

**FIDELIDADE MACAU -
INSURANCE COMPANY
LIMITED**

忠誠澳門保險股份有限公司

**ANNUAL
REPORT
2019**

**20
19**

[Handwritten signature]
[Handwritten initials]

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, Macao SAR (China)

Tel.: (853) 2833 9472

Fax: (853) 2833 8549

Email: info@fidelidade.com.mo

www.fidelidade.com.mo

Handwritten signature and date 8/4/05

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 2019.

The Board of Directors

Handwritten signature in blue ink.

INDEX

A. GOVERNING BODIES	5
B. MACAO ECONOMY	6
C. MACAO NON-LIFE INSURANCE MARKET	8
D. COMPANY OVERVIEW	10
E. KEY INDICATORS.....	11
F. SHAREHOLDERS WITH QUALIFYING HOLDING.....	13
G. SHAREHOLDER STRUCTURE.....	14
H. HUMAN RESOURCES.....	15
I. COMMERCIAL OPERATIONS.....	16
J. FINANCIAL REVIEW	18
K. APPROPRIATION OF PROFITS.....	19
L. MANAGEMENT APPRECIATION.....	20
M. FINANCIAL STATEMENTS	21
N. SUPERVISOR'S REPORT	27
O. AUDITORS' REPORT	28

Handwritten signature and initials in blue ink.

A. GOVERNING BODIES

General Assembly

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

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

Executive Committee

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

Company Secretary

Maria Beatriz de Melo e Sá Segorbe Luís

Single Supervisor

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

B. MACAO ECONOMY

For the whole year of 2019, the Macao's economy shrank by -4.7% year-on-year on real terms. In a continuous slowdown that started in 2018, when the economy still grew albeit at a slower pace than in the previous years (+5.4% in 2018 and +9.9% in 2017), contraction was observed in all quarters of 2019. The economy entered in technical recession at the end of the 2Q2019 and accelerated towards the end of the year as the trade war between the US and China escalated.

The heavy dependence on the gaming industry, which gathers the majority of its revenues from Chinese visitors, coupled with economic slowdown in China and civil unrest in Hong Kong in the second half of the year resulted in diminishing returns for the Casino sector and caused a sharp reduction in the export of services. Capital formation was negligible as the Gaming sector awaits the rules for the concessions tender (two in 2020 and the remaining four in 2022) and the Executive geared for the election of a new Chief Executive towards the end of the year.

The largely positive performance of the world's stock markets was not reflected in increasing spending in Macao. This is due, mostly, to adjustments in the Chinese economy and, from mid-year, to the developing trade tensions with the US and the social unrest in Hong Kong, which resulted in uncertainties as to future economic trends in the region and a more cautious attitude in visitors to Macao.

These factors annulled the potential positive results of an increasing number of visitors to Macao. The SAR received close to 40 million tourists in 2019, an increase from the 35.8 million in 2018. However, due to subdued spending, the larger number of visitors did not result in corresponding demand for goods and services.

Inflation dropped to 2.70%, from 3.01% in the previous year, amid slower demand from residents. With the two largest components of the Composite Price Index, food and beverages and housing and fuel, registering y-o-y growth of respectively 3.6 and 1.9% only.

The unemployment rate remained at a low 1.7% (the seventh year in a row where the index has registered below 2%) and the median monthly salary rose to MOP\$ 17,000 from MOP\$ 16,000 in 2018 reflecting the lack of labour offer.

In 2020, main factors affecting economic performance comprise:

- 1) The new Chief Executive policies. No major policy shifts are predicted but an emphasis in Greater Bay Area integration is expected following guidance from the Central Government in Beijing. Efforts to diversify the economy will focus on the enhancement of Macao as a regional financial center.
- 2) The tender of the gaming concessions: Two in 2020 and the remaining four in 2022. It is hoped that with the resolution of the process new investment in capital formation may occur.

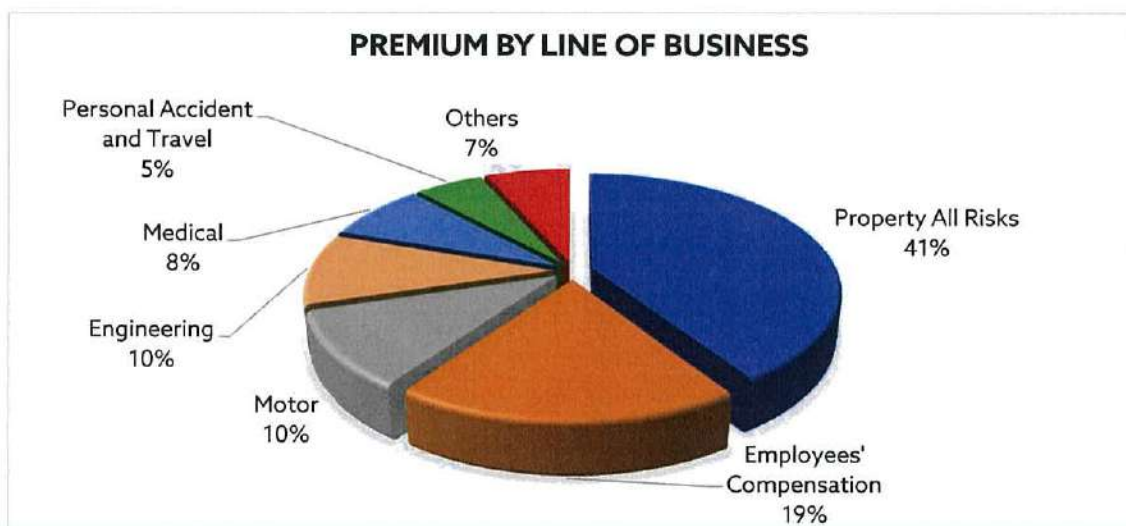
- 3) Civil unrest situation in Hong Kong. The negative effects on the economy of the anti-government protests are already apparent, mostly in the retail and restaurant industries as the influx of visitors reduced and residents spending dwindled. Major effects in local and foreign investment have not materialized but a continuation of the situation may eventually reduce even further revenues from tourism, which will directly and indirectly affect Macao.
- 4) The trade war between China and the US. The signing of the phase one of the commercial agreement between the two countries is a positive development. However, it will not bring major immediate relief in real economic terms. The situation is likely to affect Macao for months to come until a comprehensive final agreement is reached.
- 5) The onset of the Novel Corona Virus. It is still too early to fully assess the impact of the epidemic spread of the new disease, which has caused a drastic reduction in economic activity in the mainland and an equally dramatic drop in the number of visitors to Macao. During the Chinese New Year period, the numbers of tourists visiting Macao dropped by more than 80%. Amongst measures to prevent the spread of the Virus in Macao, the Casinos were ordered to close for only the second time and for the longest period ever. The government has approved a packet of economic incentives to help recovery but these will be insufficient to recover the loss of revenue while the epidemic lasts.

