



MACAU
INSURANCE COMPANY

澳門保險

C S M COMPANHIA DE SEGUROS DE MACAU S.A.

Annual Report

2022

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Group Structure as at 31 December 2022



大新金融集團有限公司
DahSingFinancialHoldingsLimited

74.4%



大新銀行集團有限公司
DahSingBankingGroupLimited

100%

100%



BCM bank
澳門商業銀行



MACAU
INSURANCE COMPANY
澳門保險
C.S.M. COMPANHIA DE SEGUROS DE MACAU S.A.

Key Management Personnel as at 31 December 2022

Ricky Lee	Chief Executive Officer
Vincent Chan	Deputy Chief Executive Officer

Departments

Bancassurance & Direct Business	Annie Tang, Manager
Broking Business	Irene Chong, Manager
Claims	Brian Lau, Senior Manager
Commercial Business	Adam Chao, Senior Manager
Compliance	Maggie Chon, Manager
Finance & Secretariat	Louis Chen, Manager
Information Technology	Shirley Chang, Manager
Risk, Investment & Management Information	Polly Mak, Manager

The business operation of Macau Insurance Company Limited recorded gross premium income of MOP252.9 million in 2022, reducing 15% year on year.

Notwithstanding ongoing pressure from the impact of COVID on the gaming sector and the local economy over the past year and growing cautiousness in clients' cost considerations, the Company has taken proactive measures in 2022 to ensure its operations remain stable amid evolving pandemic situations and control measures. With business performance benefiting from continued efforts to improve underwriting practices, operating profit and efficiency of the Company managed to remain in line with expectations.

Global investment markets has gone through a significant correction in 2022, which caused a considerable contraction in market values of the Company's investment holdings. As valuation losses of some marketable securities are recognized directly under shareholders' equity, the Company achieved profit after tax of MOP10.3 million.

Looking ahead to 2023, the Macau economy is expected to see improvements benefiting from relaxation of COVID-prevention policies. With the award of gaming concessions completed smoothly and COVID-related impact subsiding gradually, prospects of the Company and the local insurance sector would remain supported by factors including ongoing development of the gaming sector and launch of government infrastructure projects. The Company will continue to strengthen its cooperation with various distribution channels to promote products serving the insurance needs of customers and the local market in general, while focusing on the enhancement of operational efficiency and customer experience through various digital applications.



MACAU
INSURANCE COMPANY

澳門保險

CSM COMPANHIA DE SEGUROS DE MACAU S.A.

