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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 2022**

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2022

		For the six months ended 30 June	
	Note	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Net insurance premium revenue		–	273,066
Net investment income	3	255	65,225
Other income		–	740
Net income		<u>255</u>	<u>339,031</u>
Net insurance claims and loss adjustment expenses		–	(184,524)
Acquisition costs and other underwriting expenses, net		–	(36,002)
Loss arising from deconsolidation of subsidiaries		(830,186)	–
Employee benefit expenses	4	(2,036)	(18,921)
Other operating expenses		(9,712)	(23,028)
Finance costs	4	(11,833)	(5,814)
Expenses		<u>(853,767)</u>	<u>(268,289)</u>
(Loss) Profit before tax	4	<u>(853,512)</u>	<u>70,742</u>
Income tax expense	5	–	(1,888)
(Loss) Profit for the period, attributable to owners of the Company		<u>(853,512)</u>	<u>68,854</u>
		<i>HK cents</i>	<i>HK cents</i>
(Loss) Earnings per share	7		
Basic		(129.40)	11.22
Diluted		<u>(129.40)</u>	<u>5.59</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
(Loss) Profit for the period, attributable to owners of the Company	<u>(853,512)</u>	<u>68,854</u>
Other comprehensive income		
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 on changes in fair value arising during the period	<u>–</u>	<u>3,832</u>
Net movement in fair value of financial assets at fair value through other comprehensive income	<u>–</u>	<u>3,832</u>
Total comprehensive (loss) income for the period, attributable to owners of the Company	<u><u>(853,512)</u></u>	<u><u>72,686</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
Assets		
Property, plant and equipment	43	19
Investment in a subsidiary	–	830,186
Insurance and other receivables	258	17
Financial assets at fair value through profit or loss (“FVPL”)	534	562
Cash and time deposits at banks and other financial institutions	<u>30,562</u>	<u>42,246</u>
TOTAL ASSETS	<u>31,397</u>	<u>873,030</u>
Liabilities		
Convertible bonds	265,852	274,990
Insurance and other payables	505	459
Tax payable	<u>747</u>	<u>747</u>
TOTAL LIABILITIES	<u>267,104</u>	<u>276,196</u>
EQUITY		
Share capital	449,778	419,778
Other reserves	3,236	1,803
Conversion reserve	129,029	139,491
(Accumulated losses) retained earnings	<u>(817,750)</u>	<u>35,762</u>
TOTAL EQUITY	<u>(235,707)</u>	<u>596,834</u>
TOTAL LIABILITIES AND EQUITY	<u>31,397</u>	<u>873,030</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

1. PRINCIPAL ACCOUNTING POLICIES

Basis of Preparation

Except as described below, 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 2022. 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 2021.

Prior year’s consolidated financial statements

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

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

Current period’s consolidated financial statements

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

As a result, the Group recognised such Winding-up Proceedings as loss of control over the Deconsolidated Subsidiary and recorded loss on disposal of subsidiaries for the six months period ended 30 June 2022 and the year ended 31 December 2022 accordingly.

Given the circumstances that the Directors have not been able to have access to complete books and records of the Deconsolidated Subsidiary, and in the absence of available information to explain and validate the true state of affairs and financial performances of the Deconsolidated Subsidiary up to and as at the disposal date, the Directors considered it would be extremely difficult and time consuming to ascertain the true and correct financial position and profit or loss of the Deconsolidated Subsidiary as of the disposal date and for the period from 1 January 2022 to the disposal date respectively or to obtain sufficient documentary information to satisfy themselves regarding the true and fair presentation of the transactions of these groups of companies during the period from 1 January 2022 to the disposal dates and of the various account balances of Deconsolidated Subsidiary as at the disposal date respectively. As at the date of approval of the consolidated financial statements of the Group for the year ended 31 December 2021 (the “**2021 Financial Statements**”), the Directors were satisfied that the Group had used its best efforts, to the extent commercially practicable, to attempt to obtain the accounting records of the Deconsolidated Subsidiary for the past years and up to their respective disposal date, applying the best estimates and judgement based on the information of the Deconsolidated Subsidiary that were available to the Group. In the opinion of the Board, any reconstruction of the correct accounting records would be impracticable as it would be necessary to verify the information with external and independent sources and such sources might not be available or might be unreliable due to their connections with the management of the Deconsolidated Subsidiary or those responsible for the financial information within and outside of the Deconsolidated Subsidiary.

