

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 2023



羅兵咸永道

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

Report on the Audit of the Financial Statements

We have audited the financial statements of Macau Insurance Company Limited (the "Company") standing alone set out on pages 3 to 39, which comprise the statement of financial position as at 31 December 2023, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements of the Company Standing Alone

Management is responsible for the preparation of financial statements that give a true and fair view 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"), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 for the Financial Statements of the Company Standing Alone

Our responsibility is to express an opinion on these financial statements based on our audit 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 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 our audit in accordance with Auditing Standards issued by the Professional Committee of Accountants of the Government of the Macao Special Administrative Region. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 by shares)

Auditor's Responsibility for the Financial Statements of the Company Standing Alone (Continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 of financial statements that give a true and fair view 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 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.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company standing alone as at 31 December 2023, and of its financial performance 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.

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 2023.

In respect of the year ended 31 December 2023, 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.

A handwritten signature in black ink, appearing to read 'Bernard Li'.

Li Ching Lap Bernard
Certified Public Accountant
PricewaterhouseCoopers

Macao, 28 February 2024

Statement of comprehensive income for the year ended 31 December 2023

(Expressed in Macau Patacas)

	Note	2023	2022
Gross premiums written	5	255,004,330	252,933,595
Change in gross provision for unearned premiums	21(b)	3,378,306	16,884,649
Gross insurance premium revenue		258,382,636	269,818,244
Written premiums ceded to reinsurers		(173,592,943)	(171,749,966)
Reinsurers' share of change in provision for unearned premiums	21(b)	(4,171,204)	(13,392,813)
Ceded insurance premium revenue		(177,764,147)	(185,142,779)
Net insurance premium revenue		80,618,489	84,675,465
Commission earned from reinsurers	9	23,296,458	22,401,697
Net investment income	6	27,767,949	5,698,842
Other income	7	5,375,855	4,700,506
Total income		137,058,751	117,476,510
Insurance claims and loss adjustment expenses	8	(54,113,433)	(85,769,088)
Insurance claims and loss adjustment expenses recoverable from reinsurers	8	28,091,502	54,466,825
Net insurance claims and loss adjustment expenses	8	(26,021,931)	(31,302,263)
Expense for acquisition of insurance contracts	9	(23,995,694)	(23,773,893)
Depreciation and amortisation expenses	12, 13	(785,808)	(719,789)
Administrative expenses	10	(48,522,547)	(50,533,528)
Increase of impairment allowances		(376,482)	(61,414)
Operating expenses		(73,680,531)	(75,088,624)
Profit before income tax		37,356,289	11,085,623
Income tax expense	11(a)	(3,973,661)	(808,123)
Net profit		33,382,628	10,277,500

Statement of comprehensive income for the year ended 31 December 2023 (Continued)

(Expressed in Macau Patacas)

	Note	2023	2022
Net profit		33,382,628	10,277,500
Changes in fair value of equity investments at fair value through other comprehensive income		116,910,816	(128,146,852)
Deferred income tax related to the above	11(a)	(14,029,298)	15,377,624
Other comprehensive income / (loss), net of tax		102,881,518	(112,769,228)
Total comprehensive income		136,264,146	(102,491,728)

Approved and authorised for issue by the Board of Directors on 28 February 2024

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 2023

(Expressed in Macau Patacas)

	Note	2023	2022
Assets			
Property, plant and equipment	12	830,100	996,222
Intangible assets	13	288,401	253,968
Investment properties	14, 20	136,890,000	140,690,000
Investment in a subsidiary	24	47,928,000	47,928,000
Investments	15, 20	872,559,147	632,526,907
Premiums receivables	17	44,037,689	121,405,717
Reinsurers' share of insurance contracts provision	21(a)	335,407,457	345,184,127
Deferred acquisition costs	18	20,777,911	20,129,032
Amounts due from reinsurance companies		1,306,746	3,050,832
Sundry debtors		2,337,422	4,206,124
Cash and bank balances	19, 20	110,218,426	319,410,730
Total assets		1,572,581,299	1,635,781,659
Equity			
<u>Capital and reserves attributable to owners of the Company</u>			
Share capital	22	220,000,000	220,000,000
Reserves	23	141,694,749	20,946,082
Retained earnings		636,083,474	723,567,995
Total equity		997,778,223	964,514,077

Statement of financial position as at 31 December 2023 (Continued)

(Expressed in Macau Patacas)

	Note	2023	2022
Liabilities			
Deferred tax liability	11(b)	28,802,095	12,932,516
Deferred reinsurance commission income	18	9,908,249	10,100,219
Unearned premium reserve	21(a)	140,683,124	144,061,430
Unexpired risk reserve	21(a)	1,000	-
Accounts payable and accruals		29,376,387	29,186,125
Amounts due to a subsidiary		151	88
Amounts due to fellow subsidiaries		5,080,416	10,277,527
Amounts due to holding companies		506,068	506,068
Amounts due to reinsurance companies		37,379,398	118,592,622
Outstanding claims	21(a)	321,135,297	337,432,194
Tax payable	11(c)	1,930,891	8,178,793
Total liabilities		574,803,076	671,267,582
Total equity and liabilities		1,572,581,299	1,635,781,659

Approved and authorised for issue by the Board of Directors on 28 February 2024

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 changes in equity for the year ended 31 December 2023

(Expressed in Macau Patacas)

	Attributable to equity holders of the Company				
	Share capital	Legal reserve	Asset revaluation reserve	Retained earnings	Total
	(Note 22)	(Note 23)	(Note 23)	(Note 23)	
At 1 January 2022	220,000,000	20,113,918	161,305,921	665,585,966	1,067,005,805
Transfer to legal reserve	-	3,710,518	-	(3,710,518)	-
Profit for the year	-	-	-	10,277,500	10,277,500
Other comprehensive income for the year	-	-	(112,769,228)	-	(112,769,228)
Reclassification of net change in fair value of investments at FVOCI upon derecognition	-	-	(51,415,047)	51,415,047	-
At 31 December 2022	220,000,000	23,824,436	(2,878,354)	723,567,995	964,514,077
Transfer to legal reserve	-	1,027,750	-	(1,027,750)	-
Profit for the year	-	-	-	33,382,628	33,382,628
Other comprehensive income for the year	-	-	102,881,518	-	102,881,518
Reclassification of net change in fair value of investments at FVOCI upon derecognition	-	-	16,839,399	(16,839,399)	-
Dividend payout to shareholders	-	-	-	(103,000,000)	(103,000,000)
At 31 December 2023	220,000,000	24,852,186	116,842,563	636,083,474	997,778,223

Note: Final dividend of MOP468.18 per share (2021: nil) for the year ended 31 December 2022 was distributed to shareholders of the Company in June 2023. Of the MOP103,000,000 dividend payout to shareholders, MOP14,715,570 was settled by cash while the remaining MOP88,284,430 was settled by the transfer of MOP18,440,946 FVTPL investments and MOP69,843,484 FVOCI investments.

