

Macau Insurance Company Limited

澳門保險股份有限公司

(Incorporated in Macau with limited liability)

Financial Statements

For the year ended 31 December 2021

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF MACAO INSURANCE COMPANY LIMITED**
(incorporated in Macao with limited liability)

Report on the financial statements

We have audited the financial statements of Macao Insurance Company Limited set out on pages 3 to 29, which comprise the statement of financial position as at 31 December 2021, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and explanatory notes.

Management's responsibility for the financial statements

The management is responsible for the preparation and the true and fair presentation of the financial statements in accordance with Financial Reporting Standards issued by the Government of the Macao Special Administrative Region 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"). This responsibility includes designing, implementing and maintaining appropriate internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable; and keeping proper and accurate accounting records.

In addition, the management has responsibilities to apply the Company's assets guaranteeing the technical reserves in accordance with Articles 56 to 67 of the Macao Insurance Ordinance.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on the audit work we have performed and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. In addition, we are required to report whether proper accounting records have been maintained in accordance with Article 88(2) of the Macao Insurance Ordinance; whether we are aware of non-compliance by the Company with the requirements of Articles 56 to 67 of the Macao Insurance Ordinance regarding the Company's assets guaranteeing the technical reserves; and whether the Company has provided us with all the necessary information and explanations required for the purpose of the audit.

We conducted the audit in accordance with General Auditing Standards issued by the Government of the Macao Special Administrative Region. Those standards require that the auditor complies with relevant ethical requirements and plans and performs the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.



羅兵咸永道

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF MACAU INSURANCE COMPANY LIMITED
(Continued)**

(incorporated in Macao with limited liability)

Auditor's responsibility (Continued)

An audit includes performing appropriate audit procedures to obtain audit evidence supporting the amounts and disclosures in the financial statements. The procedures are selected according to the auditor's professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit opinion

In our opinion, the financial statements give a true and fair view, in all material respects, of the financial position of Macau Insurance Company Limited as at 31 December 2021 and of its operating results and cash flows for the year then ended in accordance with Financial Reporting Standards issued by the Government of the Macao Special Administrative Region and have been properly prepared in accordance with the Macao Insurance Ordinance. The accounting policies used in the preparation of the financial statements for the year ended 31 December 2021 are consistent with those used in the preceding year.

Report on other matters under Article 88(2) of the Macao Insurance Ordinance

In our opinion, the Company has maintained proper accounting records in respect of the year ended 31 December 2021.

In respect of the year ended 31 December 2021, we are not aware of non-compliance by the Company with the requirements of Articles 56 to 67 of the Macao Insurance Ordinance regarding the Company's assets guaranteeing the technical reserves.

The Company has provided us with all the necessary information and explanations required for the purpose of the audit.

Ng Wai Ying
Certified Public Accountant
PricewaterhouseCoopers

Macao, 23 February 2022

Statement of comprehensive income for the year ended 31 December 2021

(Expressed in Macau Patacas)

	Note	2021	2020
Gross premiums written	4	298,121,881	332,333,233
Change in gross provision for unearned premiums	19(b)	4,829,706	2,577,819
Gross insurance premium revenue		302,951,587	334,911,052
Written premiums ceded to reinsurers		(208,639,961)	(210,206,127)
Reinsurers' share of change in provision for unearned premiums	19(b)	5,858,984	7,323,452
Ceded insurance premium revenue		(202,780,977)	(202,882,675)
Net insurance premium revenue		100,170,610	132,028,377
Commission earned from reinsurers		20,535,865	22,550,946
Net investment income	5	24,566,637	20,998,081
Other income	6	9,828,202	5,145,772
Total income		155,101,314	180,723,176
Insurance claims and loss adjustment expenses	7	(24,665,686)	(202,195,866)
Insurance claims and loss adjustment expenses recoverable from reinsurers	7	(7,953,466)	164,785,152
Net insurance claims and loss adjustment expenses	7	(32,619,152)	(37,410,714)
Commission incurred		(24,902,391)	(28,597,170)
Depreciation and amortisation expenses		(2,562,169)	(2,268,103)
Administrative expenses	8	(53,751,216)	(54,885,989)
Increase of impairment allowances		(15,690)	(391,193)
Operating expenses		(81,231,466)	(86,142,455)
Profit before income tax		41,250,696	57,170,007
Income tax expense	9(a)	(4,145,519)	(6,030,823)
Net profit		37,105,177	51,139,184

Statement of comprehensive income for the year ended 31 December 2021 (Continued)

(Expressed in Macau Patacas)

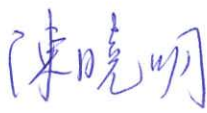
	Note	2021	2020
Net profit		<u>37,105,177</u>	<u>51,139,184</u>
Changes in fair value of equity investments at fair value through other comprehensive income		88,031,437	102,953,099
Income tax related to the above	9(a)	<u>(10,563,773)</u>	<u>(12,354,371)</u>
Other comprehensive income, net of tax		<u>77,467,664</u>	<u>90,598,728</u>
Total comprehensive income		<u>114,572,841</u>	<u>141,737,912</u>

Approved and authorised for issue by the Board of Directors on 23 February 2022

Signing on behalf of the Board and certifying the correspondence of these financial statements to those approved by the Board and signed by all directors:



Lee Kai Tai
Director / Chief Executive Officer



Chan Io Meng
Director / Deputy Chief Executive Officer
Chief Financial and Operating Officer

Statement of financial position as at 31 December 2021

(Expressed in Macau Patacas)