The Board had determined that the Group would continue not consolidating the financial statements of the Deconsolidated Subsidiary. As disclosed in the consolidated financial statements of the Group for the year ended 31 December 2021, the Deconsolidated Subsidiaries had been de-consolidated with effect from 1 January 2021. As such, the results, assets and liabilities of the Deconsolidated Subsidiaries had not been included into the consolidated financial statements of the Group since 1 January 2021. The deconsolidation of the Deconsolidated Subsidiaries had resulted in a loss of approximately HK\$426.6 million, which was determined based on the carrying amounts of the partial investment cost of the Deconsolidated Subsidiaries brought forward as at 1 January 2021. This loss had been recognised in the consolidated statement of profit or loss of the Group for the year ended 31 December 2021 and presented as “loss arising from deconsolidation of subsidiaries”. Please refer to the result announcement for the year ended 31 December 2021 for details.

Accordingly, the opening balances as at 1 January 2022 and comparative information for the six months ended 30 June 2022 presented or disclosed in the condensed interim consolidated financial statements as comparatives are based on the condensed interim consolidated financial statements of the Group for the six months period ended 30 June 2021 dated 27 August 2021 (the “**2021 Interim Financial Statements**”), the comparative information may not be comparable with the figures presented or disclosed in respect of the current financial period.

In the opinion of the directors of the Company, the consolidated financial statements of the Group as at and for the six months period ended 30 June 2022 prepared on the aforementioned basis is the most appropriate and practical way of presenting the results and state of affairs of the Group as the directors of the Company were unable to obtain sufficient documentary information to satisfy themselves regarding the transactions and balances related to the Deconsolidated Subsidiaries.

Due to limited books of account and records available to the directors of the Company and the deconsolidation of the Deconsolidated Subsidiaries with effect from 1 January 2021, the following disclosures have not been made in the consolidated financial statements insofar as the details or information relate to the Deconsolidated Subsidiaries as at and for the six months periods ended 30 June 2022 and 2021:

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

Further, for the same reasons as those stated above, the Board is unable to assert that all transactions entered into by the Group for the six months period ended 30 June 2022 have been properly reflected in the consolidated financial statements. In this connection, the Board is also unable to assert as to the completeness, existence and accuracy of identification and the disclosures of segment information in following notes from 2 to 7 with the comparative information insofar as the details or information relate to the Deconsolidated Subsidiaries.

As per assessment by the Board based on the information available at this stage, all identified and required adjustments have been put through in the consolidated financial statements for the six months period ended 30 June 2022. Since the communication with the Board and formal legal procedures are still ongoing, any further adjustments and disclosures, if required, would be made in the consolidated financial statements of the Group as and when the outcome of the above uncertainties is known and the consequential adjustments and disclosures are identified.

Going concern basis of accounting

For the six months ended 30 June 2022, the Group incurred loss of approximately HK\$853.5 million and as of that date, the Group’s total liabilities exceeded its total assets by approximately HK\$235.7 million. In addition, at the request of the Company, the trading of the shares of the Company on the HKEx was suspended with effect from 5 January 2022. The directors of the Company have been unable to represent that all present and contingent liabilities of the Group have been completely identified as abovementioned. These conditions indicate the existence of a material uncertainty which may cast significant doubts on the Group’s ability to continue as a going concern.