Statement of cash flows for the year ended 31 December 2023

(Expressed in Macau Patacas)

	Note	2023	2022
Cash flows from operating activities			
Profit before taxation		37,356,289	11,085,623
Adjusted for:			
Unrealised loss on revaluation of financial assets at FVTPL	6	5,361,766	15,035,844
Unrealised foreign exchange (gain) / loss on financial assets	6	(4,382,392)	10,138,678
Realised loss on disposal of financial assets at FVTPL	6	295,205	2,735,120
Realised loss / (gain) on disposal of derivative financial instruments	6	867,778	(13,134,223)
Dividend income	6	(19,304,607)	(20,997,010)
Interest income	6	(9,490,935)	(4,268,936)
Amortisation of interest on debt instruments at amortised costs	6	(12,916)	(38,788)
Rental income	7	(4,075,440)	(4,064,640)
Increase in provision for expected credit losses		376,482	159,834
Depreciation and amortisation expense	12, 13	785,808	719,789
Loss on disposal of property, plant and equipment	7	-	621
Fair value loss on investment properties	7, 14	3,800,000	4,420,000
Operating profit before working capital changes		11,577,038	1,791,912
Decrease in unearned premiums reserve	21(b)	(3,378,306)	(16,884,649)
Increase in unexpired risk reserve	21(b)	1,000	-
(Decrease) / increase in outstanding claims	21(b)	(16,296,897)	38,216,434
(Increase) / decrease in deferred acquisition costs	18	(648,879)	815,732
Decrease in reinsurance unearned premiums reserve	21(b)	4,171,204	13,392,813
(Increase) / decrease in reinsurance unexpired risk reserve	21(b)	(664,000)	5,452,000
Decrease / (increase) in reinsurance outstanding claims	21(b)	6,269,466	(37,356,903)
(Decrease) / increase in deferred reinsurance commission income	18	(191,970)	85,219
Decrease / (increase) in premiums receivable	17	77,011,763	(50,386,708)
Decrease in sundry debtors excluding interest receivable		292,048	1,480,861
Net movement in balances with fellow subsidiaries		(5,197,111)	1,578,168
Net movement in balances with a subsidiary		63	62
Increase in accounts payable and accruals		190,262	6,527,707
(Decrease) / increase in amounts due to reinsurance companies		(79,467,481)	55,218,737
Cash (used in) / generated from operations		(6,331,800)	19,931,385
Income tax paid	11(c)	(8,381,282)	(8,658,920)
Net cash (used in) / generated from operating activities		(14,713,082)	11,272,465

Statement of cash flows for the year ended 31 December 2023 (Continued)

(Expressed in Macau Patacas)

	Note	2023	2022
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(221,519)	(223,078)
Proceeds from sale of property, plant and equipment		-	5,562
Acquisition of intangible assets	13	(432,600)	-
Purchase of financial assets at FVTPL		(414,736,455)	(71,412,637)
Purchase of financial assets at FVOCI		(327,346,058)	(173,257,203)
Redemption of financial assets at amortised costs		8,074,600	38,253,975
Sales and redemption of financial assets at FVTPL		269,435,330	25,244,798
Sales and redemption of financial assets at FVOCI		251,847,150	274,090,996
Realised (loss) / gain on derivative financial instruments		(867,778)	12,953,768
Dividends received		20,373,932	19,834,430
Interest received		10,056,650	3,270,070
Rentals received		4,073,998	4,044,640
Decrease / (increase) in time deposits	19	168,605,627	(161,927,562)
Decrease / (increase) in pledged deposits	19	1,584,787	(44,514,985)
Net cash used in investing activities		(9,552,336)	(73,637,226)
Cash flows from financing activity			
Dividend paid to shareholders		(14,715,570)	-
Net cash generated from financing activity		(14,715,570)	-
Net decrease in cash and cash equivalents		(38,980,988)	(62,364,761)
Cash and cash equivalents at the beginning of the year	19	56,396,356	118,761,117
Cash and cash equivalents at the end of the year	19	17,415,368	56,396,356

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 28 February 2024 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 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 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.

(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.

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.

2 Principal accounting policies (continued)

(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 statement of financial position 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 statement of financial position date (Note 2(m)). 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 statement of comprehensive income. 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 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 statement of financial position 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 statement of financial position 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 statement of financial position 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%
-------------------	--------

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)).

2 Principal accounting policies (continued)

(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.

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.

2 Principal accounting policies (continued)

(h) Financial assets (continued)

Subsequent measurement (continued)

(i) Debt instruments (continued)

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 (m) (i) are also recognised in profit or loss.

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.

2 Principal accounting policies (continued)

(k) *Subsidiary*

Investment in a subsidiary is carried in the statement of financial position 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 24.

(l) *Investment properties*

Investment properties are held for long-term rental yields and are not occupied by the Company. Investment properties are properties held by the Company to earn rental income. They are stated in the statement of financial position 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 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 statement of financial position 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 statement of financial position 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 years. Reversals of impairment losses are credited to profit or loss in the year 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 statement of financial position 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 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 statement of financial position 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.

(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

The preparation of the financial statements necessitates the use of estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, contingent liabilities at the end of the reporting date as well as the reported income and expenses for the year. Although the estimates are based on management's best knowledge of current facts as at the end of the reporting date, the actual outcome may differ from these estimates.

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.

Determination of insurance contract liabilities

The insurance contract liabilities of the Company comprise claim liabilities and premium liabilities. Claim liabilities consist of reserves for claims notified and reserves for claims incurred but not reported ("IBNR") while premium liabilities consist of the reserve for unexpired risks, net of deferred acquisition costs and their values are carried in the statement of financial position as discussed in Note 2(c).

The Company determines the best estimate of the reserves for claims notified based on estimates of future payments required to settle the notified claims. These estimates are based on the facts available at the time the reserves are established. The reserve determination takes into consideration factors such as inflation, historical trends, historical patterns of claims payments, level of unpaid claims, changes in legislative and economic environment as well as claimants' attitude to settlement.

The Company determines the best estimate of the reserves for claims IBNR to recognise the estimated cost of claims for events which have already occurred but have not yet been notified. The reserves are set based on historical information and statistical models, using historical claim trends, claim severities, exposure growth and other relevant factors. A number of standard actuarial methods and techniques are used by an in-house actuary to estimate the amount of reserves.

A Provision for Adverse Deviation ("PAD") is recognised as an additional liability. The PAD is an amount which is calculated over and above best estimate claims liabilities on a net of reinsurance basis.

The estimates of claims and premium liabilities are sensitive to various factors and uncertainties. The establishment of these estimates is an inherently uncertain process and, as a consequence of this uncertainty, the eventual cost of settlement of claim and premium liabilities can vary from the initial estimates.

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.

For financial assets traded in active markets, the determination of fair value is based on quoted market prices, dealer price quotations or broker quotes from Bloomberg. The quoted market price used for financial assets held by the Company is the current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid offer spread or significant increase in bid-offer spread or there are few recent transactions.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques using inputs (for example LIBOR yield curve, FX rates, volatilities and counterparty spreads) existing at the end of the reporting period.

3 Critical accounting estimates and judgments in applying accounting policies (continued)

Fair value of financial assets (continued)

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Company holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risks, liquidity risk and counterparty credit risk. Based on the established fair value model governance policies of the Company, and the related controls and procedures applied, management believes that these valuation adjustments are necessary and appropriate to fairly state the values of financial instruments carried at fair value in the statement of financial position. Price data and parameters used in the measurement procedures applied are reviewed carefully and adjusted, if necessary, particularly in view of the current market developments.

Fair value hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair value hierarchy:

Level Descriptions

- 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes equity securities and derivatives that are listed on exchanges.
- 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of the OTC derivative contracts.
- 3 Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

The hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible.

	Level 1	Level 2	Level 3	Total
At 31 December 2023				
Financial assets at FVTPL Equity securities and investment funds	211,029,170	-	-	211,029,170
Financial assets at FVOCI Equity securities	653,481,296	-	5,000	653,486,296
Total assets measured at fair value	864,510,466	-	5,000	864,515,466
At 31 December 2022				
Financial assets at FVTPL Equity securities and investment funds	89,333,785	-	-	89,333,785
Financial assets at FVOCI Equity securities	511,432,764	15,666,373	5,000	527,104,137
Total assets measured at fair value	600,766,549	15,666,373	5,000	616,437,922

See Note 14 for disclosures on investment properties measured at fair value. All other financial assets and liabilities are stated at their carrying amounts which approximate fair value.

