

Annual Report 2017



FIDELIDADE
忠誠保險

Fidelidade Macau - Insurance Company Limited

Fidelidade Macau - Insurance Company Limited

Share Capital MOP 160,000,000.00

Registered with the Commercial and Movable Assets Registry under no. 58954(SO)

Head-Office

Avenida da Praia Grande, No. 567

BNU Building, 14th Floor, Macau

Tel.: (853) 2833 9472

Fax: (853) 2833 8549

Email: info@fidelidade.com.mo

www.fidelidade.com.mo



Dear Shareholders

In compliance with the legal and statutory requirements on the provision of information, the Directors are happy to submit their annual report, together with the audited financial statements of Fidelidade Macau - Insurance Company Limited for the year ended 31 December 2017.

The Board of Directors

Contents

1. Governing Bodies	9
2. Macau Economy.....	10
3. Macau Non-Life Insurance Market	10
4. Company Overview	11
5. Summary of Main Indicators.....	12
6. Shareholders with Qualifying Holding	13
7. Shareholding Structure	13
8. Human Resources	14
9. Commercial Operations	15
10. Financial Review.....	15
11. Appropriation of Profits	15
12. Management Appreciation	16
13. Financial Statements.....	17
14. Auditors' Report.....	23
15. Audited Financial Statements	25
16. Supervisor's Report	45

1. Governing Bodies

General Assembly

Chairman:	Jorge Neto Valente
Secretary:	Maria Beatriz de Melo e Sá Segorbe Luís

Board of Directors

Chairman:	Rogério Miguel Antunes Campos Henriques
Member:	Wai Lam William Mak (麥偉林)
Member:	Paulo Manuel Gomes Barbosa
Member:	Cheung Ming Fai Ivan (張明輝)

Executive Committee

Chief Executive Officer:	Paulo Manuel Gomes Barbosa
Executive Director:	Cheung Ming Fai Ivan (張明輝)

Company Secretary

Secretary:	Maria Beatriz de Melo e Sá Segorbe Luís
------------	---

Supervisory Council

Single Supervisor:	CSC & Associados – Sociedade de Auditores Represented by Mok Chi Meng (莫子銘)
--------------------	--

2. Macau Economy

For the whole year of 2017, the economy of Macau grew by 9.1% year-on-year in real terms, ending the economic contraction for the past three consecutive years. The economy increased by 11.2% in the first half of the year, followed by a 7.2% rise in the second half of the year.

Although the whole economy resumed positive growth, domestic demand remained weak and retreated by 2.7% in 2017. Following years of economic adjustment, private consumption expenditure reversed its decline of 1.1% in 2016 and rose by 1.6% in 2017, attributable to increased spending on durable goods and services. Government final consumption expenditure increased by 1.7%, smaller than the 4.4% growth in 2016. The gross fixed capital formation contracted due to the persistent decrease in private investment, but the rate of decline narrowed from 11.8% in 2016 to 10.0% in 2017.

The inflation rate for 2017 stood at 1.23%, down from the 2.37% rise in 2016, attributable to higher changes for eating out, dearer prices of women's winter clothing and footwear, as well as rising parking meter rates and rentals for dwellings.

The labour market remained stable. For the year 2017, the recorded unemployment rate was 2.0%, affirming the full employment environment of Macau. This resulted in an upward pressure in remunerations and other benefits due to the high competition of firms in capturing human resources.

On 24 May 2017, Moody's Investors Service has affirmed Macau's local and foreign currency issuer ratings at Aa3 and changed the outlook to stable from negative. The factors driving the rating affirmation and stable outlook are Moody's expectations that: (1) The preservation of fiscal and external buffers, through a sharp economic downturn, provides significant room to counter future negative shocks; (2) Ongoing progress on diversification bolsters prospects for more resilient GDP growth; and (3) Signs of policy effectiveness support institutional strength.

3. Macau Non-Life Insurance Market

Following the expansion of Macau's economy, reflecting a favourable economic situation in year 2017, the non-life insurance industry grew by about 3.4%, recording a total gross written premiums of MOP 1.8 billion up to the third quarter of 2017.

The distribution of gross written premiums by insurance class remained quite stable, with property lines of business representing 40.5% of total premiums (41.8% in year 2016), seconded by employees' compensation and motor lines of business with a share of 20.4% and 12.3% respectively (19.9% and 13.4% in year 2016).

The non-life insurance industry registered a significant rise in the gross loss ratio from 34% in year 2016 to 189% up to the third quarter of 2017. In fact, category 3 Typhoon Hato made landfall in August 2017 near Macau, with wind speeds reported to have reached 200 km/hour, accompanied by a destructive storm surge that was exacerbated by a high tide, leaving widespread flooding, wind damage to commercial and residential high-rises, and power and water outages across the city.

It is estimated that roughly 25% of the economic losses are recoverable from insurance. Those insurance losses from Typhoon Hato led to skyrocketing gross loss ratios of 1010% and 298% for engineering and property all risks lines respectively, as of the third quarter of 2017.

4. Company Overview

Fidelidade Macau - Insurance Company Limited is a legally licensed insurance company authorized for the transaction of general insurance business in the Macau Special Administrative Region of the People's Republic of China, place in which was incorporated on 1 October 2015, following the Executive Order No. 43/2015, of 6 August 2015, published in the Official Gazette No. 33, I Series, of 17 August 2015.

The Executive Order above mentioned also revoked the operating license granted to the non-life branch of Fidelidade - Companhia de Seguros, S.A., named Fidelidade - Insurance Company Limited (Non-Life) ("the Branch"), and authorized the transfer of the Branch's net assets to Fidelidade Macau - Insurance Company Limited ("the Company").

The Company started its operations in Macau on 1 October 2015, date on which its newly approved insurance license becomes effective and the date that all policies, certificates and contracts entered into with the Branch have been transferred to the Company without affecting or modifying any terms, conditions or benefits set out on such policies, certificates and contracts.

The year of 2015 stands out for the reinforced commitment of the Company's major shareholder, Fidelidade – Companhia de Seguros, S.A. ("Fidelidade"), in contributing to the development of the financial industry of Macau through its insurance activities. The origins of our major shareholder dated back to the year 1808, being one of the oldest insurance companies in Europe. During the past 200 years of Fidelidade's development, it has stood out for its entrepreneurial spirit and the support given to the development of society and economy in Portugal.

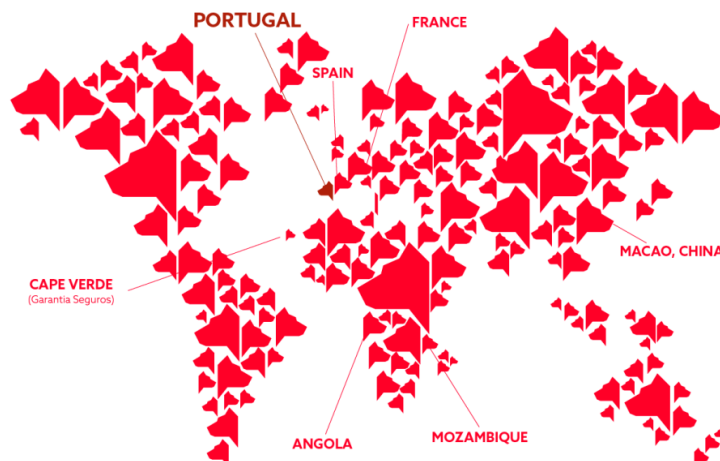
Throughout its trajectory, Fidelidade has been serving its clients with highest quality of insurance service, playing an extraordinary role in areas of social responsibility namely in the protection of lives, property and in the security of people's well-being, safeguarding the stability of society, insuring key infrastructure development projects, boosting the economy, and providing its customers with an innovative offer.

