng  
DAI Chengyan  
LAU Ka Yee

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Anthony ESPINA  
LEUNG Ho Yin Alexander  
WANG Jun Sheng

## COMPANY SECRETARY

TSANG King Sun

## AUTHORISED REPRESENTATIVES

NG Yu  
TSANG King Sun

## AUDIT COMMITTEE

Anthony ESPINA (*Chairman*)  
LEUNG Ho Yin Alexander  
WANG Jun Sheng

## REMUNERATION COMMITTEE

LEUNG Ho Yin Alexander (*Chairman*)  
Anthony ESPINA  
WANG Jun Sheng

## NOMINATION COMMITTEE

Anthony ESPINA (*Chairman*)  
MUK Wang Lit Jimmy  
LEUNG Ho Yin Alexander  
WANG Jun Sheng

## RISK COMMITTEE

LEUNG Ho Yin Alexander (*Chairman*)  
MUK Wang Lit Jimmy  
LIN Feng  
LAU Ka Yee  
Anthony ESPINA

## AUDITOR

Mazars CPA Limited  
Certified Public Accountants  
42nd Floor, Central Plaza  
18 Harbour Road  
Wanchai, Hong Kong

## REGISTERED OFFICE, HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS

5/F., Low Block  
Grand Millennium Plaza  
181 Queen's Road Central  
Hong Kong

## SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## PRINCIPAL BANKER

Bank of China (Hong Kong) Limited

## STOCK CODE

6161

## WEBSITE

<http://www.targetinsholdings.com>

# FINANCIAL REVIEW

## FINANCIAL REVIEW

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

For the six months ended 30 June			
	2021 HK\$'000	2020 HK\$'000	% Change
Gross premium written	371,631	294,827	26.1%
Net premium written	331,514	252,181	31.5%
Net insurance premium revenue	273,066	214,183	27.5%
Net insurance claims and loss adjustment expenses	(184,524)	(158,780)	16.2%
Acquisition costs and other underwriting expenses, net	(36,002)	(23,663)	52.1%
Operating profit	52,540	31,740	65.5%
Investment income (loss)	65,225	(2,908)	2,343.0%
Other income	740	819	(9.6%)
Employee benefits expenses	(18,921)	(17,926)	5.6%
Other operating expenses	(23,028)	(22,975)	0.2%
Finance costs	(5,814)	(1,713)	239.4%
Profit (Loss) before tax	70,742	(12,963)	645.7%
Profit (Loss) for the period	68,854	(13,985)	592.3%
EBITDA	87,789	982	8,839.8%
Basic earnings (loss) per share <sup>(1)</sup>	11.22 cents	(2.68 cents)	518.7%
Diluted earnings (loss) per share <sup>(1)</sup>	5.59 cents	(2.68 cents)	308.6%

For the six months ended 30 June			
	2021	2020	Difference
Retention ratio <sup>(2)</sup>	89.2%	85.5%	3.7%
Loss ratio <sup>(3)</sup>	67.6%	74.1%	(6.5%)
Expense ratio <sup>(3)</sup>	30.7%	30.9%	(0.2%)
Combined ratio <sup>(4)</sup>	98.3%	105.1%	(6.8%)
Investment yield	4.2%	(0.3%)	5.3%

Notes:

- (1) The weighted average number of shares for the period ended 30 June 2021 is 613,593,000 ordinary shares (2020: 521,410,000 ordinary shares). The weighted average number of shares for the purpose of calculating diluted loss per share is 1,315,347,000 ordinary shares (2020: 521,410,000 ordinary shares).
- (2) Retention ratio is calculated by dividing net premium written by gross premium written for the respective period.
- (3) Both the loss ratio and expense ratio are based on net insurance premium revenue.
- (4) The combined ratio is the sum of the loss ratio and the expense ratio.

# FINANCIAL REVIEW

## GROSS PREMIUM WRITTEN

Gross premium written increased by 26.1% to HK\$371.6 million (2020: HK\$294.8 million). During the six months ended 30 June 2021, the growth was mainly driven by motor business on taxi and reinsurance inward business. The detailed breakdown of gross premium written is as follows:

For the six months ended 30 June					
	2021		2020		
	HK\$'000	% of Total	HK\$'000	% of Total	% Change
Taxi	160,490	43.2%	124,876	42.4%	28.5%
Public Light Bus ("PLB")	38,187	10.3%	37,117	12.6%	2.9%
Other motor vehicles <sup>(1)</sup>	54,144	14.6%	51,448	17.5%	5.2%
Employees' Compensation ("EC")	80,495	21.7%	76,079	25.8%	5.8%
Other direct business <sup>(2)</sup>	5,020	1.3%	4,753	1.6%	5.6%
Reinsurance Inward	33,295	8.9%	554	0.1%	5,909.9%
	371,631	100.0%	294,827	100.0%	26.1%

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

## NET INSURANCE PREMIUM REVENUE

During the period ended 30 June 2021, our retention ratio increased to 89.2% (2020: 85.5%). We arranged quota share reinsurance for part of our EC business and most of our other direct business to diversify our risk as we grow our portfolio. The detailed breakdown of net insurance premium revenue is as follows:

For the six months ended 30 June					
	2021		2020		
	HK\$'000	% of Total	HK\$'000	% of Total	% Change
Taxi	129,293	47.3%	111,002	51.8%	16.5%
PLB	31,556	11.6%	34,067	15.9%	(7.4%)
Other motor vehicles <sup>(1)</sup>	34,065	12.5%	30,849	14.5%	10.4%
EC	43,559	16.0%	35,803	16.7%	21.7%
Other direct business <sup>(2)</sup>	2,834	1.0%	2,192	1.0%	29.3%
Reinsurance Inward	31,759	11.6%	270	0.1%	11,662.6%
	273,066	100.0%	214,183	100.0%	27.5%

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



# FINANCIAL REVIEW

## NET INSURANCE CLAIMS AND LOSS RATIO

Net insurance claims and loss adjustment expenses increased by 16.2% to HK\$184.5 million (2020: HK\$158.8 million). The loss ratio decreased to 67.6% (2020: 74.1%). During the six months ended 30 June 2021, there was a decrease in net insurance claims for motor business. The net insurance claims for taxi were reduced due to the slight improvement of prior year claims. The net insurance claims for PLB were reduced as claims frequency reduced due to lower social business activities. The net insurance claims for other motor vehicles were increased due to two major accidents involving private cars. There was a notable increase in net insurance claim for EC, approximately 79% of it was additional provision made based on actuarial estimation as at 30 June 2021 as the portfolio was still at its early growth stage. The detailed breakdown of net insurance claims and loss ratio is as follows:

	For the six months ended 30 June				
	2021 HK\$'000	Loss ratio	2020 HK\$'000	Loss ratio	% Change
Taxi	84,401	65.3%	113,666	102.4%	(25.7%)
PLB	15,475	49.0%	24,995	73.4%	(38.1%)
Other motor vehicles <sup>(1)</sup>	28,935	84.9%	13,053	42.3%	121.7%
EC	41,473	95.2%	6,471	18.1%	540.9%
Other direct business <sup>(2)</sup>	472	16.7%	595	27.1%	(20.7%)
Reinsurance Inward	13,768	43.4%	–	–	n/a
	184,524	67.6%	158,780	74.1%	16.2%

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 26.4% to HK\$83.8 million (2020: HK\$66.3 million). Approximately 71% of the increase was arising from our net acquisition costs and other underwriting expenses, which was increased by 52.1% to HK\$36.0 million (2020: HK\$23.7 million) due to growth of other general insurance business with a higher commission rate. The employee benefit expenses increased by 5.6% to HK\$18.9 million (2020: HK\$17.9 million). Finance costs increased by 239.4% to HK\$5.8 million (2020: HK\$1.7 million), mainly due to the effective interest expenses on convertible bonds. The advertising and promotion expenses substantially increased by 106.8% to HK\$4.3 million (2020: HK\$2.1 million) due to a new marketing campaign in support of taxi drivers' road safety. The underwriting and other administrative expenses are summarized as follows:

	For the six months ended 30 June		
	2021 HK\$'000	2020 HK\$'000	% Change
Acquisition costs and other underwriting expenses, net	36,002	23,663	52.1%
Employee benefit expenses	18,921	17,926	5.6%
Depreciation and amortization	11,233	12,232	(8.2%)
Finance costs	5,814	1,713	239.4%
Professional charges	4,748	4,877	(2.6%)
Advertising and promotion expenses	4,275	2,067	106.8%
Entertainment	60	98	(38.8%)
Donation	40	–	n/a
Others	2,672	3,701	(27.8%)
	83,765	66,277	26.4%

# FINANCIAL REVIEW

## INVESTMENT PERFORMANCE

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

	As at				% Change
	30 June 2021 HK\$'000	% of Total	31 December 2020 HK\$'000	% of Total	
Equity securities	794	0.1%	980	0.1%	(19.0%)
Debt securities	10,540	0.7%	6,746	0.6%	56.2%
Certificates of deposit	4,786	0.3%	4,748	0.4%	0.8%
Currency Fund	60,432	3.8%	62,323	5.5%	(3.0%)
Cash and bank deposits	1,494,856	95.1%	1,063,548	93.4%	40.6%
	<b>1,571,408</b>	<b>100.0%</b>	<b>1,138,345</b>	<b>100.0%</b>	<b>38.0%</b>

The investment performance for the period substantially improved to the net investment profit of HK\$65.2 million as compare with the net investment loss of HK\$2.9 million for the last corresponding period. The investment yield increased to 4.2% (2020: -0.3%). Such improvement was mainly contributed by the net gain on spot foreign currency trading. The investment performance is as follows:

	For the six months ended 30 June		
	2021 HK\$'000	2020 HK\$'000	% Change
Interest revenue	1,269	8,742	(85.5%)
Dividend income	4,303	63	6,730.2%
Loss on derecognition of financial assets at fair value through other comprehensive income	—	(710)	100.0%
Net fair value loss on financial assets at fair value through profit or loss	(2,077)	(7,460)	(72.2%)
Net foreign exchange gain (loss)	177	(2,400)	107.4%
Net gain on spot foreign currency trading	61,553	298	20,555.4%
Impairment loss of financial assets	—	(1,441)	100.0%
	<b>65,225</b>	<b>(2,908)</b>	<b>2,343.0%</b>

## OPERATING RESULT

Our operating profit increased by 65.5% to HK\$52.5 million (2020: HK\$31.7 million). We recorded a profit before tax at HK\$70.7 million (2020: loss of HK\$13.0 million) and a profit for the period at HK\$68.9 million (2020: loss of HK\$14.0 million).

	For the six months ended 30 June		
	2021 HK\$'000	2020 HK\$'000	% Change
Operating profit	52,540	31,740	65.5%
Profit (Loss) before tax	70,742	(12,963)	645.7%
Profit (Loss) for the period	68,854	(13,985)	592.3%



# FINANCIAL REVIEW

## LIQUIDITY AND FINANCIAL RESOURCES

Our Group's cash and bank deposits as at 30 June 2021 amounted to HK\$1,494.9 million (31 December 2020: HK\$1,063.5 million).

## FINANCIAL LEVERAGE

As at 30 June 2021, our Group has convertible bonds of HK\$264.1 million (31 December 2020: Nil), an outstanding bank loan of HK\$75.1 million (31 December 2020: HK\$78.3 million) and no bank overdrafts (2020: Nil). Our Group had a bank facility of HK\$10.0 million, fully pledged with deposit, for the business operation (31 December 2020: HK\$10.0 million). Our gearing ratio which is defined as total liabilities divided by total equity as at 30 June 2021 was 75.5% (31 December 2020: 83.8%).

## CAPITAL STRUCTURE

During the six months ended 30 June 2021, no options were exercised to subscribe for ordinary shares of the Company. Details of share options were disclosed in the prospectus of the Company dated 31 December 2014 (the "Prospectus").

As at 30 June 2021, the issued share capital of the Company was HK\$419,778,000 divided into 625,692,000 shares of the Company. During the six months ended 30 June 2021, the Company has carried out the following events in relation to the capital structure:

### PLACING OF NEW SHARES UNDER GENERAL MANDATE

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

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

During the six months ended 30 June 2021, the above net proceeds have been partially utilized as intended as to (i) HK\$40.0 million for the repayment of loans; and (ii) HK\$3.2 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.

# FINANCIAL REVIEW

## 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 Target, a wholly-owned subsidiary of the Company, imposed by the Insurance Authority, which is essential to Target 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 partially as intended as to (i) HK\$50.0 million for the repayment of loans; and (ii) HK\$330.0 million for Target to meet prevailing capital adequacy requirement for business expansion.

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

## STAFF AND STAFF REMUNERATION

As at 30 June 2021, the Group had a total of 81 employees (31 December 2020: 78 employees), an increase of 3 employees. Total remuneration of the six months ended 30 June 2021 amounted to HK\$18.9 million (2020: HK\$17.9 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 30 June 2021 and 31 December 2020.

## BUSINESS REVIEW

The annual aggregate premium income limit in 2021 is HK\$882.0 million. Our Group has taken actions to improve the underwriting results through risk selection and altering our mix of business.

### MOTOR INSURANCE BUSINESS

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

The following table illustrates the breakdown of our gross premium written by motor insurance business segments for the six months ended 30 June 2021 and 2020:

	For the six months ended 30 June				% Change
	2021		2020		
	HK\$'000	% of Total	HK\$'000	% of Total	
Taxi	160,490	63.5%	124,876	58.5%	28.5%
PLB	38,187	15.1%	37,117	17.4%	2.9%
Other motor vehicles <sup>(1)</sup>	54,144	21.4%	51,448	24.1%	5.2%
	252,821	100.0%	213,441	100.0%	18.5%

Note:

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

During the period ended 30 June 2021, our motor business increased by 18.5% to HK\$252.8 million (2020: HK\$213.4 million). The gross premium written on taxi business increased by 28.5% to HK\$160.5 million (2020: HK\$124.9 million) due to certain competitors reducing their capacities in this segment. The gross premium written on PLB slightly increased by 2.9% to HK\$38.2 million (2020: HK\$37.1 million). Accordingly, the gross premium written on taxi and PLB presents 78.6% of gross premium written on motor insurance for the period ended 30 June 2021 (2020: 75.9%). Our business on other motor vehicles increased by 5.2% to HK\$54.1 million (2020: HK\$51.4 million) due to our B2B automation platform for intermediaries for motor business.

# BUSINESS REVIEW

## EC INSURANCE BUSINESS

Our EC insurance business, which includes standalone EC insurance and EC section of SME Business Insurance. During the period ended 30 June 2021, our EC insurance business increased by 5.8% to HK\$80.5 million (2020: HK\$76.1 million). The construction EC insurance increased by 59.5% to HK\$64.1 million (2020: HK\$40.2 million) due to the increase of construction projects awarded to our selected contractors via our selected intermediaries. The non-construction EC business decreased by 54.4% to HK\$16.4 million (2020: HK\$35.9 million) due to the lapse of a major annual policy with a competitive quote which we declined to follow. The following table illustrates the breakdown of our gross premium written by industry for the period ended 30 June 2021 and 2020.