Measurement of the ECL allowance

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 4(b)(ii).

4 Management of insurance and financial risk

(a) **Regulatory framework**

The operations of the Company are subject to Macau regulatory requirements. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions e.g. capital adequacy to reduce the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as they arise.

4 Management of insurance and financial risk (continued)

(b) Financial risk

The Company is exposed to financial risk through its financial assets, reinsurance assets and insurance liabilities. In particular the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its operations. The most important components of this financial risk are interest rate risk, equity price risk, credit risk, liquidity risk and currency risk.

These risks include open positions in interest rate, equity and currency products, all of which are exposed to general and specific market movements. The risk that the Company primarily faces due to the nature of its investments and liabilities are interest rate risk and equity price risk. The Company manages these positions within an asset liability management ("ALM") framework that has been developed to achieve long-term investment returns. The principal technique of the Company's ALM is to match assets to the liabilities arising from insurance contracts by reference to policy claims.

The Company has established a policy on market risk which sets out the principles that businesses are expected to adopt in respect of management of the key market risks to which the Company is exposed. The Company monitors adherence to this market risk policy through an Investment Committee.

(i) Interest rate risk and equity price risk

Interest rate risk is the risk that the value / future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's investment activities are inherently exposed to interest rate risk, which arises principally from the effects of fluctuations in the prevailing levels of markets interest rates on the fair value of investments. The Company holds fixed interest bond securities that expose the Company to fair value interest rate risk. In dealing with this risk, the Company adopts an approach of focusing on achieving a desired overall interest rate profile and matching the duration of invested assets with the duration of liabilities, which may change over time, based on the Investment Committee's longer-term view of interest rates and economic conditions.

Assuming interest rates / yields increased by 100 basis points:

	2023	2022
Change in other comprehensive income net of tax	(425,928)	(646,883)

The Company is also subject to equity price risk due to daily changes in the market values of its equity securities portfolio. Equity price risk is actively managed in order to mitigate anticipated unfavourable market movements.

Assuming equity / fund prices decreased by 500 basis points:

	2023	2022
Change in profit after tax	(9,285,284)	(3,930,686)
Change in other components of equity	(28,753,177)	(23,192,362)

(ii) Credit risk

Credit risk is present in financial assets held by the Company, particularly debt instruments as well as cash and cash equivalents, whose carrying amounts are net of any applicable provisions. The Company manages credit risk by setting net exposure limits for each counterparty or group of counterparties in relation to investments, cash deposits and use of derivatives. The Company's investment policy also sets out minimum credit ratings for investments to be held. Credit risk exposures are calculated regularly and compared with authorized credit limits before transactions are undertaken with each counterparty.

Credit risk on amounts due from fellow subsidiaries is limited, after considering the exposure amounts and periods, and the financial strength of the fellow subsidiaries.

Credit risk exposure in respect of all other counterparties is managed by setting standard business terms that are required to be met by all of them. The list of approved counterparties is subject to regular review.

4 Management of insurance and financial risk (continued)

(b) Financial risk (continued)

(ii) Credit risk (continued)

The following tables provide information regarding the aggregate credit risk exposure and credit rating of debt securities (mainly based on S&P rating) and bank balances at the end of the reporting period.

	Credit rating					
	AAA	AA- to AA+	A- to A+	Below A-	Unrated	Total
<u>At 31 December 2023</u>						
Debt securities	-	-	8,074,399	-	-	8,074,399
Time deposits	-	-	8,336,600	-	-	8,336,600
Pledged deposits	-	-	80,829,476	3,718,397	-	84,547,873
Cash and cash equivalent	-	115,124	3,571,722	13,165,428	563,094	17,415,368
	-	115,124	100,812,197	16,883,825	563,094	118,374,240
<u>At 31 December 2022</u>						
Debt securities	-	-	16,118,731	-	-	16,118,731
Time deposits	-	-	176,942,227	-	-	176,942,227
Pledged deposits	-	-	-	86,132,660	-	86,132,660
Cash and cash equivalent	-	181,426	25,451,074	30,244,553	519,303	56,396,356
	-	181,426	218,512,032	116,377,213	519,303	335,589,974

The carrying amount of the relevant asset classes in the statement of financial position represents the maximum amount of credit exposure.

The Company only uses reinsurers with a credit rating of A- or above while the credit profile of other financial assets are regularly monitored and managed on a holistic basis.

The Company has the following types of financial assets that are subject to the ECL model:

- Financial assets at FVOCI - debt instruments;
- Premium receivable (excluding amounts due from reinsures / insurers under reinsurance arrangement);
- Amounts due from reinsures / insurers under reinsurance arrangement;
- Other receivables (excluding prepayments); and
- Cash and bank balances

Premium receivables (excluding amounts due from reinsures / insurers under reinsurance arrangement)

The Company applies IFRS 9 - simplified approach to measuring ECL using a lifetime expected impairment allowance.

To measure the ECL, premium receivable has been grouped based on shared credit risk characteristics and the days past due.

The Company recognises lifetime ECLs and apply the provision matrix as a practical expedient to calculate ECLs under the simplified approach.

The expected loss rates are based on historical credit losses experiences. The impact of forward looking elements on macro-economic factors is also considered for expected loss rates.

On that basis, impairment allowances have been made as follows:

	Current	Past due up to 90 days	Past due more than 90 days	Total
<u>At 31 December 2023</u>				
Premium receivable from third parties (excluding related party)	26,213,445	6,175,135	13,831,996	46,220,576
Less: Impairment allowances	(106,765)	(28,739)	(2,047,383)	(2,182,887)
	26,106,680	6,146,396	11,784,613	44,037,689

4 Management of insurance and financial risk (continued)

(b) Financial risk (continued)

(ii) Credit risk (continued)

Premium receivables (excluding amounts due from reinsures / insurers under reinsurance arrangement) (continued)

	Current	Past due up to 90 days	Past due more than 90 days	Total
At 31 December 2022				
Premium receivable from third parties (excluding related party)	45,054,438	76,572,408	1,605,493	123,232,339
Less: Impairment allowances	(71,886)	(239,470)	(1,515,266)	(1,826,622)
	<u>44,982,552</u>	<u>76,332,938</u>	<u>90,227</u>	<u>121,405,717</u>

The impairment allowance for premium receivable is reconciled to the opening loss allowances as follows:

	2023	2022
Opening loss allowance as at 1 January	1,826,622	1,533,586
Increase in impairment allowance recognised	356,265	293,036
Closing impairment allowance at 31 December	<u>2,182,887</u>	<u>1,826,622</u>

Premium receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, and a failure to make contractual payments.

Impairment loss on receivables including insurance receivables is presented within "impairment allowances" in the statement of comprehensive income. Subsequent recoveries of amounts previously written off are credited against the same line item.

Debt instruments

All of the Company's debt instruments at FVOCI are considered to have low credit risk, and the impairment allowance recognised during the period was therefore limited to 12 months expected losses. Management considers "low credit risk" for listed bonds to be an investment grade credit rating with at least one major rating agency. Other instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

Other financial assets at amortised cost

Other financial assets at amortised cost include amounts due from reinsures / insurers under reinsurance arrangement, other receivables (excluding prepayments) and cash and bank balances.