May 2014 stands out for the change in the shareholder control of Fidelidade, corresponding to the acquisition of an 80% share capital and voting rights by the Fosun Group. The new shareholder is one of the largest private-owned conglomerates in China, its business covering a number of areas including real estate, health care, tourism, medicine, insurance, finance, communications and advertising. During year 2014 the share position of Fosun Group was further increased to 84.9861% by acquisition of additional shares, fulfilling its investment plan in Fidelidade. The strategic business partner of Fidelidade, Caixa Seguros e Saúde, SGPS, S.A., a wholly owned subsidiary of Caixa Geral de Depósitos, S.A. (the largest financial institution in Portugal, wholly owned by the Portuguese State) has a share of 15%.

The Company has a relevant place in the economy of Macau with a strong presence in the local market and sound financial position reflected on its financial statements. The Company's success in the market reflected the consistent focus on long-term strategies and the offering of a combination of strong capacity and in-depth knowledge of Macau across the business lines of property, marine, engineering, aviation, travel, motor and all other general insurance lines. The Company's local expertise is built on the strength of a highly motivated and technically knowledgeable team. The Company's insurance solutions are founded on sound technical competences marketed to better satisfy the needs and expectations of our clients.

FIDELIDADE

SEGUROS DESDE 1808



5. Summary of Main Indicators

The year 2017 was the second completed year of activity after the Fidelidade Group's commitment to the development of the insurance business in Macau in year 2015 with the local incorporation of the Company.

Financial Position <i>(in MOP Million)</i>	2016	2017
Assets	544.0	749.0
Liabilities	361.5	552.0
Shareholders' Equity	182.5	197.0

Key Ratios <i>(in %)</i>	2016	2017
Ceded Ratio (Earned basis)	46.9	46.3
Solvency Ratio	484.6	519.2
Net Combined Ratio	78.4	83.5
Net Expense Ratio	38.2	38.3
Net Loss Ratio	40.2	45.2

Financial Results <i>(in MOP Million)</i>	2016	2017
Gross Written Premiums	121.6	123.3
Gross Earned Premiums	122.5	123.3
Net Earned Premiums	64.8	66.4
Profit of the Year	16.6	14.6

6. Shareholders with Qualifying Holding

According to the Financial System Act of Macau, a qualified holding is that which, directly or indirectly, represents 10% or more of the share capital or voting rights, or any other form which confers the possibility to exercise a significant influence over the management of the institution.

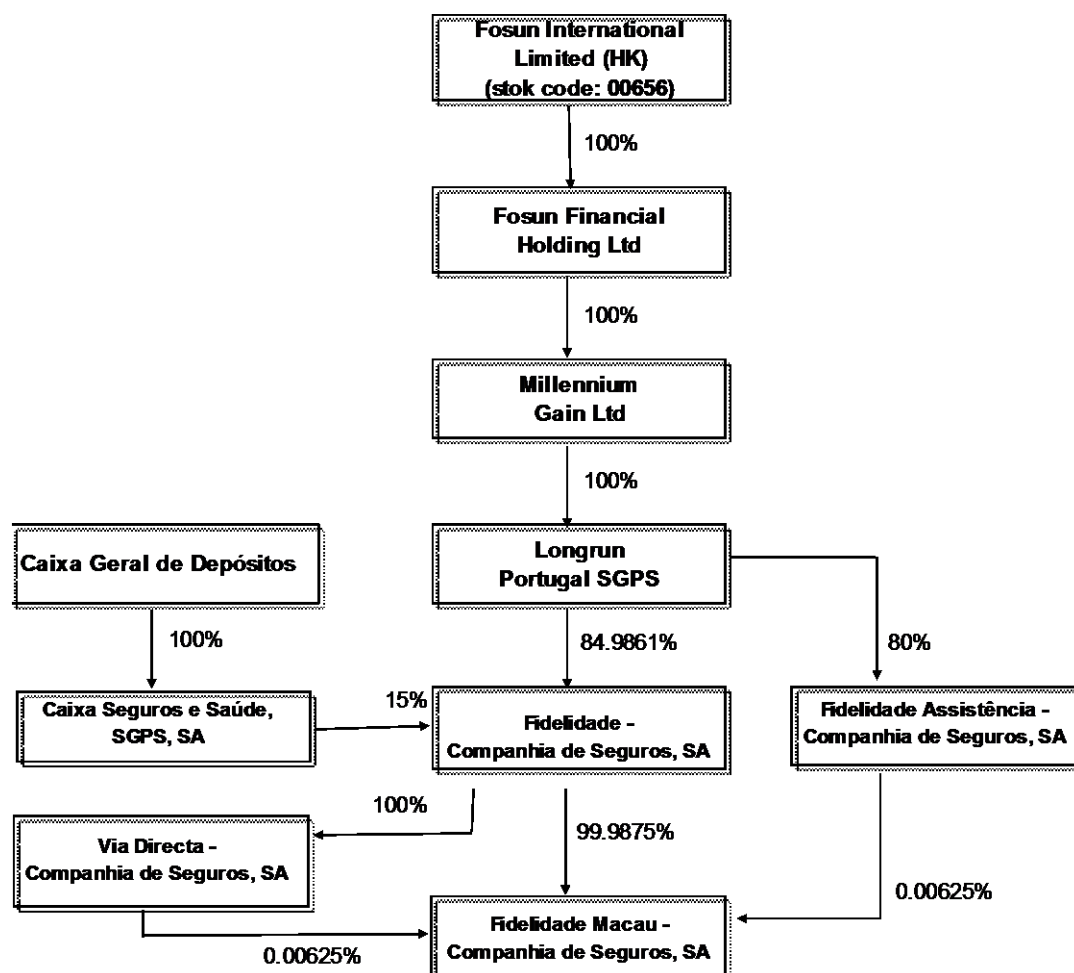
The Company has the following shareholders with a qualified holding:

- Fidelidade - Companhia de Seguros, S.A. 99.9875%

The remaining shareholders, with no-qualified holding, are:

- Fidelidade Assistência - Companhia de Seguros, S.A. 0.00625%
- Via Directa - Companhia de Seguros, S.A. 0.00625%