	Note	2021	2020
Assets			
<u>Non-current assets</u>			
Property, plant and equipment	10	1,233,486	32,663,967
Intangible assets	11	519,598	410,314
Investment properties	12, 18	145,110,000	114,740,000
Investment in a subsidiary	22	47,928,000	39,940,000
Investments	13, 18	24,063,373	53,844,974
Premiums receivable	15	7,292,698	1,970,760
Reinsurers' share of insurance contracts provision	19(a)	20,772,568	8,603,062
Deferred acquisition costs	16	911,474	978,048
		<u>247,831,197</u>	<u>253,151,125</u>
<u>Current assets</u>			
Investments	13, 18	855,699,997	764,912,095
Derivative financial instruments	14	1,624,475	389,261
Premiums receivable	15	64,019,347	48,236,812
Amount due from a subsidiary		-	680,996
Amount due from reinsurance companies		10,572,698	26,528,369
Reinsurers' share of insurance contracts provision	19(a)	305,899,469	374,305,498
Deferred acquisition costs	16	20,033,290	20,738,009
Sundry debtors		3,314,949	19,947,024
Cash and bank balances	17, 18	175,271,982	135,686,827
		<u>1,436,436,207</u>	<u>1,391,424,891</u>
Total assets		<u><u>1,684,267,404</u></u>	<u><u>1,644,576,016</u></u>
Equity			
<u>Capital and reserves attributable to owners of the Company</u>			
Share capital	20	220,000,000	220,000,000
Reserves	21	847,005,805	732,432,964
Total equity		<u><u>1,067,005,805</u></u>	<u><u>952,432,964</u></u>
Liabilities			
<u>Non-current liabilities</u>			
Deferred tax liability	9(b)	35,851,683	29,268,857
Deferred reinsurance commission income	16	1,741,971	1,077,733
Unearned premiums reserve	19(a)	20,961,325	10,401,597
		<u>58,554,979</u>	<u>40,748,187</u>

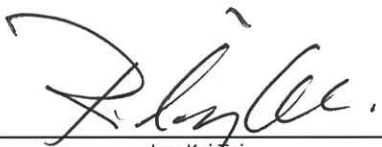
Statement of financial position as at 31 December 2021 (Continued)

(Expressed in Macau Patacas)

	Note	2021	2020
Current liabilities			
Deferred reinsurance commission income	16	8,273,029	9,254,495
Accounts payable and accruals		22,658,418	24,852,289
Amount due to a subsidiary		26	-
Amount due to fellow subsidiaries		8,684,767	2,294,759
Amount due to holding companies		506,068	506,068
Amount due to reinsurance companies		70,895,751	78,757,878
Outstanding claims	19(a)	299,215,760	366,226,729
Unexpired risk reserve	19(a)	-	2,482,000
Unearned premiums reserve	19(a)	139,984,754	155,374,188
Tax payable	9(c)	8,488,047	11,646,459
		<u>558,706,620</u>	<u>651,394,865</u>
Total liabilities		<u>617,261,599</u>	<u>692,143,052</u>
Total equity and liabilities		<u>1,684,267,404</u>	<u>1,644,576,016</u>

Approved and authorised for issue by the Board of Directors on 23 February 2022

Signing on behalf of the Board and certifying the correspondence of these financial statements to those approved by the Board and signed by all directors:



Lee Kai Fai
Director / Chief Executive Officer



Chan Io Meng
Director / Deputy Chief Executive Officer
Chief Financial and Operating Officer

Statement of changes in equity for the year ended 31 December 2021

(Expressed in Macau Patacas)

	Attributable to equity holders of the Company				Total
	Share capital	Legal reserve	Asset revaluation reserve	Retained earnings	
	(Note 20)	(Note 21)	(Note 21)	(Note 21)	
At 1 January 2020	220,000,000	15,000,000	56,791,539	518,903,513	810,695,052
Profit for the year	-	-	-	51,139,184	51,139,184
Other comprehensive income	-	-	90,598,728	-	90,598,728
Reclassification of change in fair value of investments at FVOCI upon derecognition	-	-	(33,821,601)	33,821,601	-
At 31 December 2020	220,000,000	15,000,000	113,568,666	603,864,298	952,432,964
Transfer	-	5,113,918	-	(5,113,918)	-
Profit for the year	-	-	-	37,105,177	37,105,177
Other comprehensive income	-	-	77,467,664	-	77,467,664
Reclassification of change in fair value of investments at FVOCI upon derecognition	-	-	(29,730,409)	29,730,409	-
At 31 December 2021	220,000,000	20,113,918	161,305,921	665,585,966	1,067,005,805

Cash flow statement for the year ended 31 December 2021

(Expressed in Macau Patacas)

	Note	2021	2020
Cash flows from operating activities			
Profit before taxation		41,250,696	57,170,007
Adjusted for:			
Unrealised (gain) / loss on revaluation of financial assets at FVTPL	5	(7,640,469)	6,742,143
Unrealised (gain) / loss on revaluation of derivative financial instruments	5	(367,011)	507,882
Unrealised foreign exchange loss / (gain) on financial assets	5	417,936	(5,574,348)
Realised (gain) / loss on disposal of financial assets at FVTPL	5	(2,826,344)	3,641,963
Realised loss / (gain) on disposal of derivative financial instruments	5	9,746,054	(6,730,402)
Dividend income	5	(22,600,160)	(16,541,745)
Interest income	5	(2,160,679)	(2,955,967)
Amortisation of interest on debt instruments at amortised costs	5	(67,867)	(85,137)
Rental income	6	(3,988,290)	(4,054,250)
(Decrease) / increase in provision for expected credit losses		(109,950)	398,673
Depreciation and amortisation expense	10, 11	2,562,169	2,268,102
Fair value (gain) / loss on investment properties	6, 12	(610,000)	3,940,000
Operating profit before working capital changes		13,606,085	38,726,921
Decrease in unearned premiums reserve	19(b)	(4,829,706)	(2,577,819)
(Decrease) / increase in unexpired risk reserve	19(b)	(2,482,000)	2,482,000
Decrease in outstanding claims	19(b)	(67,010,969)	(15,140,076)
Decrease in deferred acquisition costs	16	771,293	683,902
Increase in reinsurance unearned premiums reserve	19(b)	(5,858,984)	(7,323,452)
Decrease / (increase) in reinsurance unexpired risk reserve	19(b)	3,539,000	(2,354,000)
Decrease in reinsurance outstanding claims	19(b)	58,556,507	6,009,186
Decrease in deferred reinsurance commission income	16	(317,228)	(672,233)
(Increase) / decrease in premiums receivable		(20,928,157)	21,250,071
Decrease in sundry debtors excluding interest receivable		14,639,034	1,448,203
Net movement in balances with fellow subsidiaries		6,372,297	(994,777)
Net movement in balances with a subsidiary		681,022	(393,908)
(Decrease) / increase in accounts payable and accruals		(2,193,871)	679,419
Increase / (decrease) in amounts due to reinsurance companies		8,093,544	(575,886)
Cash generated from operations		2,637,867	41,247,551
Income tax paid	9(c)	(11,284,878)	(4,049,294)
Net cash (used in) / generated from operating activities		(8,647,011)	37,198,257