For the six months ended 30 June					
	2021		2020		
	HK\$'000	% of Total	HK\$'000	% of Total	% Change
Construction	64,145	79.7%	40,223	52.9%	59.5%
Non-construction	16,350	20.3%	35,856	47.1%	(54.4%)
	80,495	100.0%	76,079	100.0%	5.8%

The premium income limit on EC business in 2021 is HK\$176.0 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 period ended 30 June 2021, our other direct business increased 5.6% to HK\$5.0 million (2020: HK\$4.8 million).

## REINSURANCE INWARD BUSINESS

Our Group develops 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 obtains business from industry peers while maintaining close business relationship with renowned reinsurance brokers for potential business opportunities.

Our portfolio of reinsurance business grew substantially in 2021. The gross premium written from reinsurance inward business increased by 5,909.9% to HK\$33.3 million (2020: HK\$0.6 million).

# BUSINESS REVIEW

## INVESTMENTS

We invested premiums and other income generated from our insurance business. During the period, we focused our investment strategy on spot foreign currency trading. The total value of investment portfolio increased by 38.0% to HK\$1,571.4 million (2020: HK\$1,138.3 million) by utilizing proceeds of the Convertible Bonds issue.

	As at				% Change
	30 June 2021 HK\$'000	% of Total	31 December 2020 HK\$'000	% of Total	
Equity securities	794	0.1%	980	0.1%	(19.0%)
Debt securities	10,540	0.7%	6,746	0.6%	56.2%
Certificates of deposit	4,786	0.3%	4,748	0.4%	0.8%
Currency Fund	60,432	3.8%	62,323	5.5%	(3.0%)
Cash and bank deposits	1,494,856	95.1%	1,063,548	93.4%	40.6%
	1,571,408	100.0%	1,138,345	100.0%	38.0%

As at 30 June 2021, the Group placed deposits of HK\$747.3 million (31 December 2020: HK\$614.7 million) with licensed corporations regulated by the Securities & Futures Commission of Hong Kong and Monetary Authority of Singapore for spot foreign currency trading.

The Group's equity portfolio reduced by 19.0% to HK\$0.8 million (31 December 2020: HK\$1.0 million). All equity securities are listed on the Stock Exchange. The Group's debt portfolio increased by 56.2% to HK\$10.5 million (31 December 2020: HK\$6.7 million). All debt securities are listed on the Stock Exchange.

## SIGNIFICANT EVENTS AFTER 30 JUNE 2021

The Company did not note any significant events after 30 June 2021.

## FUTURE DEVELOPMENT OF OUR BUSINESS

With the enduring uncertainty relating to COVID-19 outbreak, we shall continue to hone our focus on the strategies to write and grow our business more prudently for 2021.

## ACHIEVING UNDERWRITING IMPROVEMENT

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 able to appropriately adjust our portfolio in response to the changing market conditions.
- **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.

# BUSINESS REVIEW

- **Capacity optimization:** To encourage dynamic recalibration of limits and retention, we will deploy capacity 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.

## ***DIVERSIFICATION OF GENERAL INSURANCE PRODUCTS***

We will develop a diversified portfolio of high potential other general insurance products which suit the needs of enterprises and individual clients. In particular, we will develop other general insurance products which can leverage our strengths, expertise, distribution networks and strategic partners. 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. We will also effectively 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 diversified 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 appropriate media to reinforce our core products and more focused sales and marketing activities for new insurance products throughout the year.

## ***STRENGTHENING 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:** We will continue to enhance speed and quality of claims handling and settling. We will also continue to develop resources to guard against fraudulent claims and strive to have fraudulent claims reported to Police.
- **Human Resources:** We will continue to attract and retain talents to support our growth ambition and to deal with the regulatory developments.
- **Information Technology:** We will invest and continue to upgrade our technologies, to improve customers' experience and operational efficiency as well as to support the adoption of Insurance Fraud Prevention Claims Database, risk-based capital framework and new accounting standards.

## ***STRENGTHENING RELATIONSHIP WITH INSURANCE INTERMEDIARIES***

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



## OTHER INFORMATION

### INTERIM DIVIDEND

The Directors resolved not to declare any interim dividend in respect of the six months ended 30 June 2021.

### DIRECTORS' INTERESTS IN SHARES

As at 30 June 2021, the interest or short positions of the Directors in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO")) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code"), are set out below:

#### INTERESTS IN THE COMPANY

Name of Director	Nature of interest	Long position/ Short position	Number of ordinary shares held	Number of underlying shares held	Approximate percentage of shareholding
Dr. Cheung Haywood ("Dr. Cheung") (Note 5)	Interest of a controlled corporation	Long position	158,750,000 (Note 1)	—	25.37%
Dr. Ng Yu ("Dr. Ng")	Interest of a controlled corporation	Long position	138,822,000 (Note 2)	—	22.19%
	Interest of a controlled corporation	Long position	—	701,754,385 (Notes 2 & 3)	112.16%
Mr. Muk Wang Lit Jimmy	Beneficial owner	Long position	360,000	—	0.06%
	Beneficial owner	Long position	—	1,640,000 (Note 4)	0.26%
Mr. Chan Hok Ching (Note 5)	Beneficial owner	Long position	—	1,300,000 (Note 4)	0.21%
Ms. Lau Ka Yee	Beneficial owner	Long position	168,000	—	0.03%
	Beneficial owner	Long position	—	86,000 (Note 4)	0.01%
Mr. Wong Shiu Hoi Peter (Note 5)	Beneficial owner	Long position	—	500,000 (Note 4)	0.08%
Mr. Wan Kam To (Note 5)	Beneficial owner	Long position	—	500,000 (Note 4)	0.08%

## OTHER INFORMATION

### Notes:

1. Independent Assets Management Limited ("Independent Assets") is the beneficial owner of these shares. Independent Assets is wholly and beneficially owned by Dr. Cheung. Moreover, Independent Assets is accustomed to act in accordance with Dr. Cheung's directions. By virtue of the SFO, Dr. Cheung is deemed to be interested in the same parcel of shares in which Independent Assets is interested.
2. Smart Neo Holdings Limited ("Smart Neo") is the beneficial owner of these shares. Smart Neo is wholly and beneficially owned by Dr. Ng, an executive Director and the Chairman of the Board. Moreover, Smart Neo is accustomed to act in accordance with Dr. Ng's directions. By virtue of the SFO, Dr. Ng is deemed to be interested in the same parcel of shares in which Smart Neo is interested.
3. These interests represent the number of underlying shares of the Company, i.e. the maximum number of conversion shares to be issued upon full exercise of the conversion rights attaching to the Convertible Bonds issued by the Company to Smart Neo pursuant to the subscription agreement dated 26 January 2021. For details, please refer to the circular of the Company dated 11 March 2021.
4. These interests are derived from the interest in the share options granted under the pre-IPO share option scheme conditionally adopted by the Company on 30 September 2014 (the "Pre-IPO Share Option Scheme"), details of which are set out in the section headed "Interest in Share Options" below.
5. Dr. Cheung Haywood resigned as an executive Director and Chairman of the Board, Mr. Chan Hok Ching resigned as an executive Director, and each of Mr. Wong Shiu Hoi Peter and Mr. Wan Kam To resigned as an independent non-executive Director, all with effect from 9 August 2021.

Save as disclosed above, none of the Directors or chief executives of the Company or their associates, had or was deemed to have any interest or short position in any shares, underlying shares or debentures of the Company or its associated corporations as at 30 June 2021.