	Amounts due from reinsures / insurers under reinsurance arrangement	Investments at amortised costs	Time deposits	Total
Balance at 1 January 2022	931,335	101,986	121,475	1,154,796
Decrease in impairment allowance recognised	(23,756)	(72,240)	(60,962)	(156,958)
Balance at 31 December 2022	907,579	29,746	60,513	997,838
(Decrease) / increase in impairment allowance recognised	(1,657)	972	20,902	20,217
Balance at 31 December 2023	<u>905,922</u>	<u>30,718</u>	<u>81,415</u>	<u>1,018,055</u>

(iii) Liquidity risk

The Company is exposed to daily calls on its available cash resources mainly arising from claims payments. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Company manages this risk by monitoring daily and monthly projected and actual cash inflows and outflows by ensuring that a reasonable amount of financial assets is kept in liquid instruments at all times.

4 Management of insurance and financial risk (continued)

(b) Financial risk (continued)

(iii) Liquidity risk (continued)

The table below analyses the Company's assets and liabilities by maturity grouping based on the remaining period as at the end of the reporting period, to the contractual maturity date or, where applicable, the earliest callable date. The amounts disclosed in the table are undiscounted cash flows.

	<u>On demand</u>	<u>Less than 1 year</u>	<u>1 to 5 years</u>	<u>Total</u>
At 31 December 2023				
Assets				
Equity investments at FVTPL	211,029,170	-	-	211,029,170
Equity investments at FVOCI	653,486,296	-	-	653,486,296
Debt securities	-	-	8,074,399	8,074,399
Reinsurance contracts	242,639,577	97,106,963	3,760,917	343,507,457
Receivables including insurance receivables	44,900,469	785,755	534,352	46,220,576
Time deposits with original maturity greater than three months	-	8,336,600	-	8,336,600
Pledged deposits	-	84,547,873	-	84,547,873
Cash and cash equivalent	17,415,368	-	-	17,415,368
	<u>1,169,470,880</u>	<u>190,777,191</u>	<u>12,369,668</u>	<u>1,372,617,739</u>
Liabilities				
Insurance contracts liabilities	321,135,297	135,722,834	4,960,290	461,818,421
Amounts due to a subsidiary	151	-	-	151
Amounts due to fellow subsidiaries	5,080,416	-	-	5,080,416
Amounts due to holding companies	506,068	-	-	506,068
Reinsurance contracts	37,379,398	-	-	37,379,398
Tax payable	-	1,930,891	-	1,930,891
Other payables	29,376,387	-	-	29,376,387
	<u>393,477,717</u>	<u>137,653,725</u>	<u>4,960,290</u>	<u>536,091,732</u>
At 31 December 2022				
Assets				
Equity investments at FVTPL	89,333,785	-	-	89,333,785
Equity investments at FVOCI	511,437,764	15,666,373	-	527,104,137
Debt securities	-	8,071,625	8,047,106	16,118,731
Reinsurance contracts	248,909,043	95,360,644	9,678,440	353,948,127
Receivables including insurance receivables	114,237,614	8,681,013	313,712	123,232,339
Time deposits with original maturity greater than three months	-	176,942,227	-	176,942,227
Pledged deposits	-	86,132,660	-	86,132,660
Cash and cash equivalent	35,336,111	21,060,245	-	56,396,356
	<u>999,254,317</u>	<u>411,914,787</u>	<u>18,039,258</u>	<u>1,429,208,362</u>
Liabilities				
Insurance contracts liabilities	337,432,194	134,011,805	10,049,625	481,493,624
Amounts due to a subsidiary	88	-	-	88
Amounts due to fellow subsidiaries	10,277,527	-	-	10,277,527
Amounts due to holding companies	506,068	-	-	506,068
Reinsurance contracts	118,592,622	-	-	118,592,622
Tax payable	-	8,178,793	-	8,178,793
Other payables	29,186,125	-	-	29,186,125
	<u>495,994,624</u>	<u>142,190,598</u>	<u>10,049,625</u>	<u>648,234,847</u>

4 Management of insurance and financial risk (continued)

(b) Financial risk (continued)

(iv) Currency risk

The Company issues insurance policies which are primarily denominated in MOP. The Company pursues a policy of broadly matching assets and liabilities, in both currency and duration.

The Company's exposures to foreign exchange risk arise mainly from assets denominated in currencies outside of the MOP/HKD/USD bloc which is linked by explicit or implicit pegs. The Company views its currency risk with respect to USD and HKD as not significant on the condition that the Linked Exchange Rate Systems maintained by the Hong Kong Monetary Authority and the Monetary Authority of Macao remain in place.

The table below summarises the Company's exposure to currency risk at the end of the reporting period. Included in the tables are the Company's assets and liabilities at carrying amounts in MOP equivalents, categorised by currency.

	MOP	HKD	USD	Others	Total
<u>At 31 December 2023</u>					
Assets					
Property, plant and equipment	830,100	-	-	-	830,100
Intangible assets	288,401	-	-	-	288,401
Investment properties	136,890,000	-	-	-	136,890,000
Investment in a subsidiary	47,928,000	-	-	-	47,928,000
Investments	5,000	31,134,822	752,667,064	88,752,261	872,559,147
Premiums receivable	44,037,689	-	-	-	44,037,689
Reinsurers' share of insurance contracts provision	335,407,457	-	-	-	335,407,457
Deferred acquisition costs	20,777,911	-	-	-	20,777,911
Amount due from reinsurance companies	1,306,746	-	-	-	1,306,746
Sundry debtors	2,337,422	-	-	-	2,337,422
Cash and bank balances	14,039,835	3,664,649	91,721,181	792,761	110,218,426
	<u>603,848,561</u>	<u>34,799,471</u>	<u>844,388,245</u>	<u>89,545,022</u>	<u>1,572,581,299</u>
Liabilities					
Deferred tax liability	28,802,095	-	-	-	28,802,095
Deferred reinsurance commission income	9,908,249	-	-	-	9,908,249
Unearned premiums reserve	140,683,124	-	-	-	140,683,124
Unexpired risk reserve	1,000	-	-	-	1,000
Accounts payable and accruals	29,376,387	-	-	-	29,376,387
Amounts due to a subsidiary	151	-	-	-	151
Amounts due to fellow subsidiaries	5,080,416	-	-	-	5,080,416
Amounts due to holding companies	506,068	-	-	-	506,068
Amounts due to reinsurance companies	37,379,398	-	-	-	37,379,398
Outstanding claims	321,135,297	-	-	-	321,135,297
Tax payable	1,930,891	-	-	-	1,930,891
	<u>574,803,076</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>574,803,076</u>

4 Management of insurance and financial risk (continued)

(b) Financial risk (continued)

(iv) Currency risk (continued)

	MOP	HKD	USD	Others	Total
<u>At 31 December 2022</u>					
Assets					
Property, plant and equipment	996,222	-	-	-	996,222
Intangible assets	253,968	-	-	-	253,968
Investment properties	140,690,000	-	-	-	140,690,000
Investment in a subsidiary	47,928,000	-	-	-	47,928,000
Investments	5,000	135,473,816	373,680,954	123,367,137	632,526,907
Premiums receivable	121,405,717	-	-	-	121,405,717
Reinsurers' share of insurance contracts provision	345,184,127	-	-	-	345,184,127
Deferred acquisition costs	20,129,032	-	-	-	20,129,032
Amount due from reinsurance companies	3,050,832	-	-	-	3,050,832
Sundry debtors	4,206,124	-	-	-	4,206,124
Cash and bank balances	20,950,077	11,029,336	286,015,074	1,416,243	319,410,730
	<u>704,799,099</u>	<u>146,503,152</u>	<u>659,696,028</u>	<u>124,783,380</u>	<u>1,635,781,659</u>
Liabilities					
Deferred tax liability	12,932,516	-	-	-	12,932,516
Deferred reinsurance commission income	10,100,219	-	-	-	10,100,219
Unearned premiums reserve	144,061,430	-	-	-	144,061,430
Accounts payable and accruals	29,186,125	-	-	-	29,186,125
Amounts due to a subsidiary	88	-	-	-	88
Amounts due to fellow subsidiaries	10,277,527	-	-	-	10,277,527
Amounts due to holding companies	506,068	-	-	-	506,068
Amounts due to reinsurance companies	118,592,622	-	-	-	118,592,622
Outstanding claims	337,432,194	-	-	-	337,432,194
Tax payable	8,178,793	-	-	-	8,178,793
	<u>671,267,582</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>671,267,582</u>

(c) Capital management

The Company's objectives when managing capital are:

- To comply with capital requirements set by regulators;
- To safeguard the Company's ability to continue its business as a going concern;
- To maximise returns to shareholders and optimise the benefits to other stakeholders; and
- To maintain a strong capital base to support the development of its business.