Summarized Accounts

2022

Revenue Accounts for 2022

DEBIT	Employees' Compensation	Fire	Motor Vehicle	Signboard Liability	Travel Agencies Liability	Medical Malpractice	Other Insurance	General Accounts	Subtotals	Totals
UNEXPIRED RISK RESERVE										
Unearned Premium Reserve										
on Direct Insurance	-	-	-	-	751.80	-	430,550.28		431,302.08	
on Reinsurance Accepted	-	-	29,380.74	-	-	-	11,805.00		41,185.74	472,487.82
COMMISSIONS										
on Direct Insurance	5,598,970.62	9,537,835.65	3,674,570.34	11,664.61	4,437.20	40,919.47	2,827,770.13		21,696,168.02	
on Reinsurance Accepted	446,363.92	1,275,596.19	81,925.40	-	-	-	273,839.50		2,077,725.01	23,773,893.03
CHARGES FOR REINSURANCE CEDED										
on Direct Insurance										
Premiums Ceded	1,931,688.30	121,319,626.98	1,724,938.30	4,671.20	7,300.00	541,579.10	38,396,538.68		163,926,342.56	
Reduction in Unearned Premium Reserve	-	593,139.38	-	819.50	-	12,188.67	13,453,055.43		14,059,202.98	
Reduction in Additional Unexpired Risk Reserve	-	-	-	-	-	-	-		5,605,000.00	
Reduction in Claims Reserve	884,663.34	24,016,805.57	652,969.90	-	-	99,000.00	26,825,661.91		52,479,100.72	
on Reinsurance Accepted										
Premiums Ceded	-	7,452,438.33	-	-	-	-	371,185.45		7,823,623.78	
Reduction in Unearned Premium Reserve	-	113.30	-	-	-	-	765,761.70		765,875.00	
Reduction in Claims Reserve	-	351,945.85	-	-	-	-	44,981.25		396,927.10	245,056,072.14
CLAIMS										
on Direct Insurance										
Paid	8,286,423.11	12,817,488.89	8,944,210.86	-	-	(1,452.00)	14,427,023.92		44,473,694.78	
Provision	24,800,235.26	14,636,084.05	26,704,563.02	-	-	-	67,782,956.28		133,923,838.61	
on Reinsurance Accepted										
Paid	1,625,599.40	399,664.09	1,021,179.23	-	-	-	13,134.28		3,059,577.00	
Provision	748,738.46	509,567.84	2,549,376.13	-	-	-	253,423.46		4,061,105.89	185,518,216.28
GENERAL EXPENSES										
								45,230,389.63	45,230,389.63	45,230,389.63
FINANCIAL COSTS										
								847,611.08	847,611.08	847,611.08
OTHER COSTS										
								4,455,527.12	4,455,527.12	4,455,527.12
AMORTIZATION AND DEPRECIATION										
Intangible Assets								265,630.00	265,630.00	
Tangible Assets								454,159.30	454,159.30	719,789.30
FINANCIAL PROVISIONS										
Provision for Premiums Due								322,196.40	322,196.40	322,196.40
OPERATING PROFITS FOR THE YEAR										
								15,506,243.45	15,506,243.45	15,506,243.45
TOTALS	44,322,682.41	192,910,306.12	45,383,113.92	17,155.31	12,489.00	692,235.24	165,877,687.27	67,081,756.98		521,902,426.25