## INTERESTS IN SHARE OPTIONS

### *PRE-IPO SHARE OPTION SCHEME*

Pursuant to a written resolution of the then sole shareholder of the Company passed on 30 September 2014, the rules of the Pre-IPO Share Option Scheme were approved and adopted. The purpose of the Pre-IPO Share Option Scheme is to enable the Company to grant options to the participants of the Pre-IPO Share Option Scheme as incentives or rewards for their contribution to the growth of the Group and to provide the Group with a more flexible means to reward, remunerate, compensate and/or to provide benefits to the participants of the Pre-IPO Share Option Scheme. The maximum number of shares which may be issued upon the exercise of all options granted under the Pre-IPO Share Option Scheme is 13,390,000 shares of the Company, representing approximately 2.14% of the issued shares of the Company as at the date of this report. Other details of the Pre-IPO Share Option Scheme were set out in the Prospectus.

An aggregate of 13,390,000 share options at an exercise price of HK\$1.288 per share option, being 20% discount to the offer price of HK\$1.61 under the Share Offer (as defined in the Prospectus), were granted on 7 October 2014 to certain Directors and employees and consultants of the Group.

## OTHER INFORMATION

Details of the movement in the share options granted under the Pre-IPO Share Option Scheme during the six months ended 30 June 2021 are as follows:

Name or category of participants	Balance as at 1 January 2021	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding as at 30 June 2021	Exercise price per share option (HK\$)	Exercisable period (Note 1)
<b>Directors</b>							
Mr. Muk Wang Lit Jimmy	1,640,000	—	—	—	1,640,000	1.288	15 January 2016 to 6 October 2024
Mr. Chan Hok Ching (Note 2)	1,300,000	—	—	—	1,300,000	1.288	15 January 2016 to 6 October 2024
Ms. Lau Ka Yee	86,000	—	—	—	86,000	1.288	15 January 2016 to 6 October 2024
Mr. Wong Shiu Hoi Peter (Note 2)	500,000	—	—	—	500,000	1.288	15 January 2016 to 6 October 2024
Mr. Wan Kam To (Note 2)	500,000	—	—	—	500,000	1.288	15 January 2016 to 6 October 2024
<b>Former Director</b>							
Mr. Szeto Wai Sun (Note 3)	500,000	—	—	(500,000)	—	—	—
<b>Sub-total:</b>	4,526,000	—	—	(500,000)	4,026,000		
Employees	3,090,000	—	—	—	3,090,000	1.288	15 January 2016 to 6 October 2024
Consultants	2,002,000	—	—	—	2,002,000	1.288	15 January 2016 to 6 October 2024
<b>Total:</b>	9,618,000	—	—	(500,000)	9,118,000		

Notes:

- The vesting period of the options granted under the Pre-IPO Share Option Scheme is as follows:
  - one-third being vested after the expiry of 12-month period from and including 15 January 2015;
  - additional one-third being vested after the expiry of 24-month period from and including 15 January 2015; and
  - remaining being vested after the expiry of 36-month period from and including 15 January 2015.
- Mr. Chan Hok Ching resigned as an executive Director, and each of Mr. Wong Shiu Hoi Peter and Mr. Wan Kam To resigned as an independent non-executive Director, all with effect from 9 August 2021. The share options held by each of them will lapse three months following the date of their resignation.

## OTHER INFORMATION

3. Mr. Szeto Wai Sun resigned as an independent non-executive Director with effect from 1 January 2021 and all share options held by him lapsed three months following the date of his resignation.

The Pre-IPO Share Option Scheme ended on 14 January 2015, being the day immediately prior to the date of the listing of the shares on the Stock Exchange, i.e. 15 January 2015.

### SHARE OPTION SCHEME

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

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

Save as disclosed above, at no time during the six months ended 30 June 2021 was the Company, its subsidiaries or its associated companies a party to any arrangement to enable the Directors (including their spouse and children under 18 years of age) to acquire benefits by an acquisition of shares or underlying shares in, or debentures of, the Company or its associated corporation.

### DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six months ended 30 June 2021 was the Company or its subsidiaries a party to any arrangements to enable the Directors to acquire such rights in any other body corporate.

## OTHER INFORMATION

### SUBSTANTIAL SHAREHOLDERS

As at 30 June 2021, the interests or short positions of every person, other than a Director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, are set out below:

Name of shareholder	Nature of interest	Long position/ Short position	Number of ordinary shares held	Number of underlying shares held	Approximate Percentage of the Company's issued share capital
Independent Assets Management Limited (Note 1)	Beneficial owner	Long position	158,750,000	—	25.37%
Smart Neo Holdings Limited (Note 2)	Beneficial owner	Long position	138,822,000	—	22.19%
	Beneficial owner	Long position	—	701,754,385 (Note 3)	112.16%
TAG Investment Limited (Note 4)	Beneficial owner	Long position	74,954,000	—	11.98%
Convoy Global Holdings Limited (Note 4)	Interest of controlled corporation	Long position	74,954,000	—	11.98%
Convoy (BVI) Limited (Note 4)	Interest of controlled corporation	Long position	74,954,000	—	11.98%
Clever Path Holdings Limited (Note 4)	Interest of controlled corporation	Long position	74,954,000	—	11.98%

Notes:

1. Independent Assets is wholly and beneficially owned by Dr. Cheung. Therefore, Dr. Cheung is deemed to be interested in these 158,750,000 shares of the Company pursuant to the SFO.
2. Smart Neo is wholly and beneficially owned by Dr. Ng, an executive Director and the Chairman of the Board. Therefore, Dr. Ng is deemed to be interested in the same number of shares of the Company which Smart Neo is interested pursuant to the SFO.
3. These interests represent the number of underlying shares of the Company, i.e. the maximum number of conversion shares to be issued upon full exercise of the conversion rights attaching to the Convertible Bonds issued by the Company to Smart Neo pursuant to the subscription agreement dated 26 January 2021. For details, please refer to the circular of the Company dated 11 March 2021.
4. TAG Investment Limited is wholly-owned by Clever Path Holdings Limited, Clever Path Holdings Limited is wholly-owned by TAG Holdings Limited, TAG Holdings Limited is wholly-owned by Convoy (BVI) Limited, and Convoy (BVI) Limited, which in turn is wholly-owned by Convoy Global Holdings Limited. Therefore, each of Clever Path Holdings Limited, TAG Holdings Limited, Convoy (BVI) Limited, and Convoy Global Holdings Limited is deemed to be interested in these 74,954,000 shares of the Company in which TAG Investment Limited is interested pursuant to the SFO.

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 30 June 2021.

## OTHER INFORMATION

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code during the six months ended 30 June 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 six months ended 30 June 2021.

### DISCLOSURE PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Pursuant to Rule 13.51B(1) of the Listing Rules, change in the information of the Director subsequent to the date of the annual report of the Company for the year ended 31 December 2020 is set out below:

- Mr. Anthony Espina, an independent non-executive Director, stepped down as a non-executive director of KazMunayGas, the national oil company of the Republic of Kazakhstan, with effect from 26 April 2021.

### CORPORATE GOVERNANCE PRACTICE

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

During the six months ended 30 June 2021, the Company was in compliance with the relevant code provisions set out in the CG Code.

### AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") on 23 December 2014 with written terms of reference in compliance with the Listing Rules and the CG Code. The primary duties of the Audit Committee were to review and supervise the financial reporting process, the financial control and reporting systems as well as internal control systems of the Group. The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Anthony Espina (as chairman), Mr. Leung Ho Yin Alexander and Dr. Wang Jun Sheng. The Audit Committee has reviewed the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2021.