The local regulator specifies the minimum amount and type of capital that must be held by local insurers relative to their insurance liabilities. The minimum required capital must be maintained at all times. The Company has embedded in its asset ALM framework the necessary tests to ensure continuous and full compliance with such regulations.

4 Management of insurance and financial risk (continued)

(d) Insurance risk

The risk under an insurance contract is the possibility of the occurrence of an insured event, and the uncertainty of the amount and timing of the resulting claim. The principal risk the Company faces under such contracts is that the actual claims exceed the carrying amount of insurance liabilities. This could occur due to any of the followings:

Frequency risk	the possibility that the number of insured events will differ from those expected
Severity risk	the possibility that the cost of the events will differ from those expected
Development risk	the possibility that changes may occur in the amount of an insurer's obligation at the end of the contract period

The variability of risks is reduced by diversification of risk of loss to a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected across the board by change in any subset of the portfolio. The variability of risks is also reduced by careful selection and implementation of underwriting strategy and guidelines.

Frequency and severity of claims

The frequency and severity of claims can be affected by various factors such as increasing level of awards for bodily injuries arising from casualty insurance contracts, increase in the number of inactive or latent factors for a long period of time cases, and inflation.

The Company manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

The Company's underwriting strategy attempts to ensure that the risks underwritten are diversified in terms of the type and the amount of risk, industry and geography. Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Company has the right to decline renewal of individual policies, to impose deductibles and to reject the payment of a fraudulent claim. Insurance contracts also entitle the Company to pursue third parties for payment of some or all costs.

The Company's reinsurance arrangements include both facultative and treaty protection, with the latter being arranged on surplus, quota share and excess of loss basis. An excess of loss per risk and event programme is in place for certain risks.

Insurance risk in terms of the net claims reserves (including IBNR):

	<i>Employees' compensation</i>	<i>Motor vehicle damage and liability</i>	<i>Property damage</i>	<i>Other types of risk</i>	<i>Total</i>
At 31 December 2022	35,604,339	47,526,391	1,967,494	3,424,927	88,523,151
At 31 December 2023	29,713,715	42,325,811	2,410,863	4,045,331	78,495,720

Sources of uncertainty in the estimation of future claims payments

Claims on insurance contracts are payable on a claims-occurrence basis. The Company is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, liability claims are settled over a long period of time and a significant element of the same claims provision relates to IBNR.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The liability for these contracts comprises a provision for reported claims not yet paid, a provision for IBNR and a provision for unexpired risks at the end of the reporting period.

In estimating the liability for the cost of reported claims not yet paid, the Company considers any information available from loss adjusters and lawyers and information on the cost of settling claims with similar characteristics in previous periods. There are several sources of uncertainty that need to be considered in the estimates of the liability that the Company will ultimately pay for such claims.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where information about the claim event is available.

5 Gross premium written

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

6 Net investment income

	2023	2022
Interest income	9,490,935	4,268,936
Amortisation of interest on financial assets measured at amortised costs	12,916	38,788
Dividend income	19,304,607	20,997,010
Unrealised loss on revaluation of financial assets at FVTPL	(5,361,766)	(15,035,844)
Realised loss on disposal of financial assets at FVTPL	(295,205)	(2,735,120)
Realised (loss) / gain on disposal of derivative financial instruments	(867,778)	13,134,223
Exchange gain / (loss)	5,484,240	(14,969,151)
	<u>27,767,949</u>	<u>5,698,842</u>

7 Other income

	2023	2022
Rental income	4,075,440	4,064,640
Management service fee income	4,800,000	4,800,000
Loss in on disposal of property, plant and equipment	-	(621)
Fair value loss on revaluation of investment properties	(3,800,000)	(4,420,000)
Others	300,415	256,487
	<u>5,375,855</u>	<u>4,700,506</u>

8 Net insurance claims and loss adjustment expenses

	2023	2022
<u>Gross</u>		
Gross claims paid	70,446,227	47,498,094
Change in gross outstanding claims	(16,332,794)	38,270,994
	<u>54,113,433</u>	<u>85,769,088</u>
<u>Reinsurance</u>		
Reinsurance claims recovery	(33,696,968)	(22,561,922)
Change in outstanding claims recoverable from reinsurer	5,605,466	(31,904,903)
	<u>(28,091,502)</u>	<u>(54,466,825)</u>
Net insurance claims and loss adjustment expenses	<u>26,021,931</u>	<u>31,302,263</u>

9 Expense for acquisition of insurance and reinsurance contracts

	2023	2022
<u>Gross</u>		
Insurance commissions	24,506,659	23,982,201
Change in deferred acquisition costs	(510,965)	(208,308)
Expense for acquisition of insurance contracts	<u>23,995,694</u>	<u>23,773,893</u>
<u>Recoverable from reinsurers</u>		
Reinsurance commissions	23,104,487	22,486,916
Change in reinsurance commission income	191,971	(85,219)
Reinsurance commission income	<u>23,296,458</u>	<u>22,401,697</u>
Insurance commission, net	<u>699,236</u>	<u>1,372,196</u>

10 Administrative expenses

	2023	2022
Employee benefit expenses		
Wages and salaries	20,423,264	21,208,823
Pension costs - defined contribution plan	710,450	1,478,442
Other staff related expenses	4,771,506	5,405,476
	25,905,220	28,092,741
Directors' emoluments	6,427,875	6,090,345
Rental, repairs and utilities	3,083,052	3,624,083
Acquisition costs	4,473,015	4,455,527
Auditor's remuneration	257,801	248,000
Professional fees and support charges	4,087,785	3,969,412
Other expenses	4,287,799	4,053,420
	48,522,547	50,533,528

11 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 2023 and 2022, 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%.