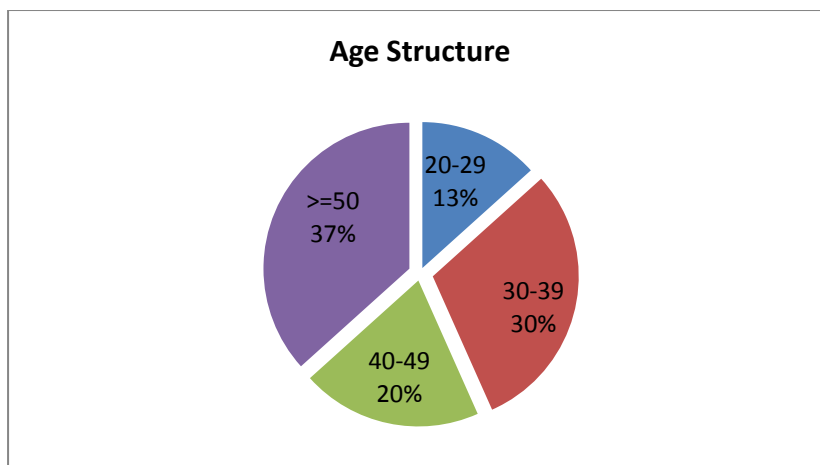
7. Shareholding Structure



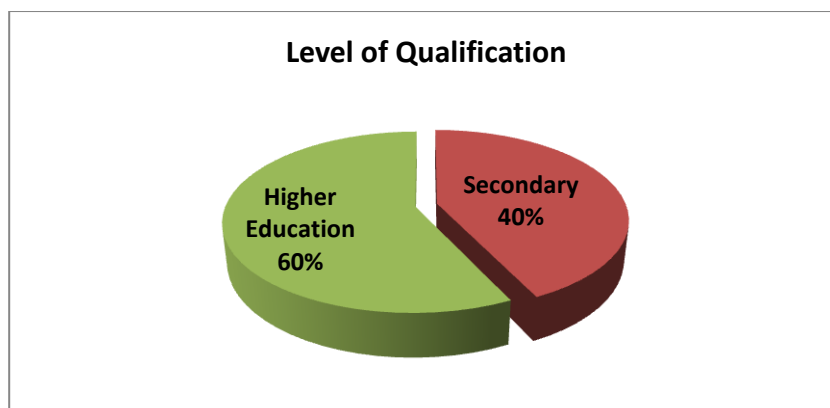
8. Human Resources

As at the end of 2017, the Company employed 30 staff members (28 in year 2016), all of them employed on a full-time permanent contract basis. The Company follows a staff valuing and stability policy, where temporary work is resourced only to cover short term needs.

In terms of gender distribution, the Company has no predominance of gender, totalizing 17 females and 13 males. The overall average age is 45.4 years, comprising a female average age of 38.1 years and a male average age of 56.8 years.



In terms of academic background, staff members with higher education degree represent 60% of the total, which is clearly above the 33% average of the Macau's employed population. All the remaining staff members have a secondary education degree.



The Company focused on the training programs related to Anti Money Laundering and Combating the Financing of Terrorism. Special encouragement is being given to all our staff members to enhance their knowledge and skills via internal and external learning programmes. The Company believes that giving employees the time, facilities and encouragement to develop their individual competences has a profound effect on their motivation as well as on the Company's service and innovation capacity.

9. Commercial Operations

The Company's commercial operations focused on the development of the bancassurance segment, while strengthening brokers, agents and direct channels.

In the bancassurance channel, good sales results were achieved by Banco Nacional Ultramarino, S.A.. This distribution channel represented 32.7% of the Company's total gross premiums in year 2017, which was similar to the previous year. The Company considers the continuous development of the relationship with this financial entity of strategic importance for growth and for service enhancement.

On the corporate market, the Company received a continuous support from its reinsurance partners which associated with our local technical capacity and market knowledge enabled the Company to continue offering solutions differentiated from those of our main competitors, allowing for the expansion of new business opportunities and diversification of our client base.

The Company gears itself consistently to the needs and requirements of its corporate clients and aims to measurably improve through close communication with them. This encompasses high-quality, needs-oriented, customer-centric sales advice, clear communication, comprehensive services and rapid assistance in the event of a loss via efficient processes and a lean organization. In combination with its solid financial strength, this makes our Company's specialists reliable partners for insurance solutions.

The Company operates in virtually all lines of business. We offer our corporate clients in industrial and major-project business a wide range of specialized products, customized insurance solutions and services, which we manage from within our organization in partnership with our reinsurer partners. Our clients thus have direct access to the expertise and capacity of a leading insurer in the Macau market.

10. Financial Review

The Company's total assets amounted to MOP 749 million at the end of year 2017. The total liabilities amounted to MOP 552 million, which includes the Company's reserves towards policyholders and claimants of MOP 505 million.

The solvency margin measured against the minimum regulatory requirements issued by the Monetary Authority of Macau was 519% at the end of year 2017, revealing the Company's solid financial structure and reflecting a strong foundation for future business expansion.

The net combined ratio was 83.5% for 2017, indicating a healthy profitable performance on the insurance operation of the Company, despite the losses suffered from the Typhoon Hato, the strongest to have hit Macau in 53 years.

The Company's net profit for the year 2017 amounted to 14.6 million Macau Patacas.

11. Appropriation of Profits

In compliance with Article 23 of the Articles of Association of the Company and pursuant to Article 84 of the Macau Insurance Ordinance (Decree-law no. 27/97/M, of 30 of June), the Board of Directors hereby proposes that the earnings for the year ended 31 December 2017 totalizing MOP 14,577,880.03 (fourteen million five hundred seventy seven thousand eight hundred eighty Macau Patacas and three cents) be allocated as follows:

- MOP 2,915,576.01 (two million nine hundred fifteen thousand five hundred seventy six Macau Patacas and one cent) to the legal reserve fund;
- MOP 11,662,304.02 (eleven million six hundred sixty two thousand three hundred and four Macau Patacas and two cents) to the free reserve fund.

12. Management Appreciation

The Board of Directors would like to extend its deep appreciation to all the people and institutions that we established relations with, who contributed to the implementation of the necessary actions and who have contributed most to the results achieved in the financial year, with special emphasis on the following:

- The competent authorities of Macau and, in particular, the Monetary Authority of Macau for their valuable support and guidance and their role as a key driving force in the development of the Macau's insurance sector;
- The President of the General Assembly and the Single Supervisor for their interest, availability and commitment to the monitoring and control of the business;
- The Brokers, Agents and Reinsurers for their business support and trust with the Company;
- Our shareholder Fidelidade - Companhia de Seguros, S.A. for all the support given to the Board of Directors in their daily tasks;
- Our employees, whose professionalism, efforts and competence allowed achievement of the goals set for the year;
- Our Customers, who showed their preference through their loyalty, being a stimulus for permanent improvement of our service quality.

Macau, 15 March 2018

The Board of Directors

Rogério Miguel Antunes Campos Henriques
Chairman

Wai Lam William Mak (麥偉林)
Member

Paulo Manuel Gomes Barbosa
Member

Cheung Ming Fai Ivan (張明輝)
Member

13. Financial Statements

- Balance Sheet as at 31 December 2017
 - Revenue Account for 2017
 - Profit and Loss Account for 2017

Balance Sheet as at 31 December 2017

(Amounts in MOP)