Cash flow statement for the year ended 31 December 2021 (Continued)

(Expressed in Macau Patacas)

	Note	2021	2020
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(624,069)	(309,540)
Acquisition of intangible assets	11	(376,903)	(419,991)
Purchase of financial assets at FVTPL		-	(78,976,621)
Purchase of financial assets at FVOCI		(271,266,745)	(307,547,296)
Redemption of financial assets at amortised costs		7,975,000	30,254,500
Sales and redemption of financial assets at FVTPL		31,021,801	42,855,151
Sales and redemption of financial assets at FVOCI		268,484,501	227,033,381
Realised (loss) / gain on derivative financial instruments		(9,746,054)	6,730,402
Dividends received		22,575,131	16,826,149
Interest received		2,247,296	3,332,268
Rentals received		3,986,260	4,054,250
Increase in investment in subsidiary		(7,988,000)	-
Decrease / (increase) in trading margins on derivative financial instruments		2,042,594	(1,542,701)
Decrease in time deposits	17	5,430,042	14,707,390
(Increase) / decrease in pledged deposits	17	(26,469,538)	7,754,239
Net cash generated from / (used in) investing activities		27,291,316	(35,248,419)
Net increase in cash and cash equivalents		18,644,305	1,949,838
Cash and cash equivalents at the beginning of the year	17	100,116,812	98,166,974
Cash and cash equivalents at the end of the year	17	118,761,117	100,116,812

Notes to the financial statements

(Expressed in Macau Patacas)

1 General information

Macau Insurance Company Limited (the "Company" or "MIC") is a company domiciled in the Macau Special Administrative Region of the People's Republic of China and has its registered office and principal place of business at 11 Floor, BCM Building, 594 Avenida da Praia Grande, Macau. The Company is engaged in general insurance business.

These financial statements have been approved for issue by the Board of Directors on 23 February 2022 and one original has been signed by all directors. By a written resolution adopted by all members of the Board, it was resolved that any one director is authorised to sign on behalf of the Board other sets of financial statements for filing and submission purpose and to certify that such financial statements correspond to those approved by the Board and signed by all directors.

2 Principal accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements of the Company have been prepared in accordance with the Financial Reporting Standards issued by the Government of Macao Special Administrative Region under Administrative Regulation No. 25/2005 on 9 December 2005 ("MFRS") and the Macao Insurance Ordinance under Decree-Law No. 27/97/M, of 30 June (the "Pre-amended Macao Insurance Ordinance") amended by Law No. 21/2020 (the "Macao Insurance Ordinance"). MFRS requires the following International Financial Reporting Standard ("IFRS") issued by the International Accounting Standards Board (IASB) and International Accounting Standards ("IAS") issued by its predecessor International Accounting Standards Committee ("IASC") be applied in the preparation of financial statements:

IFRS 1:	First-time adoption of IFRS
IAS 1:	Presentation of Financial Statements
IAS 2:	Inventories
IAS 7:	Cash flow statements
IAS 8:	Accounting policies, changes in accounting estimates and errors
IAS 10:	Events after the balance sheet date
IAS 11:	Construction contracts
IAS 12:	Income taxes
IAS 16:	Property, plant and equipment
IAS 17:	Leases
IAS 18:	Revenue
IAS 21:	The effects of changes in foreign exchange rates
IAS 23:	Borrowing costs
IAS 36:	Impairment of assets
IAS 37:	Provisions, contingent liabilities and contingent assets
IAS 38:	Intangible assets

The financial statements 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 financial statements 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. Judgements made by the management in the application of accounting principles that have significant effect on the financial statements and estimates with a significant risk arising from material judgements on future years are discussed in Note 3.

2 Principal accounting policies (continued)

(a) Basis of preparation (continued)

New standards and interpretations not yet adopted

Effective from 28 March 2020, Financial Reporting Standards issued by the Government of Macau under Administrative Regulation No. 25/2005 on 9 December 2005 ("MFRS") were replaced by Financial Reporting Standards issued by the Directive of Secretaria para a Economia e Finanças No. 44/2020 on 17 March 2020 ("New MFRS"). The New MFRS is mandatory for adoption from the annual period beginning 1 January 2022. The Company has not early adopted the New MFRS in preparing the financial statements, except early adopted IFRS 9 in 2019.

None of the standards included in the New MFRS is expected to have a significant effect on the financial statements of the Company except as set out below:

IAS 1 in the New MFRS

IAS 1, 'Presentation of Financial Statements' in the New MFRS requires to present all non-owner changes in equity either in one statement of comprehensive income or in two statements. The standard also requires the presentation of a statement of financial position (balance sheet) as at the beginning of the earliest comparative period in a complete set of financial statements when the entity applies an accounting policy retrospectively or makes a retrospective restatement. These impact presentation aspects.

IAS 19

IAS 19, 'Employee Benefits' prescribes the accounting and disclosure for employee benefits. The standard requires that the cost of providing employee benefits should be recognised in the period in which the benefit is earned by the employee, rather than when it is paid or payable.

IAS 28

IAS 28, 'Investments in Associates and Joint Ventures' requires the investments in associates as well as joint ventures to be initially recognised at cost and subsequently adjusted to reflect the investor's share of the net assets of the investments.

IFRS 3

IFRS 3, 'Business combinations' applies the acquisition method to business combinations. The standard requires that all payments to purchase a business to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. All acquisition-related costs should be expensed. The Company will apply IFRS 3 (revised) prospectively to all business combinations from 1 January 2022.

IFRS 10

IFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. Upon adoption of IFRS 10, the Company would need to perform consolidation for entities that it controls.

Key financial information on a subsidiary which the Company controls is currently presented in Note 22.

IFRS 13

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The Company is yet to assess the full impact of IFRS 13.