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:

	2023	2022
Profit before taxation	37,356,289	11,085,623
Tax calculated at 12%	4,482,755	1,330,276
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	(489,053)	(487,757)
Effect of expenses not deductible for tax purposes	51,959	37,604
Income tax expense on profit or loss items	3,973,661	808,123
Tax effect of change in fair value of investments at FVOCI	14,029,298	(15,377,624)
Income tax expense / (credit) on total comprehensive income	18,002,959	(14,569,501)
<u>Representing</u>		
Current tax expense	2,133,380	8,349,666
Deferred tax expense	15,869,579	(22,919,167)
	18,002,959	(14,569,501)

11 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:

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

	2023	2022
Deferred tax liabilities		
- to be settled after more than 12 months	(28,802,095)	(12,932,516)
	<u>Fair value change on investments at FVOCI</u>	<u>Fair value change on investment properties</u>
		<u>Total</u>
Balance at 1 January 2022	(21,996,262)	(13,855,421)
Tax relating to profit or loss	-	530,400
Tax relating to components of other comprehensive income	9,061,919	-
Tax applied directly to equity	13,326,848	-
Balance at 31 December 2022	392,505	(13,325,021)
Tax relating to profit or loss	-	456,000
Tax relating to components of other comprehensive income	(13,021,532)	-
Tax applied directly to equity	(3,304,047)	-
Balance at 31 December 2023	(15,933,074)	(12,869,021)

(c) Tax payable

	2023	2022
At 1 January	8,178,793	8,488,047
Payment made	(8,381,282)	(8,658,920)
Over-provision in prior years	(202,489)	(170,873)
Provision for current taxation for the year	2,133,380	8,349,666
At 31 December	1,930,891	8,178,793

12 Property, plant and equipment

	Computer equipment	Motor vehicles	Furniture and equipment	Leasehold improvement	Total
<u>Cost</u>					
At 1 January 2022	5,965,512	512,612	4,741,715	6,572,082	17,791,921
Additions	139,912	-	83,166	-	223,078
Disposals	-	-	(92,752)	-	(92,752)
At 31 December 2022	6,105,424	512,612	4,732,129	6,572,082	17,922,247
Additions	202,020	-	19,499	-	221,519
Disposals	-	-	-	-	-
At 31 December 2023	6,307,444	512,612	4,751,628	6,572,082	18,143,766
<u>Accumulated depreciation</u>					
At 1 January 2022	5,180,087	507,634	4,338,014	6,532,700	16,558,435
Depreciation charge	257,593	4,978	182,836	8,752	454,159
Disposals	-	-	(86,569)	-	(86,569)
At 31 December 2022	5,437,680	512,612	4,434,281	6,541,452	16,926,025
Depreciation charge	254,345	-	124,544	8,752	387,641
Disposals	-	-	-	-	-
At 31 December 2023	5,692,025	512,612	4,558,825	6,550,204	17,313,666
<u>Net book value:</u>					
At 31 December 2022	667,744	-	297,848	30,630	996,222
At 31 December 2023	615,419	-	192,803	21,878	830,100

13 Intangible assets

	Computer software	
	2023	2022
<u>Cost</u>		
At 1 January	8,935,323	8,935,323
Acquisitions	432,600	-
At 31 December	9,367,923	8,935,323
<u>Accumulated amortisation</u>		
At 1 January	8,681,355	8,415,725
Amortisation charge	398,167	265,630
At 31 December	9,079,522	8,681,355
Net book value at 31 December	288,401	253,968

14 Investment properties

	2023	2022
At 1 January	140,690,000	145,110,000
Fair value loss on revaluation	(3,800,000)	(4,420,000)
At 31 December	136,890,000	140,690,000

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 25(b).

All these properties are held in Macau under medium-term leases (between 10 and 50 years) on the respective land. The investment properties were revalued at 31 December 2023 and 2022 by an independent, professionally qualified valuer Savills (Macau) Limited by adopting an income capitalisation approach and with reference to recent transactions for similar premises as far as practicable.

The basis of the valuation of property was market value which is consistent with the definition of fair value under MFRS 13 "Fair Value Measurement" and takes into account the highest and best use of the property from the perspective of market participants.

Investment properties are measured at fair value using valuation techniques with significant unobservable inputs which are classified as Level 3 under the fair value hierarchy as defined in MFRS 13, "Fair Value Measurement".

For investment properties of which the fair value is determined using the income capitalisation approach, the assessment is conducted on the basis of capitalisation of net incomes with due allowance for outgoings and reversionary income potential. The fair value measurement is positively correlated to market rentals and inversely correlated to market yields. One of the key inputs used in valuing the investment properties was unit rent, with the observed range summarized below.

Description	Valuation technique(s)	Unobservable input(s)	Range 2023	Range 2022
Investment properties	Income capitalisation approach	Market yields (reversionary yield)	3.10%	3.10%
		Market rental	MOP26.1 to MOP27.5 per square foot	MOP26.7 to MOP28.2 per square foot

15 Investments

	<i>FVTPL</i>	<i>FVOCI</i>	<i>Amortised cost</i>	<i>Total</i>
<u>At 31 December 2023</u>				
Equities securities and investment funds				
Listed	75,760,454	653,481,296	-	729,241,750
Unlisted	135,268,716	5,000	-	135,273,716
Debt securities (unlisted)	-	-	8,074,399	8,074,399
Less: Impairment allowances	-	-	(30,718)	(30,718)
	<u>211,029,170</u>	<u>653,486,296</u>	<u>8,043,681</u>	<u>872,559,147</u>
<u>At 31 December 2022</u>				
Equities securities and investment funds				
Listed	89,333,785	527,099,137	-	616,432,922
Unlisted	-	5,000	-	5,000
Debt securities (unlisted)	-	-	16,118,731	16,118,731
Less: Impairment allowances	-	-	(29,746)	(29,746)
	<u>89,333,785</u>	<u>527,104,137</u>	<u>16,088,985</u>	<u>632,526,907</u>

Financial assets at FVTPL comprise the following:

- investment funds that do not qualify for measurement at either amortised cost or FVOCI;
- equity investments that are held for trading; and
- equity investments for which the Company has not elected to recognise fair value gains and losses through OCI.

Financial assets at FVOCI comprise equity securities which are not held for trading and debt securities where the contractual cash flows are solely principal and interest.

Certain investments in equity instruments measured at FVOCI have been derecognised during 2023 due to strategic and risk management considerations and settlement of dividend payable to shareholders. The fair value of the investments at the date of derecognition was MOP305,541,434 (2022: MOP274,090,996) and its cumulative gain on disposal was MOP16,839,399 (2022: loss of MOP51,415,047).

16 Derivatives

During the year 2023 and 2022, the Company has used futures contracts to hedge investment risks. The balance of notional principal was zero at the end of the year as such futures contracts have been closed out.

17 Premium receivables

As at 31 December 2023 and 2022, the ageing analysis of the premium receivables based on due date were as follows:

	2023	2022
Current	26,213,445	45,054,438
Past due up to 90 days	6,175,135	76,572,408
Past due more than 90 days	13,831,996	1,605,493
	<u>46,220,576</u>	<u>123,232,339</u>
Less: Impairment allowances	(2,182,887)	(1,826,622)
	<u>44,037,689</u>	<u>121,405,717</u>
<u>Movement in impairment allowances</u>		
Balance at 1 January	1,826,622	1,533,586
Impairment losses charged	356,265	293,036
Balance at 31 December	<u>2,182,887</u>	<u>1,826,622</u>

18 Deferred costs and income

	2023	2022
<u>Deferred acquisition costs</u>		
At 1 January	20,129,032	20,944,764
Change during the year	648,879	(815,732)
At 31 December	20,777,911	20,129,032
<u>Deferred reinsurance commission income</u>		
At 1 January	10,100,219	10,015,000
Change during the year	(191,970)	85,219
At 31 December	9,908,249	10,100,219
Net deferred acquisition costs	10,869,662	10,028,813

19 Cash and bank balances

	2023	2022
Short-term bank deposits	-	21,060,245
Cash at bank and on hand	17,415,368	35,336,111
Cash and cash equivalents	17,415,368	56,396,356
Deposits with original maturity greater than three months	8,336,600	176,942,227
Pledged deposits	84,547,873	86,132,660
Cash and bank balances, gross	110,299,841	319,471,243
Less: Impairment allowances	(81,415)	(60,513)
	110,218,426	319,410,730

20 Pledge of assets

Various assets under different statement of financial position 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.