On behalf of the Board  
**Target Insurance (Holdings) Limited**  
**Dr. Ng Yu**  
*Chairman*

Hong Kong, 27 August 2021



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



**Mazars CPA Limited**  
中審眾環(香港)會計師事務所有限公司  
42nd Floor, Central Plaza,  
18 Harbour Road,  
Wanchai, Hong Kong  
香港灣仔港灣道18號中環廣場42樓  
Tel 電話: (+852) 2909 5555  
Fax 傳真: (+852) 2810 0032  
info@mazars.hk  
www.mazars.hk

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

## INTRODUCTION

We have reviewed the condensed interim financial information set out on pages 20 to 44, which comprises the condensed consolidated statement of financial position of Target Insurance (Holdings) Limited (the "Company") and its subsidiaries (together the "Group") as of 30 June 2021 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months then ended and other explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors of the Company are responsible for the preparation and presentation of this condensed interim financial information in accordance with HKAS 34.

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

## SCOPE OF REVIEW

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

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim financial information as at 30 June 2021 is not prepared, in all material respects, in accordance with HKAS 34.

**Mazars CPA Limited**  
Certified Public Accountants  
Hong Kong, 27 August 2021

# CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2021

		For the six months ended 30 June	
	Note	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Net insurance premium revenue	3	273,066	214,183
Net investment income (loss)	4	65,225	(2,908)
Other income		740	819
<b>Net income</b>		<b>339,031</b>	212,094
Net insurance claims and loss adjustment expenses	5	(184,524)	(158,780)
Acquisition costs and other underwriting expenses, net	6	(36,002)	(23,663)
Employee benefit expenses		(18,921)	(17,926)
Other operating expenses		(23,028)	(22,975)
Finance costs	7	(5,814)	(1,713)
<b>Expenses</b>		<b>(268,289)</b>	(225,057)
<b>Profit (Loss) before tax</b>	7	<b>70,742</b>	(12,963)
Income tax expense	8	(1,888)	(1,022)
<b>Profit (Loss) for the period, attributable to owners of the Company</b>		<b>68,854</b>	(13,985)
<b>Earnings (Loss) per share</b>	10	<b>HK cents</b>	HK cents
Basic		11.22	(2.68)
Diluted		5.59	(2.68)

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	For the six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
<b>Profit (Loss) for the period, attributable to owners of the Company</b>	<b>68,854</b>	(13,985)
<b>Other comprehensive income (loss)</b>		
Items that are reclassified or may be reclassified subsequently to profit or loss:		
<i>Financial assets at fair value through other comprehensive income</i>		
Gains (Losses) on changes in fair value arising during the period	3,832	(2,088)
Reclassification of net changes in fair value to profit or loss	–	711
Net movement in fair value of financial assets at fair value through other comprehensive income	3,832	(1,377)
<b>Total comprehensive income (loss) for the period, attributable to owners of the Company</b>	<b>72,686</b>	(15,362)

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	Note	At 30 June 2021 (Unaudited) HK\$'000	At 31 December 2020 (Audited) HK\$'000
<b>Assets</b>			
Property, plant and equipment	11	446,908	457,165
Intangible assets		2,322	2,463
Debt securities measured at fair value through other comprehensive income ("FVOCI")	12	10,540	6,746
Certificates of deposit	12	4,786	4,748
Derivative financial instruments	16	39,539	–
Insurance and other receivables	13	195,814	131,236
Reinsurance assets	14	322,814	328,361
Deferred acquisition costs		42,282	34,078
Financial assets at fair value through profit or loss ("FVPL")	12	61,226	63,303
Statutory deposit		100,000	100,000
Pledged deposit		10,000	10,000
Time deposits with original maturity over 3 months		–	3,958
Cash and time deposits at banks and other financial institutions		1,384,856	949,590
<b>TOTAL ASSETS</b>		<b>2,621,087</b>	<b>2,091,648</b>
<b>Liabilities</b>			
Deferred tax liabilities		37,131	36,400
Insurance liabilities	14	1,560,255	1,508,802
Interest-bearing borrowings	15	75,072	168,268
Convertible bonds	16	264,136	–
Deferred commission income		3,265	5,751
Reinsurance premium payable		15,692	19,467
Insurance and other payables		21,916	13,831
Tax payable		1,626	469
<b>TOTAL LIABILITIES</b>		<b>1,979,093</b>	<b>1,752,988</b>
<b>EQUITY</b>			
Share capital	17	419,778	368,159
Other reserves		380,311	197,450
Accumulated losses		(158,095)	(226,949)
<b>TOTAL EQUITY</b>		<b>641,994</b>	<b>338,660</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>2,621,087</b>	<b>2,091,648</b>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Share capital (Unaudited) HK\$'000	Property revaluation reserve (Unaudited) HK\$'000	Fair value reserve (Unaudited) HK\$'000	Merger relief reserve (Unaudited) HK\$'000	Other reserve (Unaudited) HK\$'000	Share option reserve (Unaudited) HK\$'000	Conversion reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 January 2020	368,159	230,516	(5,627)	24,936	(24,936)	1,803	–	(288,975)	305,876
Loss for the period	–	–	–	–	–	–	–	(13,985)	(13,985)
Other comprehensive loss Net movement in fair value of financial assets at FVOCI	–	–	(1,377)	–	–	–	–	–	(1,377)
<b>Total comprehensive loss for the period</b>	–	–	(1,377)	–	–	–	–	(13,985)	(15,362)
At 30 June 2020	368,159	230,516	(7,004)	24,936	(24,936)	1,803	–	(302,960)	290,514
	Share capital (Unaudited) HK\$'000	Property revaluation reserve (Unaudited) HK\$'000	Fair value reserve (Unaudited) HK\$'000	Merger relief reserve (Unaudited) HK\$'000	Other reserve (Unaudited) HK\$'000	Share option reserve (Unaudited) HK\$'000	Conversion reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 January 2021	368,159	205,064	(9,417)	24,936	(24,936)	1,803	–	(226,949)	338,660
Profit for the period	–	–	–	–	–	–	–	68,854	68,854
Other comprehensive income Net movement in fair value of financial assets at FVOCI	–	–	3,832	–	–	–	–	–	3,832
<b>Total comprehensive income for the period</b>	–	–	3,832	–	–	–	–	68,854	72,686
<b>Transactions with owners:</b>									
Contributions and distributions									
Issue of convertible bonds (Note 16)	–	–	–	–	–	–	179,029	–	179,029
Issue of share capital, net of expenses (Note 17)	51,619	–	–	–	–	–	–	–	51,619
	51,619	–	–	–	–	–	179,029	–	230,648
<b>At 30 June 2021</b>	<b>419,778</b>	<b>205,064</b>	<b>(5,585)</b>	<b>24,936</b>	<b>(24,936)</b>	<b>1,803</b>	<b>179,029</b>	<b>(158,095)</b>	<b>641,994</b>

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	For the six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
<b>OPERATING ACTIVITIES</b>		
Cash generated from (used in) operations	70,419	(11,438)
<b>Net cash from (used in) operating activities</b>	<b>70,419</b>	<b>(11,438)</b>
<b>INVESTING ACTIVITIES</b>		
Interest received	1,411	5,564
Dividend received	4,303	63
Proceeds from derecognition of financial assets	–	107,405
Purchase of financial assets	–	(157,394)
Maturity of statutory and time deposits with original maturity over 3 months	103,958	182,151
Placement of statutory and time deposits with original maturity over 3 months	(100,000)	(111,423)
Additions of intangible assets	(805)	(1,185)
Others	(91)	(458)
<b>Net cash from investing activities</b>	<b>8,776</b>	<b>24,723</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from issue of convertible bonds, net of issue costs	399,013	–
Proceeds from issue of share capital, net of issue costs	51,619	–
Interest-bearing borrowings raised	–	90,000
Repayment of interest-bearing borrowings	(90,000)	–
Others	(4,561)	(4,762)
<b>Net cash from financing activities</b>	<b>356,071</b>	<b>85,238</b>
<b>Net increase in cash and cash equivalents</b>	<b>435,266</b>	<b>98,523</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>949,590</b>	<b>758,622</b>
<b>Cash and cash equivalents at end of period, represented by cash and time deposits with original maturity within 3 months at banks and other financial institutions</b>	<b>1,384,856</b>	<b>857,145</b>



# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2021

## 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

This condensed interim financial information contains the condensed consolidated financial statements and selected explanatory notes for the six months ended 30 June 2021. This condensed interim financial information thereon does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2020.