CREDIT	Employees' Compensation	Fire	Motor Vehicle	Signboard Liability	Travel Agencies Liability	Medical Malpractice	Other Insurance	General Accounts	Subtotals	Totals
PREMIUMS										
from Direct Insurance	31,583,343.60	133,574,358.00	27,719,331.30	166,076.90	51,100.00	604,453.60	47,411,154.48		241,109,817.88	
from Reinsurance Accepted	2,879,448.10	6,814,297.03	1,657,718.90	-	-	-	472,313.10		11,823,777.13	252,933,595.01
INCOME FROM REINSURANCE CEDED										
from Direct Insurance										
Commissions (including Profit Sharing)	5,000.10	9,977,110.22	-	2,773.10	3,686.50	83,065.02	8,259,543.16		18,331,178.10	
Indemnification of Claims	884,663.34	11,786,633.85	(357,207.75)	-	-	(1,306.80)	9,918,097.53		22,230,880.17	
Reinsurers' Share in Unearned Premium Reserve	-	-	-	-	181.40	-	419,170.23		419,351.63	
Reinsurers' Share in Additional Unexpired Risk Reserve	-	-	-	-	-	-	-		153,000.00	
Reinsurers' Share in Claims Reserve	7,670,118.99	13,465,275.72	3,760,000.00	-	-	-	64,760,174.30		89,655,569.01	
from Reinsurance Accepted										
Commissions (including Profit Sharing)	-	3,552,413.34	-	-	-	-	518,105.47		4,070,518.81	
Indemnification of Claims	-	321,999.74	-	-	-	-	9,042.07		331,041.81	
Reinsurers' Share in Unearned Premium Reserve	-	982,512.41	-	-	-	-	30,401.29		1,012,913.70	
Reinsurers' Share in Claims Reserve	-	456,794.42	-	-	-	-	120,567.66		577,362.08	136,781,815.31
REDUCTION IN UNEXPIRED RISK RESERVE										
Reduction In Unearned Premium Reserve										
from Direct Insurance	243,852.94	871,634.37	600,863.35	6,218.75	-	12,723.30	13,536,907.55		15,272,200.26	
from Reinsurance Accepted	542,356.65	17,101.74	-	-	-	-	1,525,477.50		2,084,935.89	
Reduction In Additional Unexpired Risk Reserve										
from Direct Insurance	-	-	-	-	-	-	-		-	
from Reinsurance Accepted	-	-	-	-	-	-	-		-	17,357,136.15
REDUCTION IN CLAIMS RESERVE										
from Direct Insurance	17,691,208.68	26,566,958.60	19,836,791.53	-	-	110,000.00	32,048,033.53		96,252,992.34	
from Reinsurance Accepted	2,053,118.28	390,835.28	985,325.48	-	-	-	66,856.84		3,496,135.88	99,749,128.22
OTHER INCOME										
Financial Income								5,698,842.22	5,698,842.22	
Miscellaneous								9,121,126.84	9,121,126.84	14,819,969.06
REDUCTION IN FINANCIAL PROVISIONS										
Reduction in Provision for Bad and Doubtful Debt								23,756.00	23,756.00	
Reduction in Provision for Miscellaneous								237,026.50	237,026.50	260,782.50
TOTALS	63,553,110.68	208,777,924.72	54,202,822.81	175,068.75	54,967.90	808,935.12	179,095,844.71	15,080,751.66		521,902,426.25