ASSETS	Balances	Sub-totals	Totals
TANGIBLE ASSETS			
Office Premises	-		
Motor Vehicles	878,870.20		
Furniture & Fixtures	367,309.20		
Office Equipment	193,519.46		
Central Air-Conditioning and Electrical System	453,000.40		
Computers	1,431,186.40		
Air Conditioners and Heaters	335,345.00		
Telecommunication Equipment	118,088.84		
Others	-		
(Accumulated Depreciation)	(2,180,877.56)	1,596,441.94	1,596,441.94
TANGIBLE ASSETS			
Assets Without Encumbrance			
Shares	-		
Others	-	-	
Assets Guaranteeing Technical Reserves			
Fixed deposits	155,524,668.52		
Others	-	155,524,668.52	155,524,668.52
DEFERRED EXPENSES			
Publicity and Campaigns	-		
Other Deferred Expenses	-	-	-
REINSURER'S SHARE IN UNEARNED PREMIUM RESERVES			
On Direct Insurance	18,800,896.60		
On Reinsurance Accepted	491,808.40	19,292,705.00	
REINSURERS' PARTICIPATION IN OUTSTANDING CLAIMS RESERVE			
On Direct Insurance	339,843,455.57		
On Reinsurance Accepted	27,326,945.35	367,170,400.92	386,463,105.92
SUNDRY DEBTORS			
Shareholders	-		
Associate Companies	188,738.26		
Reinsureds	595,521.12		
Reinsurers	11,654,120.21		
Co-Insurers	14,423.45		
Others	899,679.97	13,352,483.01	13,352,483.01
PREMIUMS ON COLLECTION		10,600,772.85	
(PROVISION FOR DUE PREMIUMS)		(2,578,158.62)	8,022,614.23
ACCRUALS AND DEFERRALS			
Interest Receivable		3,702,010.99	
Other Accruals and Deferrals		11,179,150.54	14,881,161.53
DEPOSITS AT BANKS			
In Local Currency			
Current Accounts	4,050,770.09		
Fixed Deposits	29,329,253.15	33,380,023.24	
In Foreign Currency			
Current Accounts	12,158,127.39		
Fixed Deposits	123,644,889.33	135,803,016.72	169,183,039.96
CASH			10,000.00
TOTAL ASSETS			749,033,515.11

(Amounts in MOP)

LIABILITIES	Balances	Sub-totals	Totals
UNEARNED PREMIUM RESERVE			
On Direct Insurance	54,257,032.65		
On Reinsurance Accepted	2,019,187.39	56,276,220.04	
OUTSTANDING CLAIMS RESERVE			
On Direct Insurance	411,506,378.33		
On Reinsurance Accepted	37,110,425.91	448,616,804.24	504,893,024.28
SUNDRY RESERVE		74,944.87	74,944.87
SUNDRY CREDITORS			
Shareholders		-	
Associate Companies		339,579.80	
Reinsureds		4,510,203.46	
Reinsurers		21,030,640.98	
Co-insurers		262,098.47	
Insureds		3,199,968.20	
Intermediaries		343,227.70	
Government Departments		2,297,061.90	
Others		2,942,230.71	34,925,011.22
LOANS AND ADVANCES			
Banks		-	
Others		-	-
CLAIMS PAYABLE			-
COMMISSIONS PAYABLE			3,089,697.80
ACCRUALS AND DEFERRALS			9,012,350.50
TOTAL LIABILITIES			551,995,028.67

EQUITY	Balances	Sub-totals	Totals
SHARE CAPITAL			
Paid-up Capital			160,000,000.00
RESERVES			
Legal Reserve		4,492,121.28	
Free Reserve		17,968,485.13	22,460,606.41
PROFIT BEFORE TAXATION		16,429,846.03	
PROVISION FOR INCOME TAX		(1,851,966.00)	
NET PROFIT (AFTER TAX)			14,577,880.03
TOTAL EQUITY			197,038,486.44

TOTAL LIABILITIES & EQUITY	749,033,515.11
---------------------------------------	-----------------------

Accounting Manager: _____

Board of Directors: _____

Revenue Account for 2017

(Amounts in MOP)

DEBIT	Employees' Compensation	Fire	Motor	Marine Cargo	Other Classes	General Accounts	Sub-Totals	Totals
UNEARNED PREMIUM RESERVE								
On Direct Insurance	1,195,472.60	1,259,586.23	634,045.30	-	577,615.64		3,666,719.77	
On Reinsurance Accepted	-	68,306.95	292,582.29	-	10.54		360,899.78	4,027,619.55
COMMISSIONS								
On Direct Insurance	711,725.70	16,634,718.70	1,659,536.20	-	2,352,390.70		21,358,371.30	
On Reinsurance Accepted	42,439.50	115,167.90	307,540.00	677.00	53,535.00		519,359.40	21,877,730.70
COSTS RELATED WITH REINSURANCE CEDED								
On Direct Insurance								
Premiums ceded	1,696,718.20	20,330,129.60	830,336.10	1,178,556.90	31,207,913.70		55,243,654.50	
Reduction of Unearned Premium Reserve	-	104,014.60	-	7,836.40	615,534.00		727,385.00	
Reduction of Outstanding Claims Reserve	64,156.71	26,290,753.20	31,299.40	-	120,103,486.48		146,489,695.79	202,460,735.29
On Reinsurance Accepted								
Premiums ceded	-	417,837.00	-	2,256.50	177,485.30		597,578.80	
Reduction of Unearned Premium Reserve	-	174,167.75	-	-	360,808.39		534,976.14	
Reduction of Outstanding Claims Reserve	-	27,928.45	-	-	-		27,928.45	1,160,483.39
GROSS CLAIMS								
On Direct Insurance								
Paid	12,037,463.33	86,712,923.66	4,007,155.07	5,204.59	48,705,697.71		151,468,444.36	
Provisions	11,742,951.05	75,287,175.01	5,559,824.06	30,313.09	226,977,311.16		319,597,574.37	471,066,018.73
On Reinsurance Accepted								
Paid	1,777,577.81	4,906,705.90	448,158.94	-	7,274.25		7,139,716.88	
Provisions	514,723.63	17,064,281.86	3,110,205.89	-	10,586,478.88		31,275,690.26	38,415,407.14
GENERAL EXPENSES						21,682,559.69		21,682,559.69
FINANCIAL COSTS						61,439.89		61,439.89
OTHER COSTS						741,027.94		741,027.94
AMORTISATION AND DEPRECIATION								
Tangible Assets						377,270.88		377,270.88
FINANCIAL PROVISIONS								
Provision for Premium Due						-		
Sundry Reserves						130,859.77		130,859.77
UNDERWRITING PROFIT						16,422,598.03		16,422,598.03
TOTALS	29,783,228.53	249,393,696.81	16,880,683.25	1,224,844.48	441,725,541.73	39,415,756.20		778,423,751.00

Annual Report 2017

(Amounts in MOP)

CREDIT	Employees' Compensation	Fire	Motor	Marine Cargo	Other Classes	General Accounts	Sub-Totals	Totals
GROSS PREMIUMS								
On Direct Insurance	22,749,017.80	46,772,194.10	11,694,058.00	1,520,105.78	38,608,415.54		121,343,791.22	
On Reinsurance Accepted	287,795.90	462,513.54	1,024,482.00	4,513.00	220,253.60		1,999,558.04	123,343,349.26
INCOME FROM REINSURANCE CEDED								
On Direct Insurance								
Commissions (including profit sharing)	146,369.20	7,314,011.50	10,462.70	450,848.30	8,554,713.00		16,476,404.80	
Claims Sharing	58,019.50	81,124,554.05	(16,308.70)	-	46,115,057.05		127,281,321.90	
Reinsurers' Share in Unearned Premium Reserve	-	-	-	-	129,521.50		129,521.50	
Reinsurers' Share in Outstanding Claims Reserve	878,015.00	70,840,685.93	14,510.29	15,000.00	219,508,820.39		291,257,031.61	
Others	-	-	-	-	-	-	-	435,144,279.81
On Reinsurance Accepted								
Commissions (including profit sharing)	-	190,281.50	-	970.30	69,570.40		260,822.20	
Claims Sharing	-	4,595,341.64	-	-	6,384.36		4,601,726.00	
Reinsurers' Share in Unearned Premium Reserve	-	-	-	-	19.19		19.19	
Reinsurers' Share in Outstanding Claims Reserve	-	16,269,006.83	-	-	10,545,378.06		26,814,384.89	
Others	-	-	-	-	-		-	31,676,952.28
REDUCTION OF UNEARNED PREMIUM RESERVE								
On Direct Insurance	-	105,286.86	2,274,166.77	9,716.90	671,950.95		3,061,121.48	
On Reinsurance Accepted	399,827.90	176,723.93	17,283.59	-	363,258.04		957,093.46	4,018,214.94
REDUCTION OF OUTSTANDING CLAIMS RESERVE								
On Direct Insurance	10,763,728.40	26,454,604.18	10,104,063.93	418.53	125,825,441.68		173,148,256.72	
On Reinsurance Accepted	2,514,686.52	30,474.82	185,550.64	-	-		2,730,711.98	175,878,968.70
OTHER INCOME								
Financial Income						5,080,254.22		
Sundry Income						1,784,075.97		6,864,330.19
REDUCTION OF FINANCIAL RESERVES								
On Cancellation of Premiums						706,117.29		
On Sundry Reserves						791,538.53		1,497,655.82
UNDERWRITING LOSS								
TOTALS	37,797,460.32	254,057,496.53	25,308,269.22	1,993,736.41	449,771,982.06	8,361,986.01		778,423,751.00