IFRS 15

IFRS 15, 'Revenue from contracts with customers' will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management is currently assessing the effects of applying the new standard on the company's financial statements and has identified the following areas that are likely to be affected:

Revenue from service

The application of IFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue;

2 Principal accounting policies (continued)

(a) Basis of preparation (continued)

New standards and interpretations not yet adopted (continued)

Accounting for certain costs incurred in fulfilling a contract

Certain costs which are currently expensed may need to be recognised as an asset under IFRS 15; and

Rights of return

IFRS 15 requires separate presentation on the balance sheet of the right to recover goods from the customer and the obligation for refund.

The Company is yet to assess the full impact of the above standards and intends to adopt the New MFRS no later than the accounting period beginning on or after 1 January 2022.

(b) Insurance contracts

The Company conducts general insurance business under the laws of Macau. The Company issues insurance contracts that transfer significant insurance risks. The Company derives all gross premiums from general insurance contracts.

(c) 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 statement of comprehensive income and balance sheet on a gross basis.

Amounts recoverable under reinsurance contracts are assessed for impairment at each balance sheet date (Note 2(m)).

Claims arising from general insurance business

Claims and loss adjustment expenses are charged to income 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 profit or loss.

2 Principal accounting policies (continued)

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (Note 2(m)).

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 profit or loss during the financial period in which they are incurred.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of items of property, plant and equipment. 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 2(m)).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and recognised in profit or loss.

(e) Intangible assets – computer software

Intangible assets are stated at cost less accumulated amortisation and impairment losses (Note 2(m)).

Amortisation is charged to profit or loss 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.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and highly liquid investments that are within three months of maturity at the time of acquisition, which are readily convertible into known amounts of cash and therefore subject to insignificant risk from changes in value.

(g) Insurance and other receivables

Insurance and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses (Note 2(m)).

(h) 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.

2 Principal accounting policies (continued)

(h) Financial assets (continued)

Classification (continued)

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.

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 profit or loss.

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 profit or loss 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 2 (l) (i) are also recognised in profit or loss.

2 Principal accounting policies (continued)

(h) Financial assets (continued)

Subsequent measurement (continued)

(i) Debt instruments (continued)

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 profit or loss. Interest income from these debt instruments is recognised in profit or loss 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 profit or loss.

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 profit or loss in the period in which it arises.

(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 profit or loss following the derecognition of the investment. Dividends from such investments are recognised in profit or loss when the Company's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in profit or loss. 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.

(i) 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".

(j) Foreign currencies

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The financial statements 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 profit or loss.

(k) Subsidiary

Investment in a subsidiary is carried in the balance sheet of the Company at cost less any provision for impairment (Note 2(m)). Dividends and distributions are recognised in profit or loss when they are proposed by the subsidiary. The details of the Company's subsidiary are set out in Note 22.

2 Principal accounting policies (continued)

(l) Investment properties

Investment properties are held for long-term rental yields and are not occupied by the Company. 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 profit or loss. Rental income from investment properties is accounted for as described in Note 2(p).

If an investment property becomes owner-occupied, it is reclassified as an item of property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an owner-occupied property becomes an investment property that will be carried at fair value, the Company shall apply IAS 16 for owned property up to the date of change in use. The Company treats the difference at that date between the carrying amount of the property and its fair value as a revaluation gain or loss that is recognised in other income.

(m) 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.
- 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.

2 Principal accounting policies (continued)

(m) Impairment (continued)

(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:

- Property, plant and equipment (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 profit or loss 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.

- 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 periods. Reversals of impairment losses are credited to profit or loss in the period in which the reversals are recognised.

(n) 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.

(o) 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 profit or loss, 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.

2 Principal accounting policies (continued)

(p) 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 profit or loss as follows:

(i) Premium income

The accounting policy in relation to revenue from insurance contracts is disclosed in Note 2(c).

(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 profit or loss on a straight-line basis over the term of the lease.

(q) 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 profit or loss on a straight-line basis over the period of the lease.

(r) 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.

(s) Related parties

For the purposes of these financial statements, a party is considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals (i.e. key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Company where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Company or of any entity that is a related party of the Company.

(t) Dividends

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

2 Principal accounting policies (continued)

(u) 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.

3 Critical accounting estimates and judgments in applying accounting policies

Critical accounting judgements in selecting and applying the Company's accounting policies are described below:

Liabilities arising from claims made under insurance contracts

The Company's estimates for reported and unreported losses and the resulting provisions and related reinsurance recoverables are continually reviewed and updated, and adjustments resulting from this review are reflected in profit or loss. This process relies upon the basic assumption that past experience, adjusted for the effect of current developments and likely trends, is an appropriate basis for predicting future events.

Assets arising from reinsurance contracts

Reinsurance recoverable include balances due to the Company from reinsurance companies for paid and unpaid losses and loss expenses based on contracts in force, net of uncollectible reinsurance which is determined based upon a review of the financial condition of the reinsurers and other factors.

The recognition of reinsurance recoverable requires two key judgements. The first involves the estimation of gross loss from claims incurred but not reported ("IBNR") to be ceded to reinsurers. Ceded IBNR is developed as part of the loss reserving process and consequently, its estimation is subject to similar risks and uncertainties as the estimation for gross IBNR. The second judgement involves the estimation of the amount of the reinsurance balance that ultimately will not be recovered from reinsurers due to insolvency, contractual dispute, or other reasons.

Fair value of financial assets

In the normal course of business, the Company may invest in certain short to medium term investment grade bonds and investment funds. Such investments may be classified in the financial statements under the FVTPL and FVOCI categories. As these instruments are traded over-the-counter and there is no active secondary market for them, the management has assessed their fair values with reference to prices quoted by independent financial information agencies as well as valuations received from custodians.

4 Gross premium written

Gross premiums written are stated before reinsurance and net of discounts granted to policyholders.