Profit and Loss Account for 2022

DEBIT	Amounts	CREDIT	Amounts
Extraordinary Loss for the Year		Operating Profits	15,506,243.45
Loss on Tangible Assets	4,420,621.00		
Provision for Income Tax	808,123.00		
Profit After Taxation	10,277,499.45		
Total	15,506,243.45	Total	15,506,243.45

Balance Sheet as at 31 December 2022

ASSETS	Balances	Subtotals	Totals	LIABILITIES & EQUITY	Balances	Subtotals	Totals
INTANGIBLE ASSETS				LIABILITIES			
Other Intangible Assets	8,935,323.14			UNEXPIRED RISK RESERVE			
(Accumulated Amortisation)	(8,681,355.12)	253,968.02	253,968.02	Unearned Premium Reserve			
TANGIBLE ASSETS				on Direct Insurance	140,773,221.17		
Real Estate	107,505,049.00			on Reinsurance Accepted	3,288,208.58	144,061,429.75	144,061,429.75
Vehicles	512,612.00			CLAIMS RESERVE			
Furniture and Equipment	2,639,679.84			on Direct Insurance	326,940,252.43		
Office Equipment	986,719.02			on Reinsurance Accepted	10,566,917.39	337,507,169.82	337,507,169.82
Central Air Conditioning and Electrical System	1,575,357.11			GENERAL CREDITORS			
Computers	4,530,066.48			Associated Companies	10,708,709.45		
Air Conditioners and Heaters	115,926.50			Reinsurers	118,592,621.59		
Telecommunications Equipment	989,804.33			Coinsurers	68,779.87		
Others	6,572,081.17			Policyholders	638,352.90		
(Accumulated Depreciation)	(16,926,025.53)	108,501,269.92	108,501,269.92	Intermediaries	846,355.27		
FINANCIAL ASSETS				Government Entities	23,255,174.59		
Assets without Encumbrance				Others	16,181,229.60	170,291,223.27	170,291,223.27
Shares	437,769,554.64			COMMISSIONS PAYABLE	4,422,185.12	4,422,185.12	4,422,185.12
Bonds	8,041,878.96			ACCOUNTS PAYABLE AND ACCRUALS	14,985,573.99	14,985,573.99	14,985,573.99
Others	-	445,811,433.60		TOTAL LIABILITIES			671,267,581.95
Assets Guaranteeing Technical Reserve				EQUITY			
Time Deposits	-			CAPITAL			
Real Estate	33,184,951.00			Paid-up Capital	220,000,000.00	220,000,000.00	220,000,000.00
Shares	226,596,367.09			RESERVES			
Bonds	8,047,106.29			Legal Reserve	23,824,436.08		
Others	100,950,201.83	368,778,626.21	814,590,059.81	Free Reserve	713,290,495.44		
RENTAL DEPOSIT PAID IN ADVANCE AS TENANT	61,178.00			Revaluation Reserve	(2,878,353.58)	734,236,577.94	734,236,577.94
TENDER GUARANTEE DEPOSIT	193,801.70	254,979.70	254,979.70	PROFIT BEFORE TAXATION	11,085,622.45		
REINSURERS' SHARE IN UNEXPIRED RISK RESERVE				PROVISION FOR INCOME TAX	(808,123.00)	10,277,499.45	
on Direct Insurance	94,910,770.83			PROFIT AFTER TAXATION			10,277,499.45
on Reinsurance Accepted	1,364,312.70	96,275,083.53		TOTAL EQUITY			964,514,077.39
REINSURERS' SHARE IN CLAIMS RESERVE				TOTAL LIABILITIES & EQUITY			1,635,781,659.34
on Direct Insurance	247,908,779.28						
on Reinsurance Accepted	1,000,263.87	248,909,043.15	345,184,126.68				
GENERAL DEBTORS							
Reinsurers	3,958,410.89						
Coinsurers	153,817.95						
Policyholders	18,020.00						
Intermediaries	7,966.36						
Others	2,542,493.02	6,680,708.22					
ALLOWANCE FOR BAD AND DOUBTFUL DEBT	(907,579.00)	(907,579.00)	5,773,129.22				
PREMIUMS DUE	123,232,339.28						
(PROVISION FOR PREMIUMS DUE)	(1,826,621.60)	121,405,717.68	121,405,717.68				
ACCOUNTS RECEIVABLE AND ACCRUALS							
Accrued Interests	1,228,847.59						
Other Accounts Receivable and Accruals	20,129,031.92	21,357,879.51	21,357,879.51				
DEPOSITS WITH CREDIT INSTITUTIONS							
in Local Currency							
Demand Deposits	6,141,627.64						
Time Deposits	-	6,141,627.64					
in Foreign Currency							
Demand Deposits	14,338,690.94						
Time Deposits	197,941,959.41	212,280,650.35	218,422,277.99				
CASH	38,250.81	38,250.81	38,250.81				
TOTAL ASSETS			1,635,781,659.34				

Macau Insurance Company Limited (“the Company”) is domiciled in the Macau Special Administrative Region of the People’s Republic of China. Its principal accounting policies are as follows:

1. Basis of preparation

The summarised accounts have been prepared in accordance with the Macao Financial Reporting Standards issued by the Government of the Macao Special Administrative Region (“MFRS”) under the Dispatch of Secretary for Economy and Finance No. 44/2020 and the Macao Insurance Ordinance under Decree-Law No. 27/97/M, of 30 June amended by Law No. 21/2020 (the “Macao Insurance Ordinance”).

The summarised accounts are presented in Macau Patacas (“MOP”), which is the functional and presentation currency of the Company, unless otherwise stated. They are prepared on the historical cost basis, except for financial instruments described as fair value through profit or loss (“FVTPL”), fair value through other comprehensive income (“FVOCI”) and investment properties that are stated at fair value.

The preparation of summarised accounts requires the management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

As the accounting policies and summarised accounts presentation adopted by the Company are consistent with those specified by the MFRS, none of the standards included in the MFRS, including those effective for the first time for the year ended 31 December 2022, have a significant effect on the financial positions or results of the operations of the Company, presentation or disclosure impacts on the summarised accounts, except as set out below:

IFRS 7

IFRS 7 ‘Financial Instruments: Disclosures’ requires disclosure of information about the significance of financial instruments to an entity, and the nature and extent of risks arising from those financial instruments, both in qualitative and quantitative terms.