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

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

CHANGE IN ACCOUNTING POLICIES

In the current interim period, the Group has applied the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 July 2022 for the preparation of the Group's condensed consolidated financial statements:

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

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

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and on the disclosures set out in these condensed consolidated financial statements.

2. SEGMENT INFORMATION

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

3. NET INVESTMENT INCOME

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest revenue	–	1,269
Dividend income	16	4,303
Net fair value loss of financial assets at FVPL	(28)	(2,077)
Net foreign exchange gain	267	177
Net gain on spot foreign currency trading	–	61,553
	<u>–</u>	<u>61,553</u>
Net investment income	<u>255</u>	<u>65,225</u>

4. (LOSS) PROFIT BEFORE TAX

This is stated after charging:

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Finance costs		
Interest on unsecured loans	–	685
Interest on bank loan	–	516
Effective interest on convertible bonds	11,833	4,613
	<u>11,833</u>	<u>4,613</u>
	<u>11,833</u>	<u>5,814</u>
Other items		
Employee benefit expenses (including directors' emoluments)		
Salaries, bonus and allowances	2,003	18,281
Contributions to defined contribution plan	33	640
	<u>2,036</u>	<u>18,921</u>
	<u>2,036</u>	<u>18,921</u>
Auditor's remuneration	290	722
Depreciation	2	10,287
Amortisation (included in other operating expenses)	–	946
Loss on disposal of property, plant and equipment	–	61
	<u>–</u>	<u>61</u>
	<u>–</u>	<u>61</u>

5. 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 2022 and 2021, 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	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax		
Hong Kong Profits Tax		
Current period	–	1,157
Deferred taxation		
Origination and reversal of temporary difference	–	731
Tax expense for the period	<u>–</u>	<u>1,888</u>

6. DIVIDEND

The Board of Directors resolved not to declare any interim dividend for the six months ended 30 June 2022 and 2021.

7. (LOSS) EARNINGS PER SHARE

(A) Basic (Loss) Earnings Per Share

	For the six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
(Loss) Profit attributable to equity owners <i>(HK\$'000)</i>	<u>(853,512)</u>	<u>68,854</u>
Weighted average number of ordinary shares <i>('000)</i>	<u>659,610</u>	<u>613,593</u>
Basic (loss) earnings per share <i>(HK cents)</i>	<u>(129.40)</u>	<u>11.22</u>

(B) Diluted (Loss) Earnings Per Share

	For the six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
(Loss) Profit attributable to equity owners <i>(HK\$'000)</i>	(853,512)	68,854
After tax effect of effective interest on convertible bonds <i>(HK\$'000)</i>	–	4,613
(Loss) Profit attributable to equity owners (diluted) <i>(HK\$'000)</i>	<u>(853,512)</u>	<u>73,467</u>
Weighted average number of ordinary shares (diluted) <i>('000)</i>	659,610	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 <i>('000)</i>	<u>659,610</u>	<u>1,315,347</u>
Diluted (loss) earnings per share <i>(HK cents)</i>	<u>(129.40)</u>	<u>5.59</u>

No adjustment has been made to the basic and diluted loss per share amount presented for the period ended 30 June 2022 in respect of a dilution as the impact of the share options and convertible bonds outstanding had an anti-dilutive effect on the basic and diluted loss per share amount presented.

The computation of diluted earnings per share for the 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.

LIQUIDITY AND FINANCIAL RESOURCES

Our Group's cash and bank deposits as at 30 June 2022 amounted to HK\$30.6 million (31 December 2021: HK\$42.2 million).

FINANCIAL LEVERAGE

As at 30 June 2022, our Group has convertible bonds of HK\$265.9 million (31 December 2021: HK\$275.0 million), an outstanding bank loan of nil (31 December 2021: Nil). Our gearing ratio which is defined as total liabilities divided by total equity as at 30 June 2022 was 113% (31 December 2021: 46%).