5 Net investment income

	2021	2020
Interest income	2,160,679	2,955,967
Amortisation of interest on financial assets measured at amortised costs	67,867	85,137
Dividend income	22,600,160	16,541,745
Unrealised gain / (loss) on revaluation of financial assets at FVTPL	7,640,469	(6,742,143)
Unrealised gain / (loss) on revaluation of derivative financial instruments	367,011	(507,882)
Realised gain / (loss) on disposal of financial assets at FVTPL	2,826,344	(3,641,963)
Realised (loss) / gain on disposal of derivative financial instruments	(9,746,054)	6,730,402
Exchange (loss) / gain	(1,349,839)	5,576,818
	<u>24,566,637</u>	<u>20,998,081</u>

6 Other income

	2021	2020
Rental income	3,988,290	4,054,250
Management service fee income	4,557,167	4,200,000
Fair value gain / (loss) on revaluation of investment properties	610,000	(3,940,000)
Others	672,745	831,522
	<u>9,828,202</u>	<u>5,145,772</u>

7 Net insurance claims and loss adjustment expenses

	2021	2020
Current year claims and loss adjustment expenses	129,279,135	281,058,548
Reversal of prior year claims and loss adjustment expenses	(104,613,449)	(78,862,682)
Insurance claims and loss adjustment expenses	24,665,686	202,195,866
Insurance claims and loss recoverable from reinsurers	7,953,466	(164,785,152)
	<u>32,619,152</u>	<u>37,410,714</u>

8 Administrative expenses

	2021	2020
Wages and salaries	22,158,563	22,337,297
Contributions to defined contribution plan	1,395,748	1,492,824
Other staff related expenses	5,168,914	4,959,041
Directors' emoluments	5,132,004	4,904,256
Rental, repairs and utilities	3,734,093	3,698,981
Acquisition costs	2,745,838	10,178,939
Auditor's remuneration	276,000	254,800
Professional fees and support charges	9,587,828	4,123,759
Other expenses	3,552,228	2,936,092
	<u>53,751,216</u>	<u>54,885,989</u>

9 Taxation

(a) Income tax expense

Income tax expense comprises Macau Complementary Tax. Macau Complementary Tax is levied at progressive rates ranging from 3% to 9% on the taxable income above MOP32,000 but below MOP300,000, and thereafter at a fixed rate at 12%.

For the years 2021 and 2020, a special tax incentive is provided to the effect that the tax free income threshold is increased from MOP32,000 to MOP600,000 and the profit thereafter being taxed at a fixed rate of 12%.

In respect of 2020, the Macau SAR Government has granted a further concession in the form of MOP300,000 deductible against Complementary Tax (Law No.3/2021 Article 23.2 published on 4 May 2021) with retrospective effect from 1 January 2021. The amount has been captured in the financial statements of 2021.

At the time when the financial statements were prepared, the amounts of taxation on the Company's profits before tax differ from the theoretical amounts that would arise using the Macau Complementary Tax rate applicable to profits of the Company as follows:

	2021	2020
Profit before taxation	<u>41,250,696</u>	<u>57,170,007</u>
Tax calculated at 12%	4,950,084	6,860,401
Effect of progressive tax rate before 12%	(17,260)	(17,260)
Special tax incentive	(54,740)	(54,740)
Effect of income not subject to tax	(478,595)	(486,510)
Effect of expenses not deductible for tax purposes	46,030	28,932
Additional special complementary tax incentive for previous year	(300,000)	(300,000)
Income tax expense on profit or loss items	<u>4,145,519</u>	<u>6,030,823</u>
Tax effect of change in fair value of investments at FVOCI	10,563,773	12,354,371
Income tax expense on total comprehensive income	<u>14,709,292</u>	<u>18,385,194</u>
Representing:		
Current tax expense	8,126,466	11,265,419
Deferred tax expense	<u>6,582,826</u>	<u>7,119,775</u>
	<u>14,709,292</u>	<u>18,385,194</u>

9 Taxation (continued)

(b) Deferred tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	2021	2020
Deferred tax liabilities		
- to be settled after more than 12 months	(35,851,683)	(29,268,857)

The movement in deferred tax liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Fair value change on investments at FVOCI	Fair value change on investment properties	Total
Balance at 1 January 2020	(7,744,301)	(14,404,781)	(22,149,082)
Tax relating to profit or loss	-	622,560	622,560
Tax relating to components of other comprehensive income	(11,436,894)	-	(11,436,894)
Tax applied directly to equity	3,694,559	-	3,694,559
Balance at 31 December 2020	(15,486,636)	(13,782,221)	(29,268,857)
Tax relating to profit or loss	-	(73,200)	(73,200)
Tax relating to components of other comprehensive income	(9,978,337)	-	(9,978,337)
Tax applied directly to equity	3,468,711	-	3,468,711
Balance at 31 December 2021	(21,996,262)	(13,855,421)	(35,851,683)

(c) Tax payable

	2021	2020
At 1 January	11,646,459	4,430,334
Payment made	(11,284,878)	(4,049,294)
Over-provision in prior years	361,581	381,040
Provision for current taxation for the year	8,126,466	11,265,419
At 31 December	8,488,047	11,646,459

10 Property, plant and equipment

	Computer equipment	Motor vehicles	Furniture and equipment	Leasehold property	Leasehold improvement	Total
Cost:						
At 1 January 2020	5,259,948	512,612	4,557,428	-	6,528,324	16,858,312
Additions	309,540	-	-	-	-	309,540
Transfer from investment property (Note 12)	-	-	-	33,600,000	-	33,600,000
Disposals	-	-	-	-	-	-
At 31 December 2020	5,569,488	512,612	4,557,428	33,600,000	6,528,324	50,767,852
Additions	396,024	-	184,287	-	43,758	624,069
Transfer to investment property (Note 12)	-	-	-	(33,600,000)	-	(33,600,000)
Disposals	-	-	-	-	-	-
At 31 December 2021	5,965,512	512,612	4,741,715	-	6,572,082	17,791,921

10 Property, plant and equipment (continued)

	Computer equipment	Motor vehicles	Furniture and equipment	Leasehold property	Leasehold improvement	Total
<u>Accumulated depreciation:</u>						
At 1 January 2020	4,817,158	495,686	4,010,258	-	6,528,324	15,851,426
Depreciation charge	168,474	5,974	158,011	1,920,000	-	2,252,459
Disposals	-	-	-	-	-	-
At 31 December 2020	4,985,632	501,660	4,168,269	1,920,000	6,528,324	18,103,885
Depreciation charge	194,455	5,974	169,745	1,920,000	4,376	2,294,550
Transfer to investment property (Note 12)	-	-	-	(3,840,000)	-	(3,840,000)
Disposals	-	-	-	-	-	-
At 31 December 2021	5,180,087	507,634	4,338,014	-	6,532,700	16,558,435
<u>Net book value:</u>						
At 31 December 2020	583,856	10,952	389,159	31,680,000	-	32,663,967
At 31 December 2021	785,425	4,978	403,701	-	39,382	1,233,486