IFRS 10

IFRS 10 ‘Consolidated financial statements’ specifies the preparation of consolidated summarised accounts by an entity having control over others. These summarised accounts, pertaining solely to the financial position, result of operations, presentation and disclosure of the Company, do not constitute or include consolidated summarised accounts of the Company and its subsidiary, which have been prepared separately in accordance with MFRS.

The following relevant new and amended standards have been adopted for the first time for the financial year ended 31 December 2022 and have no material impact to the Company:

IAS 1 ‘Presentation of Financial Statements’
IAS 19 ‘Employee Benefits’
IFRS 4 ‘Insurance Contracts’
IFRS 9 ‘Financial Instruments’
IFRS 10 ‘Consolidated financial statements’
IFRS 13 ‘Fair value measurement’.
IFRS 15 ‘Revenue from Contracts with Customers’.

2. Insurance contracts

The Company conducts general insurance business under the laws of Macau and issues insurance contracts that transfer significant insurance risks. Such contracts may also transfer financial risk. As a general guideline, the Company defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% or more than the benefits payable if the insured event did not occur. The Company derives all gross premiums from general insurance contracts.

3. Recognition and measurement of insurance contracts

Gross premiums arising from general insurance business

Gross premiums in respect of general insurance business are accounted for in the period in which the business is written, which is generally the period in which the risk commences. Unearned premium reserves are made as stated below for the unexpired period of risk under each policy.

Unearned premium reserve

The provision for unearned premiums comprises the proportion of general insurance premiums written or ceded in a year that relate to the period of risk from 1 January of the following year to the expiry dates of the respective policies, calculated on a time-apportioned basis.

Deferred reinsurance commission income and deferred acquisition costs

Reinsurance commission income and acquisition costs, including agent commissions and attributable operating costs, for general insurance contracts are deferred and amortised over the terms of the policies as premium is earned.

Reinsurance

The Company enters into reinsurance arrangements in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Reinsurance arrangements do not relieve the Company from its direct obligations to policyholders. Premiums ceded and benefits reimbursed are presented in the revenue accounts and balance sheet on a gross basis.

The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

Amounts recoverable under reinsurance contracts are assessed for impairment at each balance sheet date (refer to Note 12). If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises the impairment loss in the revenue accounts. The Company decides whether a reinsurance receivable is impaired based on its age and relevant information on the financial health of the counterparty. If the Company deems a reinsurance receivable to be impaired a full and specific provision will be made against the balance in question.

Commission expenses

Commissions and other acquisition costs that vary with and are related to securing new contracts and renewing existing contracts are capitalised as deferred acquisition costs ("DAC"). All other costs are recognised as expenses when incurred. DAC are subsequently amortised over the terms of the policies as premium is earned.

Claims arising from general insurance business

Claims and loss adjustment expenses are charged to the revenue accounts as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the balance sheet date even if they have not yet been reported to the Company. The Company does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Company and statistical analyses for claims incurred but not reported, and estimates for the expected ultimate costs of more complex claims that may be affected by external factors (such as court decisions).

Unexpired risk reserve

Provision is made for the excess of the estimated value of claims and related expenses likely to arise after the balance sheet date from contracts concluded before that date over the unearned premiums (net of deferred acquisition costs) relating to those contracts.

Liabilities and related assets under liability adequacy test

The provision for insurance contracts is tested for adequacy by discounting current estimates of all future contractual cash flows and comparing this amount to the carrying value of the liability net of deferred acquisition costs and any related assets (i.e. the value of business acquired). Where a shortfall is identified, an additional provision is made and the Company recognises the deficiency in the revenue accounts.

4. Tangible assets

Tangible assets are stated at cost less accumulated depreciation and impairment losses (refer to Note 12).

Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the revenue accounts during the financial period in which they are incurred.