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

The consolidated statement of financial position as at 31 December 2020 that is included in the condensed interim financial information for the six months ended 30 June 2021 as comparative information does not constitute the Company’s specified financial statements for the financial year ended 31 December 2020 as defined in section 436 of the HKCO but is derived therefrom.

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

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

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

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

The accounting policies adopted in preparing this condensed interim financial information are consistent with those applied in preparing the Group’s annual financial statements for the year ended 31 December 2020. The adoption of the new/revised Hong Kong Financial Reporting Standards (“HKFRSs”) that are relevant to the Group and effective for the current period had no significant effects on the results and financial position of the Group for the current and prior periods.

Amendments to HKAS 39,  
HKFRSs 4, 7, 9 and 16

Interest Rate Benchmark Reform – Phase 2

The Group has not early adopted any new/revised HKFRSs that have been issued but are not yet effective for the financial year beginning on 1 January 2021. The directors are in the process of assessing the possible impact on the future adoption of these new/revised HKFRSs, but are not yet in a position to reasonably estimate their impact on the Group’s results and financial position.

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

*For the six months ended 30 June 2021*

## 2. SEGMENT INFORMATION

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

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

- Taxi
- Public Light Bus ("PLB")
- Other motor vehicles
- Employees' compensation
- Other direct business
- Reinsurance inward

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2021

## 2. SEGMENT INFORMATION (Continued)

### SEGMENT RESULTS

	For the six months ended 30 June 2021						
	Taxi (Unaudited) HK\$'000	PLB (Unaudited) HK\$'000	Other motor vehicles (Unaudited) HK\$'000	Employees' compensation (Unaudited) HK\$'000	Other direct business (Unaudited) HK\$'000	Reinsurance inward (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Net insurance premium revenue	129,293	31,556	34,065	43,559	2,834	31,759	273,066
Net insurance claims and loss adjustment expenses	(84,401)	(15,475)	(28,935)	(41,473)	(472)	(13,768)	(184,524)
Acquisition costs and other underwriting expenses, net	(10,688)	(2,640)	(7,463)	(6,011)	(302)	(8,898)	(36,002)
Segment results	34,204	13,441	(2,333)	(3,925)	2,060	9,093	52,540
Unallocated net investment income and other income							65,965
Unallocated corporate expenses and finance costs							(47,763)
<b>Profit before tax</b>							<b>70,742</b>
Income tax expense							(1,888)
<b>Profit for the period</b>							<b>68,854</b>

	For the six months ended 30 June 2020						
	Taxi (Unaudited) HK\$'000	PLB (Unaudited) HK\$'000	Other motor vehicles (Unaudited) HK\$'000	Employees' compensation (Unaudited) HK\$'000	Other direct business (Unaudited) HK\$'000	Reinsurance inward (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Net insurance premium revenue	111,002	34,067	30,849	35,803	2,192	270	214,183
Net insurance claims and loss adjustment expenses	(113,666)	(24,995)	(13,053)	(6,471)	(595)	–	(158,780)
Acquisition costs and other underwriting expenses, net	(9,123)	(2,830)	(5,383)	(6,082)	(211)	(34)	(23,663)
Segment results	(11,787)	6,242	12,413	23,250	1,386	236	31,740
Unallocated net investment loss and other income							(2,089)
Unallocated corporate expenses and finance costs							(42,614)
<b>Loss before tax</b>							<b>(12,963)</b>
Income tax expense							(1,022)
<b>Loss for the period</b>							<b>(13,985)</b>

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2021

## 2. SEGMENT INFORMATION (Continued)

### SEGMENT ASSETS AND LIABILITIES

	At 30 June 2021						Consolidated (Unaudited) HK\$'000
	Taxi (Unaudited) HK\$'000	PLB (Unaudited) HK\$'000	Other motor vehicles (Unaudited) HK\$'000	Employees' compensation (Unaudited) HK\$'000	Other direct business (Unaudited) HK\$'000	Reinsurance inward (Unaudited) HK\$'000	
<b>Assets</b>							
Segment assets	274,179	27,338	142,522	92,899	4,750	16,434	558,122
Unallocated assets							2,062,965
Total assets							2,621,087
<b>Liabilities</b>							
Segment liabilities	866,234	170,565	287,488	246,031	8,304	19,753	1,598,375
Unallocated liabilities							380,718
Total liabilities							1,979,093

	At 31 December 2020						Consolidated (Audited) HK\$'000
	Taxi (Audited) HK\$'000	PLB (Audited) HK\$'000	Other motor vehicles (Audited) HK\$'000	Employees' compensation (Audited) HK\$'000	Other direct business (Audited) HK\$'000	Reinsurance inward (Audited) HK\$'000	
<b>Assets</b>							
Segment assets	270,612	29,440	142,547	32,449	3,689	12,493	491,230
Unallocated assets							1,600,418
Total assets							2,091,648
<b>Liabilities</b>							
Segment liabilities	891,018	181,022	292,650	165,265	7,607	6,946	1,544,508
Unallocated liabilities							208,480
Total liabilities							1,752,988

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2021

## 3. NET INSURANCE PREMIUM REVENUE

	For the six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Gross premium written	371,631	294,827
Reinsurance premium ceded	(40,117)	(42,646)
Net premium written	331,514	252,181
Change in provision for unearned premium	(52,176)	(37,412)
Change in unearned premium on reinsurance ceded	(6,272)	(586)
Change in net provision for unearned premium	(58,448)	(37,998)
<b>Net insurance premium revenue</b>	<b>273,066</b>	<b>214,183</b>

## 4. NET INVESTMENT INCOME (LOSS)

	For the six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Interest revenue	1,269	8,742
Dividend income	4,303	63
Loss on derecognition of financial assets at FVOCI	–	(710)
Net fair value loss of financial assets at FVPL	(2,077)	(7,460)
Net foreign exchange gain (loss)	177	(2,400)
Net gain on spot foreign currency trading	61,553	298
Impairment loss of financial assets at FVOCI	–	(1,441)
<b>Net investment income (loss)</b>	<b>65,225</b>	<b>(2,908)</b>

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2021

## 5. NET INSURANCE CLAIMS AND LOSS ADJUSTMENT EXPENSES

	For the six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Gross claims paid	224,631	217,351
Claims recovered	(38,659)	(33,652)
Net claims paid	185,972	183,699
Change in provision for gross outstanding claims and incurred but not reported claims ("IBNR")	1,582	(9,628)
Change in claims recoverable (including IBNR recoveries)	(725)	(5,320)
Change in provision for unexpired risk	(2,305)	(9,971)
Change in net outstanding claims	(1,448)	(24,919)
<b>Net insurance claims and loss adjustment expenses</b>	<b>184,524</b>	<b>158,780</b>

## 6. ACQUISITION COSTS AND OTHER UNDERWRITING EXPENSES, NET

	For the six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
<b>Acquisition costs and other underwriting expenses</b>		
Insurance commission	44,222	29,541
Other underwriting expenses	5,474	4,499
Change in deferred acquisition costs	(8,204)	(3,653)
Acquisition costs and other underwriting expenses, gross	41,492	30,387
<b>Commission income</b>		
Insurance commission from reinsurers	(3,004)	(5,808)
Change in deferred commission income	(2,486)	(916)
Commission income	(5,490)	(6,724)
Acquisition costs and other underwriting expenses, net	36,002	23,663



# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2021

## 7. PROFIT (LOSS) BEFORE TAX

This is stated after charging:

	For the six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
<b>Finance costs</b>		
Interest on unsecured loans	685	941
Interest on bank loan	516	772
Effective interest on convertible bonds	4,613	–
	5,814	1,713
<b>Other items</b>		
Employee benefit expenses (including directors' emoluments)		
Salaries, bonus and allowances	18,281	17,282
Contributions to defined contribution plan	640	644
	18,921	17,926
Auditor's remuneration	722	756
Depreciation	10,287	10,840
Amortisation (included in other operating expenses)	946	1,392
Loss on disposal of property, plant and equipment	61	1

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2021

## 8. TAXATION

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

For the six months ended 30 June 2021 and 2020, Hong Kong Profits Tax for the qualifying company is calculated in accordance with the two-tiered profits tax regime. The profits of corporations in the Group not qualifying for the two-tiered profits tax rates regime continue to be taxed at a flat rate of 16.5% on the estimated assessable profits arising in Hong Kong.

	For the six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
<b>Current tax</b>		
Hong Kong Profits Tax		
Current period	1,157	291
<b>Deferred taxation</b>		
Origination and reversal of temporary difference	731	731
	1,888	1,022

## 9. DIVIDEND

The Board of Directors resolved not to declare any interim dividend for the six months ended 30 June 2021 and 2020.

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2021

## 10. EARNINGS (LOSS) PER SHARE

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

### (A) BASIC EARNINGS (LOSS) PER SHARE

	For the six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Profit (Loss) attributable to equity owners (HK\$'000)	68,854	(13,985)
Weighted average number of ordinary shares ('000)	613,593	521,410
Basic earnings (loss) per share (HK cents)	11.22	(2.68)

### (B) DILUTED EARNINGS (LOSS) PER SHARE

	For the six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Profit (Loss) attributable to equity owners (HK\$'000)	68,854	(13,985)
After tax effect of effective interest on convertible bonds (HK\$'000)	4,613	–
Profit (Loss) attributable to equity owners (diluted) (HK\$'000)	73,467	(13,985)
Weighted average number of ordinary shares (diluted) ('000)		
Weighted average number of ordinary shares	613,593	–
Effect of conversion option of convertible bonds	701,754	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings (loss) per share ('000)	1,315,347	521,410
Diluted earnings (loss) per share (HK cents)	5.59	(2.68)

The computation of diluted earnings per share for the period ended 30 June 2021 does not assume the exercise of the Company's share options as the exercise price of those options is higher than the average market price of the Company's shares during the period. The computation of diluted loss per share for the period ended 30 June 2020 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.

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2021

## 11. PROPERTY, PLANT AND EQUIPMENT

The Group's leasehold land and buildings are stated at valuation less accumulated depreciation. The leasehold land and buildings were last revalued by an independent professional qualified valuer at 31 December 2020 with reference to recent market transaction prices of similar properties. As at 30 June 2021, the directors of the Company considered that the carrying amount of the Group's leasehold land and buildings did not differ significantly from their fair values.

The carrying amount of the leasehold land and buildings at the end of the reporting period would have been HK\$225,965,000 (31 December 2020: HK\$230,395,000) had they been stated at cost less accumulated depreciation and accumulated impairment losses.

The leasehold land and buildings with a carrying amount of HK\$442,327,000 (31 December 2020: HK\$451,000,000) were pledged to secure the bank loan of the Group. At the end of the reporting period, the Group had an outstanding bank loan of HK\$75,072,000 (31 December 2020: HK\$78,268,000) and the principal plus accrued interest are repayable by 180 equal monthly instalments, and subject to an "on demand" clause.

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

	At 30 June 2021 (Unaudited) HK\$'000	At 31 December 2020 (Audited) HK\$'000
<b>At fair value</b>		
<b>Mandatorily measured at FVOCI</b> ("Mandatory FVOCI")		
Debt securities mandatorily measured at FVOCI		
Bonds listed in Hong Kong	10,540	6,746
Certificates of deposit	4,786	4,748
<b>Financial assets at FVPL</b>		
Equity securities mandatorily measured at FVPL		
Listed in Hong Kong	794	980
Unlisted investment fund	60,432	62,323
	61,226	63,303
	76,552	74,797

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2021

## 13. INSURANCE AND OTHER RECEIVABLES

	Note	At 30 June 2021 (Unaudited) HK\$'000	At 31 December 2020 (Audited) HK\$'000
<b>Insurance receivables</b>			
Premium receivables			
From third parties	13(A)	147,877	83,387
Claims receivable from reinsurers and others		45,149	45,404
		193,026	128,791
<b>Other receivables</b>			
Deposits, prepayments and other receivables		2,788	2,445
		195,814	131,236

### 13(A) PREMIUM RECEIVABLES

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

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

	At 30 June 2021 (Unaudited) HK\$'000	At 31 December 2020 (Audited) HK\$'000
Within 30 days	63,997	23,401
31 – 60 days	38,729	35,836
61 – 90 days	24,142	11,326
91 – 120 days	21,009	12,824
	147,877	83,387

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2021

## 13. INSURANCE AND OTHER RECEIVABLES (Continued)

### 13(A) PREMIUM RECEIVABLES (Continued)

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

	At 30 June 2021 (Unaudited) HK\$'000	At 31 December 2020 (Audited) HK\$'000
Balances past due		
Within 30 days	29,825	17,296
31 – 60 days	19,380	5,774
61 – 90 days	2,298	18
Over 90 days	475	(60)
	51,978	23,028



# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2021

## 14. INSURANCE LIABILITIES AND REINSURANCE ASSETS

	At 30 June 2021 (Unaudited) HK\$'000	At 31 December 2020 (Audited) HK\$'000
<b>Gross</b>		
Outstanding claims	725,475	734,303
IBNR	479,231	468,821
	1,204,706	1,203,124
Provision for unearned premium	346,820	294,644
Provision for unexpired risk	8,729	11,034
<b>Total gross insurance liabilities</b>	<b>1,560,255</b>	<b>1,508,802</b>
<b>Recoverable from reinsurers</b>		
Claims reported and loss adjustment expenses	100,007	107,611
Provision for IBNR recoveries	207,081	198,752
	307,088	306,363
Provision for unearned premium	15,726	21,998
<b>Total insurance liabilities recoverable</b>	<b>322,814</b>	<b>328,361</b>
<b>Net</b>		
Outstanding claims	625,468	626,692
IBNR	272,150	270,069
	897,618	896,761
Provision for unearned premium	331,094	272,646
Provision for unexpired risk	8,729	11,034
<b>Total net insurance liabilities</b>	<b>1,237,441</b>	<b>1,180,441</b>

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2021

## 15. INTEREST-BEARING BORROWINGS

	Note	At 30 June 2021 (Unaudited) HK\$'000	At 31 December 2020 (Audited) HK\$'000
Unsecured loans	15(A)	–	90,000
Secured bank loan		75,072	78,268
		75,072	168,268

### 15(A) UNSECURED LOANS

The unsecured loans from Mr. Chiu Sun Ting and Mr. Lai Bing Leung in the principal amount of HK\$45,000,000 and HK\$45,000,000 respectively borne interest at 3.5% per annum for a term commencing from 13 March 2020 to 12 May 2021 which had been fully repaid.