Accounting Manager: _____

Board of Directors: _____

Profit and Loss Account for 2017

LOSSES	Totals
Extraordinary Losses of the Year	-
Losses Pertaining to Prior Years	-
Provision for Income Tax	1,851,966.00
Net Profit After Taxation	14,577,880.03
Total	16,429,846.03

PROFITS	Totals
Extraordinary Gains of the Year	-
Gains Pertaining to Prior Years	7,248.00
Profits from Revenue Account	16,422,598.03
Total	16,429,846.03

Accounting Manager: _____

Board of Directors: _____

14. Auditors' Report



Ernst & Young
21/F, 39 Avenida de Almeida Ribeiro
Macao

安永會計師事務所
澳門新馬路39號21樓

Tel 電話: +853 8506 1888
Fax 傳真: +853 2832 2500
ey.com

Independent auditor's report

To the shareholders of Fidelidade Macau - Companhia de Seguros, S.A.
(Incorporated in Macao with limited liability)

We have audited the financial statements of Fidelidade Macau - Companhia de Seguros, S.A. (the "Company") set out on pages 3 to 22, which comprise the statement of financial position as at 31 December 2017, and the statement of profit or loss, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Decree-Law No. 27/97/M of 30 June (the "Law") and Financial Reporting Standards promulgated by the Macao Special Administrative Region ("Macao Financial Reporting Standards"), 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Article 88 of the Law and our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Auditing Standards and Technical Auditing Standards 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.

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 judgement, 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.



Independent auditor's report (continued)
To the shareholders of Fidelidade Macau - Companhia de Seguros, S.A.
(Incorporated in Macao with limited liability)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and of its financial performance and cash flows for the year then ended in accordance with Macao Financial Reporting Standards and have been properly prepared in compliance with the Law.

Report on other legal and regulatory requirements

In our opinion:

- (a) proper records have been maintained by the Company in accordance with Article 72 of the Law;
- (b) no assets guaranteeing the insurance reserves were applied in contravention of the provisions of the Law for the year ended 31 December 2017; and
- (c) all necessary information and explanations as and when requested, and where appropriate, have been satisfactorily obtained.

Bao, King To
Registered Auditor
Ernst & Young

Macao
15 February 2018

15. Audited Financial Statements

FIDELIDADE MACAU - COMPANHIA DE SEGUROS, S.A.

STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2017

	Notes	2017 MOP	2016 MOP
Gross premiums	3	123,333,945	122,480,256
Premiums ceded to reinsurers	3	(56,974,055)	(57,655,921)
NET PREMIUMS		66,359,890	64,824,335
Reinsurance commission income		16,737,227	17,620,579
Interest income	4	4,834,069	3,754,207
Other income		1,979,185	1,779,264
OTHER REVENUE		23,550,481	23,154,050
TOTAL REVENUE		89,910,371	87,978,385
Claims paid and incurred		(26,725,114)	(17,431,540)
Change in insurance contract liabilities		(3,440,503)	(8,370,452)
Commission expense paid		(21,877,730)	(21,827,986)
Deferred acquisition costs	8	4,917,792	5,340,181
Amortisation of deferred acquisition costs	8	(4,257,114)	(4,726,168)
Other operating and administrative expenses		(22,105,108)	(22,201,218)
TOTAL CLAIMS AND EXPENSES		(73,487,777)	(69,217,183)
PROFIT BEFORE TAX	4	16,422,594	18,761,202
Income tax expense	5	(1,844,718)	(2,175,541)
PROFIT FOR THE YEAR		14,577,876	16,585,661

FIDELIDADE MACAU - COMPANHIA DE SEGUROS, S.A.

STATEMENT OF FINANCIAL POSITION

31 December 2017

	Notes	2017 MOP	2016 MOP
ASSETS			
Property, plant and equipment	6	1,596,439	1,083,320
Deferred acquisition costs	8	1,954,781	1,294,103
Pledged deposits	9	155,524,669	170,289,297
Reinsurance assets	11	386,463,105	216,042,133
Insurance receivables		20,475,414	16,267,963
Other receivables and prepayments		4,864,807	5,626,819
Deposits with banks with original maturity of more than three months	10	49,776,417	13,347,308
Cash and cash equivalents	10	119,416,623	110,542,479
Total assets		<u>740,072,255</u>	<u>534,493,422</u>
EQUITY			
Share capital	12	160,000,000	160,000,000
Legal reserve	13	4,492,121	1,174,989
Retained profits		<u>32,546,362</u>	<u>21,285,618</u>
Total equity		<u>197,038,483</u>	<u>182,460,607</u>
LIABILITIES			
Insurance contract liabilities	11	504,967,967	329,964,267
Insurance payables and accruals		35,874,259	19,709,514
Tax payable		1,851,966	2,082,826
Due to the immediate holding company		339,580	276,208
Total liabilities		<u>543,033,772</u>	<u>352,032,815</u>
Total equity and liabilities		<u>740,072,255</u>	<u>534,493,422</u>

.....
Director

.....
Director

FIDELIDADE MACAU - COMPANHIA DE SEGUROS, S.A.

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

	Note	Share capital MOP	Legal reserve MOP	Retained profits MOP	Total equity MOP
At 1 January 2016		160,000,000	-	5,874,946	165,874,946
Profit for the year		-	-	16,585,661	16,585,661
Transfer to legal reserve	13	<u>-</u>	<u>1,174,989</u>	<u>(1,174,989)</u>	<u>-</u>
At 31 December 2016 and 1 January 2017		160,000,000	1,174,989	21,285,618	182,460,607
Profit for the year		-	-	14,577,876	14,577,876
Transfer to legal reserve	13	<u>-</u>	<u>3,317,132</u>	<u>(3,317,132)</u>	<u>-</u>
At 31 December 2017		<u>160,000,000</u>	<u>4,492,121</u>	<u>32,546,362</u>	<u>197,038,483</u>

FIDELIDADE MACAU - COMPANHIA DE SEGUROS, S.A.

STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	Notes	2017 MOP	2016 MOP
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		16,422,594	18,761,202
Adjustments for:			
Depreciation	6	377,271	234,814
Gains on disposal of items of property, plant and equipment		(13,811)	-
Interest income	4	(4,834,069)	(3,754,207)
		11,951,985	15,241,809
Increase in insurance receivables		(4,207,451)	(1,830,985)
Decrease/(increase) in other receivables and prepayments		762,012	(1,443,810)
(Increase)/decrease in reinsurance assets		(170,420,972)	16,008,260
Increase in deferred acquisition costs		(660,678)	(614,013)
Decrease/(increase) in pledged deposits		14,764,628	(58,087,184)
Increase/(decrease) in insurance contract liabilities		175,003,700	(6,805,608)
Increase/(decrease) in insurance payables and accruals		16,164,745	(6,969,851)
Increase in amount due to the immediate holding company		63,372	276,208
Cash generated from/(used in) operations		43,421,341	(44,225,174)
Increase in tax payable/(Macao complementary tax paid)		(2,075,578)	(956,709)
Interest received		4,834,069	3,754,207
Net cash flows from/(used in) operating activities		46,179,832	(41,427,676)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	6	(1,110,389)	(570,382)
Proceeds from disposal of items of property, plant and equipment		233,810	-
(Decrease)/increase in deposits with original maturity of more than three months		(36,429,109)	9,898,014
Net cash flows from/(used in) investing activities		(37,305,688)	9,327,632
CASH FLOWS FROM FINANCING ACTIVITY			
Decrease in amount due to the immediate holding company		-	(59,196,970)
Net cash flows used in financing activity		-	(59,196,970)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		8,874,144	(91,297,014)
Cash and cash equivalents at beginning of year		110,542,479	201,839,493
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>119,416,623</u>	<u>110,542,479</u>

FIDELIDADE MACAU - COMPANHIA DE SEGUROS, S.A.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

1. CORPORATE INFORMATION

Fidelidade Macau - Companhia de Seguros, S.A. (the "Company") is a limited liability company incorporated in Macao SAR on 1 October 2015. It is registered under the Decree-Law No. 27/97/M of 30 June to underwrite general insurance business in Macao Special Administrative Region, the People's Republic of China ("Macao SAR"). The address of the registered office and principal place of business of the Company is Avenida da Praia Grande no.567, BNU Building 14/F, Macao SAR. Its intermediate holding company is Fidelidade - Companhia de Seguros, S.A., an insurance company which is incorporated in the Republic of Portugal. In the opinion of the directors, its ultimate holding company is Fosun International Limited, a company with limited liability incorporated and listed in Hong Kong.

Pursuant to the Chief Executive order number 43/2015 dated 6 August 2015, all the net assets of the Branch of Fidelidade - Companhia de Seguros, S.A. (Ramos Gerais) in Macao SAR were transferred to the Company on 1 October 2015, and the Company was authorised to carry out the prescribed general insurance business with effect from 1 October 2015.

2.1 BASIS OF PREPARATION

These financial statements of the Company have been prepared in accordance with the Decree-Law No. 27/97/M of 30 June, and Financial Reporting Standards promulgated by the Macao Special Administrative Region ("Macao Financial Reporting Standards").

These financial statements have been prepared under the historical cost convention, and are presented in Macao patacas ("MOP"). All values are rounded to the nearest MOP except when otherwise indicated.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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 the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.



FIDELIDADE MACAU - COMPANHIA DE SEGUROS, S.A.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Property, plant and equipment and depreciation

Items of property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Motor vehicles	25%
Furniture, fixtures, and equipment	10% - 38.71%
Computer system	20% - 33 $\frac{1}{3}$ %

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

FIDELIDADE MACAU - COMPANHIA DE SEGUROS, S.A.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Company is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss and directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in Macao.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except when the deferred tax liability arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised except when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.



FIDELIDADE MACAU - COMPANHIA DE SEGUROS, S.A.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and term deposits that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Company's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits with original maturity of less than three months when acquired, which are not restricted as to use.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Company and when the revenue can be measured reliably, on the following bases:

(a) Premium income

Gross written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognised on the date on which the policy commences. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods.

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the end of the reporting period. Unearned premiums are calculated on a daily pro rata basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

(b) Reinsurance premiums

Reinsurance premiums written comprise the total premiums payable for the whole cover provided by contracts entered into the period and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting period. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses-occurring contracts.

(c) Interest income

Interest income is recognised in the statement of profit or loss as it accrues, taking into account the effective yield of the asset or an applicable floating rate. Interest income includes the amortisation of any discount or premiums.

(d) Reinsurance commissions on ceded premiums

Reinsurance commission income from reinsurance and retrocession contracts entered into is recognised when the contract is effected and earned on a pro rata basis over the term of the related contract coverage. Profit commission under such contracts is recognised when it is probable that the profit commission will be received and the amount can be measured reliably.

FIDELIDADE MACAU - COMPANHIA DE SEGUROS, S.A.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred acquisition costs

Those direct and indirect costs incurred during the financial period arising from the writing or renewing of insurance contracts, are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred.

Subsequent to initial recognition, deferred acquisition costs are amortised over the period in which the related revenues are earned. The reinsurers' share of deferred acquisition costs is amortised in the same manner as the underlying asset amortisation is recorded in the statement of profit or loss.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period and are treated as a change in an accounting estimate.

Deferred acquisition costs are derecognised when the related contracts are either settled or disposed of.

Insurance contract liabilities

Insurance contract liabilities include provisions for outstanding claims and unearned premiums. The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the end of the reporting period, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain type of claims, therefore, the ultimate cost of these cannot be known with certainty at the end of the reporting period. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. Insurance contract liabilities are not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the obligation to pay a claim expires, is discharged or is cancelled.

The provision for unearned premiums represents that portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. The provision is recognised when contracts are entered into and premiums are charged, and is brought to account as premium income over the term of the contract in accordance with the pattern of insurance service provided under the contract.

Claims recognition

Claims consist of claims paid to policyholders, as well as changes in the gross insurance liabilities, except for gross changes in the unearned premium provision which are recorded in premium income. It further includes internal and external claims handling costs that are directly related to the processing and settlement of claims. Amounts receivable in respect of salvage are also considered.

Reinsurance

The Company cedes insurance risk in the normal course of business for all of its businesses. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the reinsurance contract.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

FIDELIDADE MACAU - COMPANHIA DE SEGUROS, S.A.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reinsurance (continued)

The Company also assumes reinsurance risk in the normal course of business. Premiums and claims on assumed reinsurance are recognised as income or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Foreign currencies

These financial statements are presented in Macao patacas ("MOP"), which is the Company's functional currency. Foreign currency transactions are initially recorded using the functional currency spot rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

3. NET PREMIUMS

	2017 MOP	2016 MOP
(a) Gross premiums earned:		
Gross premiums	123,343,350	121,620,116
Gross change in unearned premiums and provision for unexpired risk	(9,405)	860,140
Total gross premiums earned	<u>123,333,945</u>	<u>122,480,256</u>
(b) Ceded reinsurance premiums earned:		
Premiums written	(55,841,234)	(55,963,579)
Change in unearned premiums and provision for unexpired risk	(1,132,821)	(1,692,342)
Total ceded reinsurance premiums earned	<u>(56,974,055)</u>	<u>(57,655,921)</u>
Total net premiums earned	<u>66,359,890</u>	<u>64,824,335</u>

FIDELIDADE MACAU - COMPANHIA DE SEGUROS, S.A.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

4. PROFIT BEFORE TAX

The Company's profit before tax is arrived at after charging/(crediting):

	Note	2017 MOP	2016 MOP
Depreciation	6	377,271	234,814
Minimum lease payments under operating lease		1,809,561	1,770,885
Employee benefit expenses:			
Wages and salaries		15,289,764	14,029,310
Pension scheme contributions		1,153,901	1,015,436
Foreign exchange differences, net		(245,124)	8,901
Interest income on bank deposits		<u>(4,834,069)</u>	<u>(3,754,207)</u>

5. INCOME TAX

Macao complementary tax has been provided at the rate of 12% (2016: 12%) on the estimated assessable profits arising in Macao during the year.