Depreciation is charged to the revenue accounts on a straight-line basis over the estimated useful lives of items of tangible assets. The applicable rates of depreciation adopted by the Company are as follows:

Computer equipment	20%
Motor vehicles	20%
Furniture and office equipment	20%
Leasehold property	5.71%
Leasehold improvements	20%-33.33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 12).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and recognised in the revenue accounts.

5. Intangible assets – computer software

Intangible assets are stated at cost less accumulated amortisation and impairment losses (refer to Note 12).

Amortisation is charged to the revenue accounts on a straight-line basis over the estimated useful lives of intangible assets. The applicable rate of amortisation adopted by the Company is as follows:

Computer software	33.33%
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Costs that are directly associated with the acquisition or development of identifiable and unique software products controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Development costs of such intangible assets include employee costs incurred as a result of developing the software and an appropriate portion of relevant overheads. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

6. Insurance and other receivables

Insurance and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses (refer to Note 12).

7. Financial assets

Classification

Financial assets are classified into the following measurement categories:

- those to be measured at fair value (either through profit or loss or through other comprehensive income ("OCI")); and
- those to be measured at amortised cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Company reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change.

7. Financial assets (continued)

Recognition and derecognition

Purchases and sales of financial assets are recognised on the trade date, which is when the Company commits to purchase or sell the assets. Financial assets are derecognised when contractual rights to receive cash flows from the financial assets have expired or have been transferred substantially all the risks and rewards of ownership.

Initial measurement

Financial assets are initially measured at fair value plus, in the case of financial assets not at FVTPL, transaction costs that are directly attributable to their acquisition. Transaction costs of financial assets carried at FVTPL are expensed in the revenue accounts.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement

(i) Debt instruments

Debt instruments are subsequently measured in accordance with the Company's business model for managing the asset and the cash flow characteristics of the asset. The business model reflects how the Company manages the debt instruments in order to generate cash flows. That is, whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of "other" business model and measured at FVTPL.

Factors considered by the Company in determining the business model for a group of debt instruments include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Debt instruments held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of debt instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Such debt instruments are classified in the "other" business model and measured at FVTPL.

Where the business model is to hold debt instruments to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the debt instruments' cash flows represent solely payments of principal and interest (the "SPPI test"). In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement (i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement). Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

There are three measurement categories into which the Company classifies its debt instruments:

Amortised cost: Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated as FVTPL, are measured at amortised cost. Interest income from these financial assets is recognised in the revenue accounts using the effective interest rate method. Gains or losses arising on derecognition, foreign exchange gains and losses, and impairment losses or reversals thereon as described in Note 12 are also recognised in the revenue accounts.

FVOCI: Debt instruments that are held for collection of contractual cash flows or for sale, where the instruments' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amounts of such instruments are recognised through OCI, while the related interest income, foreign exchange gains and losses, and impairment losses or reversals thereon are recognised in the revenue accounts. Interest income from these debt instruments is recognised in the revenue accounts using the effective interest rate method. When the debt instrument is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the revenue accounts.

FVTPL: Debt instruments that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. Derivatives are also categorised as FVTPL. A gain or loss on a debt instrument that is subsequently measured at FVTPL is recognised in the revenue accounts in the period in which it arises.

7. Financial assets (continued)

Subsequent measurement (continued)

(ii) Equity instruments

Equity instruments are subsequently measured at fair value. Where the Company's management has elected to present fair value gains and losses on equity securities in OCI, there is no subsequent reclassification of fair value gains and losses to the revenue accounts following the derecognition of the investment. Dividends from such investments are recognised in the revenue accounts when the Company's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in the revenue accounts. Impairment losses on equity securities measured at FVOCI or reversals thereon are not reported separately from other changes in fair value. On disposal of these equity investments, any related balance within the FVOCI reserve is reclassified to retained earnings.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. If the fair value of financial instruments that are not traded in an active market, the Company establishes fair values by using valuation techniques. These include the use of recent arm's length market transactions, references to valuations provided by custodians, prices quoted by independent financial information agencies or another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

8. Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in "net investment income".