## 16. CONVERTIBLE BONDS

On 30 April 2021 (the “Bond Issue Date”), the Company issued unsecured convertible bonds (the “Convertible Bonds”) to a substantial shareholder of the Company in an aggregate principal amount of HK\$400,000,000 at zero coupon rate to meet the prevailing capital adequacy requirement for business expansion of the Group, to repay its existing loans, and for general working capital of the Group. The Convertible Bonds will mature on the date (the “Maturity Date”) falling on the fifth anniversary of the Bond Issue Date.

The Convertible Bonds can be converted during the period commencing on Bond Issue Date and to the third business day prior to the Maturity Date into 701,754,385 ordinary shares of the Company at the conversion price of HK\$0.57 per share.

The Company may at any time during the period commencing from the beginning of the 13th month from the Bond Issue Date up to the Maturity Date, having given not less than 30 days’ notice to the bondholder, redeem the Convertible Bonds.

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2021

## 16. CONVERTIBLE BONDS (Continued)

The Convertible Bonds recognised at the end of the reporting period are calculated as follow:

	HK\$'000
<b>Liability component</b>	
Fair value of liability component at the Bond Issue Date	260,099
Issue costs	(576)
	259,523
Effective interest expenses	4,613
<b>Liability component at 30 June 2021</b>	<b>264,136</b>
<b>Equity component</b>	
Nominal value of Convertible Bonds	400,000
Fair value of liability component at the Bond Issue Date	(260,099)
Fair value of derivative financial instruments at the Bond Issue Date	39,539
Issue costs	(411)
<b>Equity component at the Bond Issue Date and at 30 June 2021</b>	<b>179,029</b>

## 17. SHARE CAPITAL

	At 30 June 2021 (Unaudited)		At 31 December 2020 (Audited)	
	No. of shares	HK\$'000	No. of shares	HK\$'000
Issued and fully paid				
At beginning of the period/year	521,410,000	368,159	521,410,000	368,159
Issue of shares (Note 17(A))	104,282,000	51,619	–	–
<b>At end of the reporting period</b>	<b>625,692,000</b>	<b>419,778</b>	521,410,000	368,159

### 17(A) ISSUE OF SHARES

On 22 January 2021, the issued share capital of the Company was increased to HK\$419,778,000 by allotting 104,282,000 shares of HK\$0.50 each, for cash, to repay the existing loans and/or to provide for additional general working capital of the Group. These shares rank pari passu with the existing shares in all respects.

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2021

## 18. SHARE OPTION SCHEME

The Company adopted a pre-IPO share option scheme (the “Scheme”) pursuant to a resolution passed on 30 September 2014. The purpose of the Scheme is to recognise and acknowledge the contributions that participants (directors, senior management and other employees) have made or may make to the Group, to provide participants with an opportunity to have a personal stake in the Company with the view to achieve motivating the participants to optimise their performance and efficiency for the benefit of the Group, to attract and retain or otherwise maintain ongoing business relationship with participant, whose contributions are or will be beneficial to the long term growth of the Group. A summary of the principal terms and conditions of the Scheme is set out in the “Interest in Share Options” section of the Directors’ Report in 2020 Annual Report.

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

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

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

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

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2021

## 18. SHARE OPTION SCHEME (Continued)

Movements of share options during the six months ended 30 June 2021 are as follows:

Type	Date of grant	Exercise period	Exercise price per share HK\$	Fair value per share HK\$	Number of share option				
					Outstanding at beginning of period '000	Exercised '000	Forfeited '000	Outstanding at end of period '000	Exercisable at end of period '000
Directors	7 October 2014	15 January 2016 – 6 October 2024	1.288	0.169	4,526	–	(500)	4,026	4,026
Senior management	7 October 2014	15 January 2016 – 6 October 2024	1.288	0.169	350	–	–	350	350
Other employees	7 October 2014	15 January 2016 – 6 October 2024	1.288	0.167	4,742	–	–	4,742	4,742

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

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

The Company also adopted a share option scheme which was approved by a resolution of the then shareholders passed on 23 December 2014. No option under this scheme has been granted. A summary of the principal terms and conditions of this scheme is set out in the “Share Option Scheme” section of the Directors’ Report in 2020 Annual Report.

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2021

## 19. RELATED PARTY TRANSACTIONS

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

		For the six months ended 30 June	
		2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Related party relationship	Nature of transaction		
Key management personnel, excluding directors	Short-term employee benefits	2,189	2,217
	Post-employment benefits	60	75
		2,249	2,292
Amber Hill Securities Pte. Ltd, a company controlled by Ng Yu, a director of the Company (i)	Transaction fees on spot foreign currency trading	508	–
Amber Hill Capital Ltd, a company controlled by Ng Yu, a director of the Company (i)	Professional charges	156	–
The Oscar Motors Company Limited, a company controlled by Lai Bing Leung, a former director of the Company (ii)	Commission paid	–	582

(i) Dr. Ng Yu is appointed as executive director on 23 December 2020.

(ii) Mr. Lai Bing Leung resigned as executive director on 23 December 2020.

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2021

## 20. FAIR VALUE MEASUREMENT

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

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

	At 30 June 2021 (Unaudited) HK\$'000	At 31 December 2020 (Audited) HK\$'000
<b>Assets measured at fair value</b>		
<b>Level 1</b>		
Mandatory FVOCI		
Listed debt securities	10,540	6,746
Financial assets at FVPL		
Listed equity securities:		
– Financial services	794	980
	11,334	7,726
<b>Level 2</b>		
Mandatory FVOCI		
Certificates of deposit	4,786	4,748
Financial assets at FVPL		
Unlisted investment fund	60,432	62,323
	65,218	67,071
<b>Level 3</b>		
Leasehold land and buildings		
Commercial properties and car parking spaces located in Hong Kong	442,327	451,000
Derivative financial instruments	39,539	–
	481,866	451,000



# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2021

## 20. FAIR VALUE MEASUREMENT (Continued)

During the six months ended 30 June 2021 and 2020, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

### 20(A) ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

Fair value of Mandatory FVOCI and financial assets at FVPL

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

Fair value of derivative financial instruments

The fair value of derivative financial instruments embedded in the convertible bonds is determined using the binomial tree model and the significant unobservable input used in the fair value measurement is the expected change in interest rates and the Group's own credit risk.

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

The financial assets and financial liabilities of the Group are carried at amounts not materially different from their fair values as at 30 June 2021 and 31 December 2020.

The fair value of convertible bonds is estimated as being the present values of future cash flows, discounted at interest rate based on the government yield curve as at the end of the reporting period plus an adequate constant credit spread, adjusted for the Group's own credit risk.

## 21. APPROVAL OF CONDENSED INTERIM FINANCIAL INFORMATION

The condensed interim financial information was approved by the Board of Directors on 27 August 2021.

## **INTERIM DIVIDEND**

The Board resolved not to declare any interim dividend in respect of the six months ended 30 June 2021.

## **AUDIT COMMITTEE**

The Audit Committee currently comprises three independent non-executive Directors of the Company, namely Mr. Anthony Espina (as chairman), Mr. Leung Ho Yin Alexander and Dr. Wang Jun Sheng. The Audit Committee has reviewed the unaudited condensed interim financial information of the Group for the six months ended 30 June 2021.

By order of the Board  
**Target Insurance (Holdings) Limited**  
**Dr. Ng Yu**  
*Chairman*

Hong Kong, 27 August 2021

*As at the date of this announcement, the Board comprises six executive Directors, namely Dr. Ng Yu (Chairman), Mr. Chan Yat Wai (Chief Executive Officer), Mr. Muk Wang Lit Jimmy, Mr. Lin Feng, Mr. Dai Chengyan and Ms. Lau Ka Yee; and three independent non-executive Directors, namely Mr. Anthony Espina, Mr. Leung Ho Yin Alexander and Dr. Wang Jun Sheng.*