	2023	2022
<u>Assets pledged to AMCM</u>		
Investment properties	132,360,000	136,080,000
Investments	271,807,289	232,031,154
Cash and bank balances	84,540,302	86,119,490
	488,707,591	454,230,644
<u>Assets pledged to a fellow subsidiary</u>		
Cash and bank balances	7,571	13,170
Total	488,715,162	454,243,814

21 Insurance contract provisions

(a) Composition of insurance contract provisions

	Gross	Reinsurance	Net
<u>At 31 December 2023</u>			
Reported claims	313,380,297	239,874,577	73,505,720
Claims incurred but not reported	7,755,000	2,765,000	4,990,000
Outstanding claims	321,135,297	242,639,577	78,495,720
Unexpired risk reserve	1,000	(8,100,000)	8,101,000
Unearned premium reserve	140,683,124	100,867,880	39,815,244
	<u>461,819,421</u>	<u>335,407,457</u>	<u>126,411,964</u>
<u>At 31 December 2022</u>			
Reported claims	331,787,194	247,916,043	83,871,151
Claims incurred but not reported	5,645,000	993,000	4,652,000
Outstanding claims	337,432,194	248,909,043	88,523,151
Unexpired risk reserve	-	(8,764,000)	8,764,000
Unearned premium reserve	144,061,430	105,039,084	39,022,346
	<u>481,493,624</u>	<u>345,184,127</u>	<u>136,309,497</u>

(b) Analysis of movements in insurance contract provisions

	Gross	Reinsurance	Net
<u>Reported claims</u>			
At 1 January 2022	261,473,760	183,926,140	77,547,620
Increase / (decrease) in liabilities			
arising from current year claims	179,075,172	114,683,967	64,391,205
arising from prior year claims	(61,263,644)	(28,132,142)	(33,131,502)
Claims paid during the year	(47,498,094)	(22,561,922)	(24,936,172)
At 31 December 2022	331,787,194	247,916,043	83,871,151
Increase / (decrease) in liabilities			
arising from arising from current year claims	142,572,253	84,921,409	57,650,844
arising from arising from prior year claims	(90,532,923)	(59,265,907)	(31,267,016)
Claims paid during the year	(70,446,227)	(33,696,968)	(36,749,259)
At 31 December 2023	<u>313,380,297</u>	<u>239,874,577</u>	<u>73,505,720</u>
<u>Claims incurred but not reported</u>			
At 1 January 2022	37,742,000	27,626,000	10,116,000
Change during the year	(32,097,000)	(26,633,000)	(5,464,000)
At 31 December 2022	5,645,000	993,000	4,652,000
Change during the year	2,110,000	1,772,000	338,000
At 31 December 2023	<u>7,755,000</u>	<u>2,765,000</u>	<u>4,990,000</u>
<u>Unexpired risk reserve</u>			
At 1 January 2022	-	(3,312,000)	3,312,000
Change during the year	-	(5,452,000)	5,452,000
At 31 December 2022	-	(8,764,000)	8,764,000
Change during the year	1,000	664,000	(663,000)
At 31 December 2023	<u>1,000</u>	<u>(8,100,000)</u>	<u>8,101,000</u>
<u>Unearned premium reserve</u>			
At 1 January 2022	160,946,079	118,431,897	42,514,182
Change during the year	(16,884,649)	(13,392,813)	(3,491,836)
At 31 December 2022	144,061,430	105,039,084	39,022,346
Change during the year	(3,378,306)	(4,171,204)	792,898
At 31 December 2023	<u>140,683,124</u>	<u>100,867,880</u>	<u>39,815,244</u>

21 Insurance contract provisions (continued)

(c) Assumptions, change in assumptions and sensitivity

Process used to decide on assumption

The insurance contract liabilities of the Company comprise claim liabilities and premium liabilities. Claim liabilities consist of reserves for claims notified and reserves for outstanding claims incurred but not reported ("IBNR") while premium liabilities consist of the reserve for unexpired risks, net of deferred acquisition costs and their values are carried in the statement of financial position as disclosed in Note 3.

Change in assumptions and sensitivity analysis

The estimates of claim and premium liabilities are sensitive to various factors and uncertainties.

The principal assumption underlying the estimates is the Company's past claims development experience, including assumptions in respect of average claims costs, claims handling costs, claims inflation factors, diversification factors in risk margin and claims numbers for each year. Judgment is used to assess the extent to which external factors such as judicial decisions and government legislation may affect the estimates.

Sensitivity analysis and claims development table

The changes in the average claims cost and in the average number of claims are the most prominent reasons for any change in liabilities arising from insurance contracts. The sensitivity of certain assumptions, for instance the impact of legislative change, is not possible to quantify.

The table below demonstrates the effect of a change in key assumptions whilst other assumptions remain unchanged. However, the correlation of assumptions will have a significant effect in determining the ultimate claims liabilities.

		<i>Increase in gross insurance contract liabilities</i>	<i>Increase in net insurance contract liabilities</i>	<i>Decrease in profit before tax</i>	<i>Reduction of shareholders' equity</i>
	<i>Change in assumptions</i>				
<u>Change of total claims cost</u>					
At 31 December 2023	+10%	32,113,530	7,849,572	7,849,572	6,907,623
At 31 December 2022	+10%	33,743,219	8,852,315	8,852,315	7,790,037

21 Insurance contract provisions (continued)

(c) Assumptions, change in assumptions and sensitivity (continued)

Sensitivity analysis and claims development table (continued)

	2019 or prior	2020	Accident year		2023	Total
			2021	2022		
As at 31 December 2023						
<u>Gross insurance claims (including IBNR)</u>						
At the end of the reporting year	2,093,593,929	179,017,225	69,945,537	37,690,810	140,375,213	2,520,622,714
One year later	2,117,489,076	180,651,834	82,900,562	46,387,632		
Two years later	2,070,473,616	178,491,677	89,660,294			
Three years later	2,064,990,735	176,672,936				
Four years later	2,060,122,907					
Current estimate of cumulative claims	2,060,122,907	176,672,936	89,660,294	46,387,632	140,375,213	2,513,218,982
Cumulative payments to date	(1,929,443,423)	(155,586,857)	(73,496,861)	(22,537,146)	(11,019,398)	(2,192,083,685)
Outstanding claims	130,679,484	21,086,079	16,163,433	23,850,486	129,355,815	321,135,297

Net insurance claims (including IBNR)

At the end of the reporting year	807,221,674	49,533,267	42,135,076	32,829,962	54,767,497	986,487,476
One year later	795,801,006	54,032,699	42,309,950	34,403,055		
Two years later	781,584,799	52,518,449	41,059,547			
Three years later	776,176,182	50,937,580				
Four years later	771,631,561					
Current estimate of cumulative claims	771,631,561	50,937,580	41,059,547	34,403,055	54,767,497	952,799,240
Cumulative payments to date	(764,804,741)	(47,861,267)	(32,760,741)	(18,839,379)	(10,037,392)	(874,303,520)
Outstanding claims	6,826,820	3,076,313	8,298,806	15,563,676	44,730,105	78,495,720

	2018 or prior	2019	Accident year		2022	Total
			2020	2021		

As at 31 December 2022

Gross insurance claims (including IBNR)

At the end of the reporting year	2,154,820,956	91,700,481	179,017,225	69,945,537	132,724,060	2,628,208,259
One year later	2,001,893,448	98,042,056	180,651,834	82,896,931		
Two years later	2,019,447,020	95,781,444	178,436,083			
Three years later	1,974,692,172	96,092,237				
Four years later	1,968,898,498					
Current estimate of cumulative claims	1,968,898,498	96,092,237	178,436,083	82,896,931	132,724,060	2,459,047,809
Cumulative payments to date	(1,841,162,961)	(85,504,811)	(150,599,735)	(35,745,573)	(8,602,535)	(2,121,615,615)
Outstanding claims	127,735,537	10,587,426	27,836,348	47,151,358	124,121,525	337,432,194