9. Foreign currencies

Functional and presentation currency

Items included in the summarised accounts are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The summarised accounts are presented in Macau Patacas ("MOP"), which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into MOP using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the revenue accounts.

10. Investment in subsidiary

Investment in subsidiary is carried in the balance sheet of the Company at cost less any provision for impairment (refer to Note 12). Dividends and distributions are recognised in the Company's revenue accounts when they are proposed by the subsidiary.

11. Investment properties

Investment properties are properties held by the Company to earn rental income. They are stated in the balance sheet at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in the revenue accounts. Rental income from investment properties is accounted for as described in Note 15.

12. Impairment

(i) Impairment of financial assets

The Company adopts a "three-stage" model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in "Stage 1" and has its credit risk continuously monitored by the Company.

12. Impairment (continued)

(i) Impairment of financial assets (continued)

- If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to “Stage 2” but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to “Stage 3”.
- Financial instruments in Stage 1 have their expected credit losses (“ECL”) measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- In measuring ECL, the Company considers forward-looking information.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

The Company recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Company applies a simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables. To measure the ECL, trade receivables has been grouped based on shared credit risk characteristics and the days past due.

Financial assets are reviewed at each balance sheet date to determine whether any impairment exists or is expected. If in a subsequent period the assessed amount of an impairment loss decreases, the impairment loss is reversed through profit or loss. The reversal of an impairment loss shall not result in the asset’s carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

- Tangible assets (other than properties carried at revalue amounts);
- Intangible assets;
- Deferred acquisition costs; and
- Investment in a subsidiary.

If any such indication exists, the asset’s recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in the revenue accounts whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

12. Impairment (continued)

(ii) Impairment of other assets (continued)

– Reversal of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. The reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the revenue accounts in the year in which the reversals are recognised.

13. Accounts payable and accruals

Accounts payable and accruals are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

14. Taxation

Taxation expense is the expected tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. Tax is recognised in the revenue accounts, except to the extent that it relates to items recognised directly in other comprehensive income or in equity. In such case, the tax is recognised in other comprehensive income or in equity within the corresponding item.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences arising between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

15. Revenue

Provided it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably, revenue is recognised in the revenue accounts as follows:

(i) Premium income

The accounting policy in relation to revenue from insurance contracts is disclosed in Note 3.

(ii) Interest income and dividend income

Interest income from bank deposits and from dated debt securities intended to be held to maturity is recognised as it accrues using the effective interest method. Dividend income from listed investments is recognised when the share price goes ex-dividend and dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(iii) Fees and commission income

Annual management charges, surrender charges and policy administration charges are recognised when the services are performed.

Commissions receivable from reinsurers are recognised on a basis that is consistent with the recognition of the costs incurred on the acquisition of the underlying insurance contracts. Other commissions received or receivable which do not require the Company to render further service are recognised as revenue by the Company on the effective commencement or renewal dates of the related policies. When it is probable that the Company will be required to render further services during the life of the policy, the commission, or a part thereof, is deferred and recognised as revenue over the year during which the services are provided. Profit commission for treaty reinsurance contracts are recognised as income when credit note is received from reinsurers.

(iv) Rental income

Rental income from investment property is recognised in the revenue accounts on a straight-line basis over the term of the lease.

16. Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) including upfront payment made for leasehold land and land use rights, are charged to the revenue accounts on a straight-line basis over the period of the lease.

17. Employee benefits

- (i) Salaries, annual bonuses, paid annual leaves, and the cost to the Company of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Company.
- (ii) Obligation for contributions to defined contribution pension plans are recognised as an expense as incurred. The Company has no legal or constructive obligations to pay further contributions if the related fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

18. Dividends

Dividends to shareholders are recognised in the Company's summarised accounts in the period in which they are approved by the Company's shareholders.

19. Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as deduction from the proceeds, net of tax.