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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)

(1) QUARTERLY UPDATE ON THE RESUMPTION PROGRESS; AND (2) CONTINUED SUSPENSION OF TRADING

This announcement is made by Target Insurance (Holdings) Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rules 13.09 and 13.24A of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to the announcements of the Company dated 7 January 2022, 10 January 2022, 20 January 2022, 10 February 2022, 17 February 2022, 21 February 2022 and 24 February 2022 (collectively, the “**Announcements**”) in relation to, among others, (i) the Takeover of Target Insurance Company, Limited (the “**Subsidiary**”), being the wholly owned subsidiary of the Company, by the Managers; (ii) the Resumption Guidance imposed by the Stock Exchange; (iii) the procedures commenced by the Company to challenge the IA’s Direction; and (iv) the Facility granted by Smart Neo to the Company. Unless the context requires otherwise, the capitalised terms used herein shall have the same meaning as defined in the Announcements.

UPDATE ON PROGRESS OF RESUMPTION

According to the announcements of the Company dated 20 January 2022 and 17 February 2022, the Stock Exchange has set out the following Resumption Guidance which required the Company to:

- demonstrate its compliance with Rule 13.24 of the Listing Rules;
- demonstrate its compliance with Rules 3.10, 3.10A, 3.21, 3.25 and 3.27A of the Listing Rules; and
- inform the market of all material information for the Company’s shareholders and investors to appraise the Company’s position.

Pursuant to Rule 13.24A of the Listing Rules, the Board wishes to update the Shareholders and potential investors of the Company on the progress of the Company's fulfilment of the Resumption Guidance as at the date of this announcement which is summarised below.

Compliance with Rule 3.10, 3.10A, 3.21, 3.25 and 3.27A of the Listing Rules

As announced by the Company on 7 January 2022 and 10 February 2022, the Company has failed to meet the requirements of:

- Rule 3.10 of the Listing Rules as the number of independent non-executive Directors has become less than three which is below the minimum requirement prescribed under Rule 3.10(1) of the Listing Rules and no independent non-executive Director possesses the appropriate qualifications or accounting or related financial management expertise, as required under Rule 3.10(2) of the Listing Rules;
- Rule 3.10A of the Listing Rules as the number of independent non-executive Directors of the Company accounts for less than one-third of the Board;
- Rule 3.21 of the Listing Rules as the number of members of the audit committee of the Company has become less than three, no member of the audit committee possesses appropriate professional qualifications or accounting or related financial management expertise and the chairmanship of the audit committee has remained vacant;
- Rule 3.25 of the Listing Rules as the chairmanship of the remuneration committee has remained vacant; and
- Rule 3.27A of the Listing Rules as the chairmanship of the nomination committee of the Company has remained vacant.

The Company is in the process of identifying suitable candidate(s) to fill the vacancies. The Company will continue to use its best endeavours to ensure that suitable candidates are appointed as soon as practicable and in any event within three months from 7 January 2022 in accordance with the Listing Rules. As at the date of this announcement, the Company has identified several candidates and is in the process to assess their credentials and suitabilities. Should the Company fail to appoint suitable candidates to fill the vacancies within the specified period in accordance with the Listing Rules, the Company would submit an application to the Stock Exchange for a waiver from strict compliance with the relevant provisions of the Listing Rules. Further announcement(s) will be made by the Company as and when appropriate in this regard.

Compliance with Rule 13.24 of the Listing Rules

Status of the Subsidiary

As announced by the Company on 10 January 2022 and 21 February 2022, pursuant to the direction of the IA (the “**Direction**”), the affairs, business and property of the Subsidiary have come under the management of the Managers (i.e. Mr Derek Lai and Mr Forrest Kam of Deloitte Touche Tohmatsu), with effect from 7 January 2022 (the “**Takeover**”). The Company has made an application to the Insurance Appeals Tribunal to review, among other things, the Direction as well as to make an urgent application to stay the execution of the said Direction (the “**Applications**”). After hearing the submissions made by the counsel of the IA and the counsel of the Company on 31 January 2022 and 1 March 2022, the Chairman of the Insurance Appeals Tribunal directed that the Applications be heard at the next hearing scheduled on 22 April 2022. As at the date of this announcement, the Takeover remains in force and effective.