CAPITAL STRUCTURE

During the six months ended 30 June 2022, no options were exercised to subscribe for ordinary shares of the Company. Details of share options were disclosed in the prospectus of the Company dated 31 December 2014 (the "**Prospectus**").

As at 30 June 2022, the issued share capital of the Company was HK\$449,778,000 divided into 678,324,000 shares of the Company. During the six months ended 30 June 2022, the Company has carried out the following events in relation to the capital structure:

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

PLACING OF NEW SHARES UNDER GENERAL MANDATE

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

The reasons for and benefits of the Placing was to strengthen the financial position of the Group and to provide general working capital for the Group. The Placing also represented a good opportunity to broaden the 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 places at the placing price of HK\$0.50 per Placing Share. The net proceeds (after deduction of placing fees and other expenses of the Placing) from the Placing amounted to approximately HK\$51.62 million, representing a net price of approximately HK\$0.495 per Placing Share.

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

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

ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

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

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

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

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

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

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

MATERIAL DEVELOPMENTS

SUSPENSION OF TRADING

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

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

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

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

THE TAKEOVER AND THE REVIEW APPLICATIONS

The former principal operating subsidiary, Target Insurance Company, Limited (“**Target Insurance**”) was treated as being deconsolidated from the Group since the commencement of the financial year ended 31 December 2021. For details, please refer to note 1 of the condensed interim financial information.

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

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

THE WINDING-UP PETITION IN RESPECT OF TARGET INSURANCE

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

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

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

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

Subsequently, despite repeated requests, NBL failed to return the Sum (then in the amount of approximately HK\$1,200,000,000), the Company claims against the Defendants for, among other things, (1) a declaration that each of the Defendants was in breach of his/her duties owed to the Company, fiduciary and/or otherwise; and (2) the Sum (for an amount of no less than approximately HK\$1,200,000,000) and/or damages and/or equitable compensation to be assessed. The Actions remain on-going as at the date of this announcement.

BUSINESS PROSPECTS

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

STAFF AND STAFF REMUNERATION

As at 30 June 2022, the Group had a total of 4 employees (31 December 2021: 10 employees).

CONTINGENT LIABILITIES

Other than those incurred during the normal course of our Group's insurance business, there was neither outstanding litigation nor any other contingent liabilities as at 30 June 2022 and 31 December 2021.

INTERIM DIVIDEND

The Directors resolved not to declare any interim dividend in respect of the six months ended 30 June 2022.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by Directors of the Company. Save that the Company was unable or not in the position to seek confirmation from Mr. Chan Yat Wai (resigned on 9 January 2022), Mr. Dai Cheng Yan (resigned on 27 May 2022), Mr. Anthony Espina (deceased in early 2022), Ms. Lau Ka Yee (resigned on 7 January 2022), Mr. Leung Ho Ying (resigned on 7 January 2022), Mr. Lin Feng (resigned on 27 May 2022) and Mr. Muk Wang Lit Jimmy (resigned on 9 January 2022), the Directors confirmed that they had complied with the required standard as set out in the Model Code during the six months ended 30 June 2022.

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 2022.

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 2022, the Company was in compliance with the relevant code provisions set out in the CG Code except for the deviations as mentioned below.

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

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

CG Code provisions**Description of deviations**

Mandatory disclosure requirement E.(d)(i)

Following the resignation/passing away of certain Directors in the first half of 2022, the number of members of the audit committee of the Company fell below three.

As a remedial action, the Company appointed Mr. Chiam Tat Yiu and Mr. Yu Cho Tak as independent non-executive Directors with effect from 6 April 2022, and Dr. He Xiaobin as independent non-executive Director on 14 March 2023. By so doing, the number of members of the audit committee of the Company was increased to three.

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. Chiam Tat Yiu (as chairman), Dr. He Xiaobin and Mr. Yu Cho Tak. The Audit Committee has reviewed the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2022.

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

Hong Kong, 17 August 2023

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