	2017 MOP	2016 MOP
Current – Macao		
Charge for the year	1,851,966	2,082,826
(Overprovision)/underprovision in prior years	<u>(7,248)</u>	<u>92,715</u>
Tax charge for the year	<u>1,844,718</u>	<u>2,175,541</u>

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for Macao to the tax expense at the effective tax rate is as follows:

	2017 MOP	2016 MOP
Profit before tax	<u>16,422,594</u>	<u>18,761,202</u>
Tax at the statutory tax rate	1,970,711	2,251,344
Adjustments in respect of current tax of previous periods	(7,248)	92,715
Income not subject to tax	(46,745)	(96,518)
Others	<u>(72,000)</u>	<u>(72,000)</u>
Tax charge at the effective rate	<u>1,844,718</u>	<u>2,175,541</u>

There was no material unprovided deferred tax during the year or as at the end of the reporting period (2016: Nil).

FIDELIDADE MACAU - COMPANHIA DE SEGUROS, S.A.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

6. PROPERTY, PLANT AND EQUIPMENT

	Motor Vehicles MOP	Furniture, fixtures and equipment MOP	Computer system MOP	Total MOP
31 December 2017				
At 31 December 2016 and at 1 January 2017:				
Cost	277,894	767,455	320,396	1,365,745
Accumulated depreciation	(28,947)	(191,251)	(62,227)	(282,425)
Net carrying amount	<u>248,947</u>	<u>576,204</u>	<u>258,169</u>	<u>1,083,320</u>
At 1 January 2017, net of accumulated depreciation	248,947	576,204	258,169	1,083,320
Additions	878,869	98,925	132,595	1,110,389
Disposals	(219,999)	-	-	(219,999)
Depreciation provided during the year	(157,116)	(94,762)	(125,393)	(377,271)
At 31 December 2017, net of accumulated depreciation	<u>750,701</u>	<u>580,367</u>	<u>265,371</u>	<u>1,596,439</u>
At 31 December 2017:				
Cost	878,869	866,380	452,991	2,198,240
Accumulated depreciation	(128,168)	(286,013)	(187,620)	(601,801)
Net carrying amount	<u>750,701</u>	<u>580,367</u>	<u>265,371</u>	<u>1,596,439</u>

FIDELIDADE MACAU - COMPANHIA DE SEGUROS, S.A.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

6. PROPERTY, PLANT AND EQUIPMENT (continued)

	Motor Vehicles MOP	Furniture, fixtures and equipment MOP	Computer system MOP	Total MOP
31 December 2016				
At 1 January 2016:				
Cost	-	735,800	93,819	829,619
Accumulated depreciation	-	(64,739)	(17,128)	(81,867)
Net carrying amount	-	671,061	76,691	747,752
At 1 January 2016, net of accumulated depreciation	-	671,061	76,691	747,752
Additions	277,894	31,655	260,833	570,382
Depreciation provided during the year	(28,947)	(126,512)	(79,355)	(234,814)
At 31 December 2016, net of accumulated depreciation	248,947	576,204	258,169	1,083,320
At 31 December 2016:				
Cost	277,894	767,455	320,396	1,365,745
Accumulated depreciation	(28,947)	(191,251)	(62,227)	(282,425)
Net carrying amount	248,947	576,204	258,169	1,083,320

7. OPERATING LEASE COMMITMENTS

The Company leased its office premises under operating lease arrangements. The leases for the office premises were negotiated for terms ranging from one to five years, with termination clauses for which the leases could be terminated with prior written notice.

At 31 December 2017, the Company had total future minimum lease payments under operating leases falling due as follows:

	2017 MOP	2016 MOP
Within one year	1,346,306	689,676
In the second to fifth year, inclusive	3,181,800	33,469
	4,528,106	723,145

FIDELIDADE MACAU - COMPANHIA DE SEGUROS, S.A.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

8. DEFERRED ACQUISITION COSTS

	MOP
At 1 January 2016	680,090
Acquisition costs deferred	5,340,181
Amortisation	<u>(4,726,168)</u>
At 31 December 2016 and 1 January 2017	1,294,103
Acquisition costs deferred	4,917,792
Amortisation	<u>(4,257,114)</u>
At 31 December 2017	<u><u>1,954,781</u></u>

9. PLEDGED DEPOSITS

Time deposits of MOP155,524,669 (2016: MOP170,289,297) have been endorsed in favour of Autoridade Monetária de Macau ("AMCM") to guarantee the Company's technical reserves as required under the Decree-Law No. 27/97/M of 30 June.

10. CASH AND CASH EQUIVALENTS

	2017 MOP	2016 MOP
Cash and cash equivalents	119,416,623	110,542,479
Non-pledged time deposits with original maturity of more than three months when acquired	<u>49,776,417</u>	<u>13,347,308</u>
	<u><u>169,193,040</u></u>	<u><u>123,889,787</u></u>

FIDELIDADE MACAU - COMPANHIA DE SEGUROS, S.A.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

11. INSURANCE CONTRACT LIABILITIES

	Note	2017 MOP	2016 MOP
Provision for unearned premiums		53,834,042	53,561,719
Provision for unexpired risk		2,442,177	2,705,096
Outstanding claims provision	14	<u>448,691,748</u>	<u>273,697,452</u>
Insurance contract liabilities		<u>504,967,967</u>	<u>329,964,267</u>
<u>Less:</u>			
Reinsurers' share of provision for unearned premiums		(19,292,705)	(20,425,525)
Reinsurers' share of outstanding claims provision		<u>(367,170,400)</u>	<u>(195,616,608)</u>
Reissuance assets		<u>(386,463,105)</u>	<u>(216,042,133)</u>
Technical reserves, net		<u>118,504,862</u>	<u>113,922,134</u>

12. SHARE CAPITAL

	2017 MOP	2016 MOP
Authorised, issued and fully paid: 160,000 (2016: 160,000) shares of MOP1,000 each	<u>160,000,000</u>	<u>160,000,000</u>

13. LEGAL RESERVE

Pursuant to Article 84 of the Law and the Commercial Code, the Company is required to set up a legal reserve and transfer to this legal reserve based on the following percentages of net profits computed for each financial year when they are approved by the shareholders in a general assembly meeting as required under the relevant laws of Macau:

- 20%, until the total of this reserve equals one half of the minimum share capital prescribed under Article 17 of the Law; and then

- 10%, until the total of this reserve equals such minimum share capital.

This reserve is non-distributable to shareholders.