Despite the repeated requests of the Company for the details of the Managers’ fees in order to better assess the financial impact to the Subsidiary and the Group, the Managers have not provided any satisfactory reply. The Company has reasonable grounds to believe that the costs arising from the Managers’ fees would have imposed a substantial financial burden on the Subsidiary and the Group.

It has been more than two months since the Takeover took effect, but the Company has no knowledge of any actual improvement made to the Subsidiary. While at this stage it remains unclear when the Takeover by the Managers would come to an end, the Company has endeavoured and will continue to take all practicable means and measures to regain the control and management of the Subsidiary through all viable means within the regulatory framework in Hong Kong. Further announcement(s) will be made by the Company as and when appropriate in this regard.

Insurance business of the Subsidiary

Since the Takeover becoming effective, the Board no longer has access to the affairs, business and property of the Subsidiary. Based on public statements made by the Managers, the Board noticed that the following decisions have been effected in respect of the Subsidiary: -

- Taxi insurance policies which expired/are due to expire from February to April 2022 were not/will not be renewed.
- No new taxi insurance policies would be underwritten.

The Board wishes to emphasise that the aforesaid changes were made by the Managers unilaterally without informing or consulting the management of the Company in advance and the significant costs arising from the Managers’ fees are beyond the control of the Company.

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

Preparation for overseas expansion

Further, as announced by the Company on 24 February 2022, the Company entered into the Facility Agreement with Smart Neo, being a substantial shareholder of the Company and is wholly and beneficially owned by Dr. Ng Yu (“**Dr. Ng**”) (the Chairman and an executive Director of the Company) on 24 February 2022. Pursuant to the Facility Agreement, it is agreed that Smart Neo shall grant a revolving facility (the “**Facility**”) up to the principal amount of US\$750,000,000 (which is equivalent to approximately HK\$5.85 billion) to the Company for a term of 12 months effective from the date of the Facility Agreement. The funds drawn down from the Facility shall be used strictly for (i) the Proposed Acquisitions; or (ii) provision of financial assistance to the Subsidiary. The Company has notified the IA in respect of the matters regarding the Facility Agreement and the Proposed Acquisitions on 24 February 2022 (the “**Notice to IA**”). Pursuant to the undertaking given by the Company to the IA, the drawdown of the Facility will not take place earlier than 60 days after the date of the Notice to IA unless the Company receives the consent from the IA for shorter notice.

Leveraging Dr. Ng's financial support, the Group would be well-positioned to pursue overseas business opportunities, enter the global insurance market and other financial service sectors, and achieve geographical diversification and stronger country risk management. Further, the Group may consider utilising part of the funds under the Facility to provide further financing and support the operations of the Subsidiary, where appropriate.

Going forward, regardless of the results of the Applications, the Group will remain committed to pursuing business opportunities in the global market, and the Board believes that this would enhance sustainability and long-term return to the shareholders of the Company, while minimising the Group's risk concentration in any single market. As at the date of this announcement, no target company has been identified in respect of the Proposed Acquisitions. Further announcement(s) will be made by the Company as and when appropriate in this regard.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 5 January 2022 and will remain suspended until further notice.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

By order of the Board
Target Insurance (Holdings) Limited
Lin Feng
Executive Director

Hong Kong, 31 March 2022

As at the date of this announcement, the board of directors of the Company comprises three executive directors, namely Dr. Ng Yu (Chairman), Mr. Lin Feng and Mr. Dai Chengyan; and an independent non-executive director, namely Dr. Wang Jun Sheng.