11 Intangible assets

	Computer software	
	2021	2020
<u>Cost</u>		
At 1 January	8,558,420	8,138,429
Acquisitions	376,903	419,991
At 31 December	8,935,323	8,558,420
<u>Accumulated amortisation</u>		
At 1 January	8,148,106	8,132,463
Amortisation charge	267,619	15,643
At 31 December	8,415,725	8,148,106
Net book value at 31 December	519,598	410,314

12 Investment properties

	2021	2020
At 1 January	114,740,000	152,280,000
Transfer from / (to) property, plant and equipment (Note 10)	29,760,000	(33,600,000)
Fair value gain / (loss) on revaluation	610,000	(3,940,000)
At 31 December	145,110,000	114,740,000

Investment properties comprise a number of properties that are held to earn rentals or for capital appreciation or both. No contingent rents are charged. Information on operating leases related to these investment properties is included in Note 23(b).

All these properties are held in Macau under medium-term leases (between 10 and 50 years) on the respective land. These properties were last revalued at 31 December 2021 on the basis of open market value by an independent, professionally qualified valuer Savills (Macau) Limited.

At 31 December 2021, the Company transferred one of its owned property to investment property due to end of owner occupation.

13 Investments

	<i>FVTPL</i>	<i>FVOCI</i>	<i>Amortised cost</i>	<i>Total</i>
<u>At 31 December 2021</u>				
Equities (listed)	61,359,590	747,535,598	-	808,895,188
Equities (unlisted)	-	16,606,896	-	16,606,896
Debt securities (unlisted)	-	-	54,363,272	54,363,272
Less: Impairment allowances	-	-	(101,986)	(101,986)
	<u>61,359,590</u>	<u>764,142,494</u>	<u>54,261,286</u>	<u>879,763,370</u>
<u>At 31 December 2020</u>				
Equities (listed)	83,572,890	656,719,547	-	740,292,437
Equities (unlisted)	-	16,557,558	-	16,557,558
Debt securities (unlisted)	-	-	62,041,340	62,041,340
Less: Impairment allowances	-	-	(134,266)	(134,266)
	<u>83,572,890</u>	<u>673,277,105</u>	<u>61,907,074</u>	<u>818,757,069</u>

14 Derivatives

The Company invests in derivatives and uses derivatives to manage its exposure to foreign currency, interest rate and other price risks associated with its investments. The instruments used include warrants, equity index futures and foreign currency futures contracts. Gains and losses arising from derivative positions are included in "net investment income". The fair values and notional principal of outstanding derivatives contracts as at 31 December 2021 and 2020 are as follows:

	<i>2021</i>		<i>2020</i>	
	<i>Fair value</i>	<i>Notional</i>	<i>Fair value</i>	<i>Notional</i>
Warrants	1,624,475	-	1,250,019	-
Foreign currency futures contracts	-	-	(860,758)	38,850,008
	<u>1,624,475</u>		<u>389,261</u>	

15 Premiums receivable

	<i>2021</i>	<i>2020</i>
Installments not yet due	23,223,891	9,357,450
Less than 30 days	22,003,654	19,013,397
30 to 90 days	21,449,570	14,286,966
Over 90 days	6,168,516	9,259,661
	<u>72,845,631</u>	<u>51,917,474</u>
Less: Impairment allowances	(1,533,586)	(1,709,902)
	<u>71,312,045</u>	<u>50,207,572</u>

16 Deferred costs and income

	<i>2021</i>	<i>2020</i>
<u>Deferred acquisition costs</u>		
At 1 January	21,716,057	22,399,959
Change during the year	(771,293)	(683,902)
At 31 December	<u>20,944,764</u>	<u>21,716,057</u>
<u>Deferred reinsurance commission income</u>		
At 1 January	10,332,228	11,004,461
Change during the year	(317,228)	(672,233)
At 31 December	<u>10,015,000</u>	<u>10,332,228</u>
Net deferred costs related to general insurance contracts	<u>10,929,764</u>	<u>11,383,829</u>

17 Cash and bank balances

	Cash and cash equivalents	Time deposits with original maturity greater than three months	Deposits pledged	Impairment allowances	Total
At 1 January 2020	98,166,974	35,152,097	22,902,376	(19,298)	156,202,149
Net change	1,949,838	(14,707,390)	(7,754,239)	(3,531)	(20,515,322)
At 31 December 2020	100,116,812	20,444,707	15,148,137	(22,829)	135,686,827
Net change	18,644,305	(5,430,042)	26,469,538	(98,646)	39,585,155
At 31 December 2021	118,761,117	15,014,665	41,617,675	(121,475)	175,271,982

18 Pledge of assets

Various assets under different balance sheet captions have been or are designated to be pledged in favour of the Monetary Authority of Macau ("AMCM") to guarantee the technical reserve (insurance contract provisions) of the Company. Certain bank balances have been pledged to a fellow subsidiary for the issuance of bank guarantees.

	2021	2020
<u>Assets pledged to AMCM</u>		
Investment properties	140,450,000	110,000,000
Property, plant and equipment	-	31,680,000
Investments	313,068,276	238,950,740
Cash and bank balances	41,568,973	15,096,988
	<u>495,087,249</u>	<u>395,727,728</u>
<u>Assets pledged to a fellow subsidiary</u>		
Cash and bank balances	48,702	51,149
Total	<u>495,135,951</u>	<u>395,778,877</u>