Net insurance claims (including IBNR)

At the end of the reporting year	752,340,124	70,811,434	49,533,267	42,135,076	55,110,214	969,930,115
One year later	736,410,240	70,922,024	54,032,699	42,306,319		
Two years later	724,878,982	66,479,128	52,462,855			
Three years later	715,105,671	66,363,382				
Four years later	709,812,800					
Current estimate of cumulative claims	709,812,800	66,363,382	52,462,855	42,306,319	55,110,214	926,055,570
Cumulative payments to date	(700,928,180)	(61,113,227)	(43,523,719)	(24,635,296)	(7,331,997)	(837,532,419)
Outstanding claims	8,884,620	5,250,155	8,939,136	17,671,023	47,778,217	88,523,151

22 Share capital

	<u>Number of shares</u>	<u>Share capital</u>
Authorised, issued and fully paid:		
At 1 January, 31 December 2022 and 2023	<u>220,000</u>	<u>220,000,000</u>

The total authorised number of shares is 220,000 shares (2022: 220,000 shares) with a par value of MOP1,000 per share (2022: MOP1,000 per share).

23 Reserves

	<u>2023</u>	<u>2022</u>
Legal reserves	24,852,186	23,824,436
Asset revaluation reserves	116,842,563	(2,878,354)
Retained earnings	<u>636,083,474</u>	<u>723,567,995</u>
	<u>777,778,223</u>	<u>744,514,077</u>

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 computed 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 MOP3,338,263 in respect of the net comprehensive income for the year 2023, subject to approval by shareholders, shall be transferred to the legal reserve.

24 Interest in a subsidiary

	<u>Country of incorporation</u>	<u>Registered capital (MOP)</u>	<u>Ownership interest</u>
Macau Pension Fund Management Company Limited ("MPFM")	Macau		
At 1 January, 31 December 2022 and 2023		<u>60,000,000</u>	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:

	<u>2023</u>	<u>2022</u>
<u>For the year ended 31 December</u>		
Total income	24,908,465	20,600,318
Operating expenses	<u>(15,467,737)</u>	<u>(15,408,595)</u>
Profit before taxation	9,440,728	5,191,723
Income tax expense	<u>(1,061,042)</u>	<u>(551,190)</u>
Profit after taxation	<u>8,379,686</u>	<u>4,640,533</u>
<u>As at 31 December</u>		
Total assets	107,411,864	90,830,054
Total liabilities	<u>(25,022,241)</u>	<u>(16,820,117)</u>
Shareholders' equity	<u>82,389,623</u>	<u>74,009,937</u>
Pension assets under management on behalf of clients	<u>3,070,613,106</u>	<u>2,801,609,352</u>

25 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:

	2023	2022
Within one year	2,768,640	2,651,419
After one year but within five years	2,655,409	5,117,040
	<u>5,424,049</u>	<u>7,768,459</u>

(b) As lessor

The Company leases out its investment properties (Note 14) under operating leases. Future minimum lease payments under non-cancellable operating leases rentals are as follows:

	2023	2022
Within one year	2,965,815	3,805,065
After one year but within five years	4,231,725	3,018,315
	<u>7,197,540</u>	<u>6,823,380</u>

26 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

	2023	2022
<u>Transactions with a subsidiary</u>		
Insurance premiums received / receivable	22,545	28,986
Management service fees received / receivable	4,800,000	4,800,000
Pension fund subscription fees paid / payable	(52,762)	(51,468)
<u>Transactions with fellow subsidiaries</u>		
Interest income received / receivable	171,625	833,158
Insurance premiums received / receivable	3,878,872	2,565,919
Reinsurance commission received / receivable	628,764	839,928
Reinsurance claim received / receivable	61,761	206,791
Co-branding commissions received / receivable	67,056	69,416
Reinsurance premium paid / payable	(3,461,281)	(4,131,305)
Insurance commissions paid / payable	(6,709,376)	(6,874,068)
Support service charges paid / payable	(4,513,686)	(3,825,344)
Rental expenses paid / payable	(2,558,520)	(3,151,800)
Insurance claims recovered / recoverable / (paid / payable)	19,927	(59,238)

(b) Balances with related parties

	2023	2022
Amounts due to a holding company	(506,068)	(506,068)
Amounts due to a subsidiary	(151)	(88)
Deposits placed with a fellow subsidiary	16,286,099	116,124,705
Amounts due to fellow subsidiaries	(5,080,416)	(10,277,527)

26 Related parties (continued)

(c) Off-balance sheet items

	2023	2022
Assets held by a subsidiary for retirement benefit plan of the Company	19,977,795	20,055,641
Bank guarantees obtained from and deposits pledged to a fellow subsidiary	7,571	13,170

(d) Key management compensation

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

	2023	2022
Salaries and other short-term benefits	6,070,755	5,742,033
Post-employment benefits	357,120	348,312
	6,427,875	6,090,345

27 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	Compulsory Professional Liability Insurance for Healthcare Providers	Other Classes	Total
<u>Gross premiums written</u>										
Direct insurance	29,332,905	311,895	27,841,469	182,527	-	37,100	-	493,998	182,185,437	240,385,331
Reinsurance accepted	1,668,148	-	3,718,845	-	-	-	-	-	9,232,006	14,618,999
	31,001,053	311,895	31,560,314	182,527	-	37,100	-	493,998	191,417,443	255,004,330
<u>Gross premiums earned</u>										
Direct insurance	28,442,816	295,329	27,884,119	176,609	-	42,177	-	525,419	187,156,993	244,523,462
Reinsurance accepted	1,694,817	-	3,399,159	-	-	-	-	-	8,765,198	13,859,174
	30,137,633	295,329	31,283,278	176,609	-	42,177	-	525,419	195,922,191	258,382,636
<u>Commission incurred</u>										
Direct insurance	3,761,072	203,672	4,856,146	12,909	-	4,550	-	26,850	13,344,835	22,210,034
Profit commission & overriding commission	-	-	-	-	-	-	-	-	-	-
Reinsurance accepted	(3)	81,283	463,126	-	-	-	-	-	1,752,219	2,296,625
	3,761,069	284,955	5,319,272	12,909	-	4,550	-	26,850	15,097,054	24,506,659
<u>Change in deferred acquisition cost</u>										
Direct insurance	(125,627)	(4,584)	235,399	(745)	-	(6)	-	4,123	(411,700)	(303,140)
Reinsurance accepted	2	-	(66,321)	-	-	-	-	-	(141,506)	(207,825)
	3,635,444	280,371	5,488,350	12,164	-	4,544	-	30,973	14,543,848	23,995,694
<u>Gross claims paid</u>										
Direct insurance	16,945,038	-	10,715,075	-	-	-	-	9,885	37,509,584	65,179,582
Reinsurance accepted	1,903,764	-	2,008,952	-	-	-	-	-	1,353,929	5,266,645
	18,848,802	-	12,724,027	-	-	-	-	9,885	38,863,513	70,446,227
<u>Gross outstanding claims</u>										
Direct insurance	27,951,261	-	19,295,541	-	-	-	-	-	167,871,278	215,118,080
Reinsurance accepted	5,708,162	-	4,083,900	-	-	-	-	-	1,177,155	10,969,217
Provision for IBNER claims (incurred but not enough reserved)	14,547,000	-	12,112,000	-	-	-	-	-	68,389,000	95,048,000
	48,206,423	-	35,491,441	-	-	-	-	-	237,437,433	321,135,297