FIDELIDADE MACAU - COMPANHIA DE SEGUROS, S.A.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

14. INDIVIDUAL CLASSES OF INSURANCE BUSINESS

Year ended 31 December 2017

	Note	Motor Vehicles (third party risks) MOP	Motor Vehicles (own damage) MOP	Employees' Compensation MOP	Signboard Liability MOP	Compulsory Professional Liability Insurance for Lawyers MOP	Other Classes MOP	Total MOP
Direct insurance		9,520,054	2,174,004	22,749,018	85,678	3,412,553	83,402,485	121,343,792
Reinsurance accepted		1,024,482	-	287,796	-	-	687,280	1,999,558
Gross written premiums	3	<u>10,544,536</u>	<u>2,174,004</u>	<u>23,036,814</u>	<u>85,678</u>	<u>3,412,553</u>	<u>84,089,765</u>	<u>123,343,350</u>
Direct insurance		9,684,112	1,539,959	21,553,545	79,898	3,412,553	83,844,318	120,114,385
Reinsurance accepted		1,041,766	-	687,624	-	-	1,227,251	2,956,641
Provision for unexpired risk reserve		1,817,526	-	-	-	-	(1,554,607)	262,919
Gross earned premiums	3	<u>12,543,404</u>	<u>1,539,959</u>	<u>22,241,169</u>	<u>79,898</u>	<u>3,412,553</u>	<u>83,516,962</u>	<u>123,333,945</u>
Direct insurance		1,375,781	283,755	711,726	2,623	-	18,984,486	21,358,371
Reinsurance accepted		307,540	-	42,440	-	-	169,379	519,359
Change in deferred acquisition costs		22,018	(103,923)	115,974	153	-	22,415	56,637
Commission paid		<u>1,705,339</u>	<u>179,832</u>	<u>870,140</u>	<u>2,776</u>	<u>-</u>	<u>19,176,280</u>	<u>21,934,367</u>

The financial information on individual classes of insurance business is disclosed pursuant to the Law and the relevant guidelines of AMCM.

FIDELIDADE MACAU - COMPANHIA DE SEGUROS, S.A.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

14. INDIVIDUAL CLASSES OF INSURANCE BUSINESS (continued)

Year ended 31 December 2016

	Note	Motor Vehicles (third party risks) MOP	Motor Vehicles (own damage) MOP	Employees' Compensation MOP	Signboard Liability MOP	Compulsory Professional Liability Insurance for Lawyers MOP	Other Classes MOP	Total MOP
Direct insurance		9,600,583	1,043,749	21,116,720	80,744	3,339,938	82,088,015	117,269,74
Reinsurance accepted		1,056,367	-	1,402,604	-	-	1,891,396	4,350,367
Gross written premiums	3	<u>10,656,950</u>	<u>1,043,749</u>	<u>22,519,324</u>	<u>80,744</u>	<u>3,339,938</u>	<u>83,979,411</u>	<u>121,620,116</u>
Direct insurance		10,058,615	1,131,756	22,339,860	82,220	3,339,938	82,704,113	119,656,502
Reinsurance accepted		831,479	-	652,793	-	-	1,728,998	3,213,270
Provision for unexpired risk reserve		(395,640)	-	5,542	-	-	582	(389,516)
Gross earned premiums	3	<u>10,494,454</u>	<u>1,131,756</u>	<u>22,998,195</u>	<u>82,220</u>	<u>3,339,938</u>	<u>84,433,693</u>	<u>122,480,256</u>
Direct insurance		1,467,356	99,271	806,876	3,314	-	18,582,747	20,959,564
Reinsurance accepted		302,526	-	227,816	-	-	338,080	868,422
Change in deferred acquisition costs		(44,978)	-	(121,787)	285	-	(455,864)	(622,344)
Commission paid		<u>1,724,904</u>	<u>99,271</u>	<u>912,905</u>	<u>3,599</u>	<u>-</u>	<u>18,464,963</u>	<u>21,205,642</u>

The financial information on individual classes of insurance business is disclosed pursuant to the Law and the relevant guidelines of AMCM.

FIDELIDADE MACAU - COMPANHIA DE SEGUROS, S.A.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

14. INDIVIDUAL CLASSES OF INSURANCE BUSINESS (continued)

Year ended 31 December 2016

Note	Motor Vehicles	Motor Vehicles	Motor Vehicles	Employees'	Signboard	Compulsory	Total
	(third party risks)	(own damage)	Compensation	Liability	Professional	Liability	
	MOP	MOP	MOP	MOP	MOP	Insurance	MOP
Gross claims paid – direct insurance	5,322,910	3,283	10,479,813	-	95,677	19,459,936	35,361,619
Gross claims paid – reinsurance accepted	357,991	-	643,220	-	-	105,140	1,106,351
Change in claim case reserve	83,448	(113,200)	2,740,467	-	(138,700)	(13,057,554)	(10,485,539)
Change in IBNR/IBNER reserve	2,127,337	(4,773)	178,788	-	372,312	1,866,410	4,540,074
Change in loss deviation reserves	-	-	-	-	-	-	-
Gross claims paid and incurred	7,891,686	(114,690)	14,042,288	-	329,289	8,373,932	30,522,505
Reinsurance claims recoverable	(13,533)	-	(384,210)	-	21,512	(4,344,282)	(4,720,513)
Net claims paid and incurred	7,878,153	(114,690)	13,658,078	-	350,801	4,029,650	25,801,992
Case reserve – direct insurance	10,099,301	38,131	20,333,080	122,570	1,925,300	183,331,113	215,849,495
Case reserve – reinsurance accepted	1,370,332	-	3,447,223	-	-	582,628	5,400,183
Reserve for IBNR/IBNER claims	16,017,903	20,507	18,620,853	-	1,486,353	16,227,213	52,372,829
Loss deviation reserves	-	-	-	-	-	74,945	74,945
Gross outstanding claims	27,487,536	58,638	42,401,156	122,570	3,411,653	200,215,899	273,697,452
as at 31 December 2016	11						

The financial information on individual classes of insurance business is disclosed pursuant to the Law and the relevant guidelines of AMCM.

FIDELIDADE MACAU - COMPANHIA DE SEGUROS, S.A.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

15. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified and restated to conform with the current year's presentation.

16. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 15 February 2018.

16. Supervisor's Report

崔世昌核數師事務所

CSC & ASSOCIADOS - Sociedade de Auditores

To : Shareholders of Fidelidade Macau – Companhia de Seguros, S.A.

Report and Opinion of the Single Supervisor 2017

In compliance with the applicable legal dispositions, articles of association and our instructions we hereby submit the report on our inspection and opinion on the accounting documents produced by the board of directors for which the board is responsible.

We have, during the year, monitored the company's activity and noted the regularity of its accounting records and compliance with legal and statutory regulations, having made the checks considered expedient.

We were provided with regular information and clarifications on the operation of the company and its corporate business by the board of directors.

We have examined the Directors' report and the other individual accounting documents for the year and their respective notes in addition to the independent auditors' report, Ernst & Young – Auditors, with which we are in agreement.

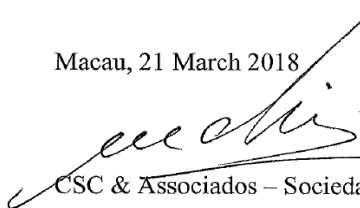
In due consideration of the above, the Single Supervisor issues the following

OPINION

That the Directors' report and other individual accounting documents for the year, as submitted by the board of directors, should be approved.

The Single Supervisor wishes to express his gratitude to the board of directors and statutory auditors for their excellent collaboration during the course of the year.

Macau, 21 March 2018


CSC & Associados – Sociedade de Auditores
Represented by Mok Chi Meng
Single Supervisor



Avenida da Praia Grande, n° 517, Edifício Comercial Nam Tung, 8° andar, A-B, Macau
澳門南灣大馬路517號南通商業大廈8樓A-B座 Fax: (853) 28355212 Tel: (853) 28322121