19 Insurance contract provisions

(a) Composition of insurance contract provisions

	Gross	Reinsurance	Net
<u>At 31 December 2021</u>			
Reported claims	261,473,760	183,926,140	77,547,620
Claims incurred but not reported	37,742,000	27,626,000	10,116,000
Outstanding claims	299,215,760	211,552,140	87,663,620
Unexpired risk reserve	-	(3,312,000)	3,312,000
Unearned premium reserve	160,946,079	118,431,897	42,514,182
	<u>460,161,839</u>	<u>326,672,037</u>	<u>133,489,802</u>
<u>At 31 December 2020</u>			
Reported claims	355,639,729	269,120,647	86,519,082
Claims incurred but not reported	10,587,000	988,000	9,599,000
Outstanding claims	366,226,729	270,108,647	96,118,082
Unexpired risk reserve	2,482,000	227,000	2,255,000
Unearned premium reserve	165,775,785	112,572,913	53,202,872
	<u>534,484,514</u>	<u>382,908,560</u>	<u>151,575,954</u>

19 Insurance contract provisions (continued)

(b) Analysis of movements in insurance contract provisions

(i) <u>Reported claims</u>	<u>Gross</u>	<u>Reinsurance</u>	<u>Net</u>
At 1 January 2020	369,714,805	276,117,833	93,596,972
Increase / (decrease) in liabilities			
- arising from current year claims	279,585,053	198,420,181	81,164,872
- arising from prior year claims	(78,692,676)	(36,977,029)	(41,715,647)
Claims paid during the year	(214,967,453)	(168,440,338)	(46,527,115)
At 31 December 2020	355,639,729	269,120,647	86,519,082
Increase / (decrease) in liabilities			
- arising from current year claims	104,606,135	33,937,478	70,668,657
- arising from prior year claims	(104,613,449)	(64,989,944)	(39,623,505)
Claims paid during the year	(94,158,655)	(54,142,041)	(40,016,614)
At 31 December 2021	261,473,760	183,926,140	77,547,620

(b) Analysis of movements in insurance contract provisions (continued)

(ii) <u>Claims incurred but not reported</u>	<u>Gross</u>	<u>Reinsurance</u>	<u>Net</u>
At 1 January 2020	11,652,000	-	11,652,000
Change during the year	(1,065,000)	988,000	(2,053,000)
At 31 December 2020	10,587,000	988,000	9,599,000
Change during the year	27,155,000	26,638,000	517,000
At 31 December 2021	37,742,000	27,626,000	10,116,000
(iii) <u>Unexpired risk reserve</u>	<u>Gross</u>	<u>Reinsurance</u>	<u>Net</u>
At 1 January 2020	-	(2,127,000)	2,127,000
Change during the year	2,482,000	2,354,000	128,000
At 31 December 2020	2,482,000	227,000	2,255,000
Change during the year	(2,482,000)	(3,539,000)	1,057,000
At 31 December 2021	-	(3,312,000)	3,312,000
(iv) <u>Unearned premium reserve</u>	<u>Gross</u>	<u>Reinsurance</u>	<u>Net</u>
At 1 January 2020	168,353,604	105,249,461	63,104,143
Change during the year	(2,577,819)	7,323,452	(9,901,271)
At 31 December 2020	165,775,785	112,572,913	53,202,872
Change during the year	(4,829,706)	5,858,984	(10,688,690)
At 31 December 2021	160,946,079	118,431,897	42,514,182

20 Share capital

	<u>Number of shares</u>	<u>Share capital</u>
Authorised, issued and fully paid:		
At 31 December 2020 and 2021	220,000	220,000,000

21 Reserves

	Legal reserve	Asset revaluation reserve	Retained earnings	Total
Balance at 1 January 2020	15,000,000	56,791,539	518,903,513	590,695,052
Profit for the year	-	-	51,139,184	51,139,184
Change in fair value of investments at FVOCI, net of tax	-	90,598,728	-	90,598,728
Reclassification of change in fair value of investments at FVOCI upon derecognition	-	(33,821,601)	33,821,601	-
Balance at 31 December 2020	15,000,000	113,568,666	603,864,298	732,432,964
Transfer	5,113,918	-	(5,113,918)	-
Profit for the year	-	-	37,105,177	37,105,177
Change in fair value of investments at FVOCI, net of tax	-	77,467,664	-	77,467,664
Reclassification of change in fair value of investments at FVOCI upon derecognition	-	(29,730,409)	29,730,409	-
Balance at 31 December 2021	20,113,918	161,305,921	665,585,966	847,005,805

Pursuant to Article 84 of the Macau Insurance Ordinance, the Company is required to set up a legal reserve, which is non-distributable, and make transfers to the reserve based on the following percentages of any net profit for each financial year:

- (i) 20%, until the total of such a reserve equals one half of the minimum share capital fixed under Article 17 paragraph 1 of the Macau Insurance Ordinance; and then
- (ii) 10%, until the total of such a reserve equals such minimum share capital.

Following approval by shareholders of a dividend in respect of a financial year, any undistributed profits to be retained in the Company are transferred to retained earnings. In accordance with the Macau Insurance Ordinance a minimum of MOP3,710,518 in respect of profit after tax for the year 2021, subject to approval by shareholders, shall be transferred to the legal reserve.

22 Interest in a subsidiary

	Country of incorporation	Registered capital (MOP)	Ownership interest
Macau Pension Fund Management Company Limited ("MPFM")	Macau		
At 31 December 2020		40,000,000	99.85%
Increase in share capital - settled in cash		8,000,000	99.85%
Increase in share capital - converted from retained earnings		12,000,000	99.85%
At 31 December 2021		60,000,000	99.85%

MPFM is a pension fund management company incorporated on 5 April 2017 under the Laws of Macau. Following its participation in MPFM's increase of share capital in 2021 through cash contribution and conversion of retained earnings, the Company's interest in equity securities of MPFM comprised 59,910 shares with a face value of MOP1,000 each (total face amount of MOP59,910,000), which is classified as investment in a subsidiary carried at the cost of MOP47,928,000. The remaining 90 shares with a face amount of MOP90,000 representing 0.15% ownership interest in MPFM are held by subsidiaries of Dah Sing Financial Holdings Limited.

Key financial information of MPFM is set out below:

For the year ended 31 December

	2021	2020
Total income	22,798,225	20,791,694
Operating expenses	(16,022,737)	(15,682,664)
Profit before taxation	6,775,488	5,109,030
Income tax expense	(441,219)	(241,359)
Profit after taxation	6,334,269	4,867,671

As at 31 December

	2021	2020
Total assets	72,275,564	58,701,410
Total liabilities	(2,906,160)	(3,666,275)
Shareholders' equity	69,369,404	55,035,135
Pension assets under management on behalf of clients	3,020,444,100	2,907,830,897

23 Operating lease commitments

(a) As lessee

The Company leases offices and a warehouse under non-cancellable operating lease agreements. The lease terms are between 6 months and 3 years.

Future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2021	2020
Within one year	3,353,268	3,241,849
After one year but within five years	92,899	3,151,800
	<u>3,446,167</u>	<u>6,393,649</u>

(b) As lessor

The Company leases out its investment properties (Note 12) under operating leases. Future minimum lease payments under non-cancellable operating leases rentals are as follows:

	2021	2020
Within one year	4,064,640	3,772,290
After one year but within five years	6,823,380	5,790,420
	<u>10,888,020</u>	<u>9,562,710</u>

24 Related parties

The Company is controlled by DSMI Group Limited (incorporated in British Virgin Islands), who owns 78% of the Company's shares. The directors of the Company consider Dah Sing Financial Holdings Limited (incorporated in Hong Kong) to be the ultimate holding company.

Dah Sing Financial Holdings Limited and its group companies, which include Dah Sing Banking Group Limited and its subsidiaries, are considered as related parties of the Company. Significant transactions, balances and off-balance sheet items involving related parties in the normal course of the Company's business are set out below:

(a) Transactions with related parties

	2021	2020
<u>Transactions with a subsidiary</u>		
Insurance premiums received / receivable	30,530	16,386
Management service fees received / receivable	4,557,167	4,200,000
Pension fund subscription fees paid / payable	<u>(51,171)</u>	<u>(54,765)</u>
<u>Transactions with fellow subsidiaries</u>		
Interest income received / receivable	268,258	759,268
Insurance premiums received / receivable	2,566,654	2,697,879
Reinsurance commission received / receivable	644,239	909,216
Reinsurance claim received / receivable	19,898	844,842
Co-branding commissions received / receivable	82,317	118,478
Reinsurance premium paid / payable	(2,225,510)	(2,609,638)
Insurance commissions paid / payable	(7,199,314)	(8,322,712)
Support service charges paid / payable	(10,644,950)	(5,221,362)
Rental expenses paid / payable	(3,151,800)	(3,151,800)
Insurance claims paid / payable	<u>-</u>	<u>(113,511)</u>

(b) Balances with related parties

	2021	2020
Amounts due to holding company	<u>(506,068)</u>	<u>(506,068)</u>
Amount due (to) / from a subsidiary	<u>(26)</u>	<u>680,996</u>
Deposits placed with a fellow subsidiary	109,143,700	88,931,471
Amounts due to fellow subsidiaries	<u>(8,684,767)</u>	<u>(2,294,759)</u>

24 Related parties (continued)

(c) Off-balance sheet items

	<u>2021</u>	<u>2020</u>
Assets held by a subsidiary for retirement benefit plan of the Company	<u>21,291,300</u>	<u>23,318,124</u>
Bank guarantees obtained from and deposits pledged to a fellow subsidiary	<u>48,702</u>	<u>51,149</u>

(d) Key management compensation

Total remuneration for directors of the Company who are considered key management personnel are as follows:

	<u>2021</u>	<u>2020</u>
Salaries and other short-term benefits	<u>4,802,232</u>	<u>4,613,247</u>
Post-employment benefits	<u>329,772</u>	<u>291,009</u>
	<u>5,132,004</u>	<u>4,904,256</u>

25 Supplementary information by compulsory lines of insurance

	Motor Vehicles (third party risks)	Motor Vehicles (own damage)	Employees' Compensation	Public Liability Insurance in Relation to the Fixing of Propaganda & Public Material	Third Party Liability Insurance for Pleasure Boats	Professional Liability Insurance for Travel Agencies	Compulsory Professional Liability Insurance for Lawyers	Other Classes	Total
<u>Gross premiums written</u>									
Direct insurance	28,460,048	1,114,202	27,604,331	176,817	-	45,500	-	228,950,205	286,351,103
Reinsurance accepted	1,661,180	-	4,131,785	-	-	-	-	5,977,813	11,770,778
	30,121,228	1,114,202	31,736,116	176,817	-	45,500	-	234,928,018	298,121,881
<u>Gross premiums earned</u>									
Direct insurance	29,381,432	767,709	30,451,436	176,665	-	40,886	-	229,155,316	289,973,444
Reinsurance accepted	1,677,446	1,003	4,229,295	-	-	-	-	7,070,399	12,978,143
	31,058,878	768,712	34,680,731	176,665	-	40,886	-	236,225,715	302,951,587
<u>Commission incurred</u>									
Direct insurance	3,683,697	53,296	5,309,145	12,452	-	3,710	-	11,923,341	20,985,641
Profit commission & overriding commission	-	-	-	-	-	-	-	-	-
Reinsurance accepted	83,750	(4)	484,697	-	-	-	-	1,120,778	1,689,221
	3,767,447	53,292	5,793,842	12,452	-	3,710	-	13,044,119	22,674,862
<u>Change in deferred acquisition cost</u>									
Direct insurance	61,467	(9,085)	350,328	(357)	-	(697)	-	1,709,141	2,110,797
Reinsurance accepted	3	4	9,415	-	-	-	-	107,310	116,732
	3,828,917	44,211	6,153,585	12,095	-	3,013	-	14,860,570	24,902,391
<u>Gross claims paid</u>									
Direct insurance	16,211,134	33,269	17,429,971	-	-	-	-	54,236,772	87,911,146
Reinsurance accepted	1,973,590	-	1,190,043	-	-	-	-	3,083,876	6,247,509
	18,184,724	33,269	18,620,014	-	-	-	-	57,320,648	94,158,655
<u>Gross outstanding claims</u>									
Direct insurance	30,824,118	-	25,678,504	-	-	-	-	180,493,784	236,996,406
Reinsurance accepted	3,632,304	-	5,331,471	-	-	-	-	982,579	9,946,354
Provision for IBNER claims (incurred but not enough reserved)	9,452,000	-	4,274,000	-	-	-	-	38,547,000	52,273,000
	43,908,422	-	35,283,975	-	-	-	-	220,023,363	299,215,760