Most forecasts prior to Coronavirus Disease 2019 (Covid-19) pointed to no growth in 2020 and to only modest recovery in 2021. Even these conservative views will now have to be re-assessed.

C. MACAO NON-LIFE INSURANCE MARKET

Despite the contraction of the Macao's economy, the non-life insurance industry grew by about 14.1%, recording total gross written premiums of MOP\$ 2,308 million up to the third quarter of 2019, which compares with MOP\$ 2,024 million up to the third quarter of 2018.

The distribution of gross written premiums by insurance class remained quite stable, with property lines of business representing 40.8%, seconded by employees' compensation, motor and engineering lines of business with a share of 18.9%, 10.6% and 9.9% respectively.



In the last two years, the non-life insurance industry registered a significant decrease in the gross loss ratio. In fact, the loss ratio of 305% in 2017, evidence of the category 3 Typhoon Hato which made landfall near Macao in August 2017, decreased to only 2.1% in 2018 and to 4.5% up to the third quarter of 2019.

Gross Loss Ratio	Q3-2019	2018	2017
Market All Lines of Business	4.5%	2.1%	305.0%

After the insurance losses in 2017 arising from Typhoon Hato, which led to skyrocketing gross loss ratios of 2846% and 343% for engineering and property all risks lines respectively, it is noticeable that the final settlement of those claims were below the initial expectations. In fact, in year 2018, the engineering insurance showed a negative gross loss ratio of 595.8% and, in year 2019 up to the end of September, the property all risks insurance had the same behaviour with a negative gross loss ratio of 38.7%.

Gross Loss Ratio	Q3-2019	2018	2017
Engineering	- 7.9%	- 595.8%	2,846.4%
Property All Risks	- 38.7%	18.1%	343.4%

Regarding employees' compensation insurance, a mandatory line of business in Macao, it can be noticed an improvement in its gross loss ratio during the last three years reaching a healthy level below 40% in 2019 up to September. In opposite direction, the gross loss ratio of third party motor insurance, also a mandatory line of business, we are assisting to a deterioration of the gross loss ratio to above 70% causing apprehension about the near future profitability of this line of business, if the Macao authorities do not revise the legally applicable tariff.

Gross Loss Ratio	Q3-2019	2018	2017
Employees' Compensation	36.3%	41.1%	46.9%
Motor (Compulsory Third Party)	71.1%	48.1%	67.4%

✓

RH

L

D. COMPANY OVERVIEW

Fidelidade Macau - Insurance Company Limited is a legally licensed insurance company authorized for the transaction of non-life insurance business in the Macao Special Administrative Region of the People's Republic of China. It 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 Macao 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 Macao 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 further increased to almost 85% by acquisition of additional shares, fulfilling its investment plan in Fidelidade. The strategic business partner of Fidelidade, Caixa Geral de Depósitos, S.A. (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 Macao 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 Macao 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.

10



E. KEY INDICATORS

165 MOP\$ million Gross Written Premiums	5.7% Market Share 3Q2019	84% Main Lines of Business (Premiums) Fire and Applied Perils= 41% Contractor's All Risks= 24% Employees' Compensation= 12% Motor= 7%
553 MOP\$ million Assets	33 Employees	50.7% Net Combined Ratio
41.7 MOP\$ million Net Profits	260 MOP\$ million Shareholders' Equity	17.4% Return on Equity

Handwritten signature and initials in blue ink.

The year 2019 was the fourth completed year of activity after the incorporation of the Company in Macao in October 2015.

Financial Position <i>(in MOP\$ Million)</i>	2019	2018	2017
Assets	552.6	638.4	749.0
Liabilities	292.6	420.2	552.0
Equity	260.0	218.2	197.0

Key Ratios <i>(in %)</i>	2019	2018	2017
Ceded Ratio (Earned Basis)	50.7	48.3	46.3
Solvency Ratio	534.4	517.6	519.2
Net Combined Ratio	50.7	71.5	83.5
Net Expense Ratio	50.6	48.1	38.3
Net Loss Ratio	0.1	23.4	45.2
Return on Equity	17.4	10.2	7.7

Financial Results <i>(in MOP\$ Million)</i>	2019	2018	2017
Gross Written Premiums	164.6	138.8	123.3
Gross Earned Premiums	141.4	127.4	123.3
Net Earned Premiums	70.9	65.5	66.4
Profit of the Year	41.7	21.2	14.6

F. SHAREHOLDERS WITH QUALIFYING HOLDING

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

The Company has the following shareholder with a qualifying holding:

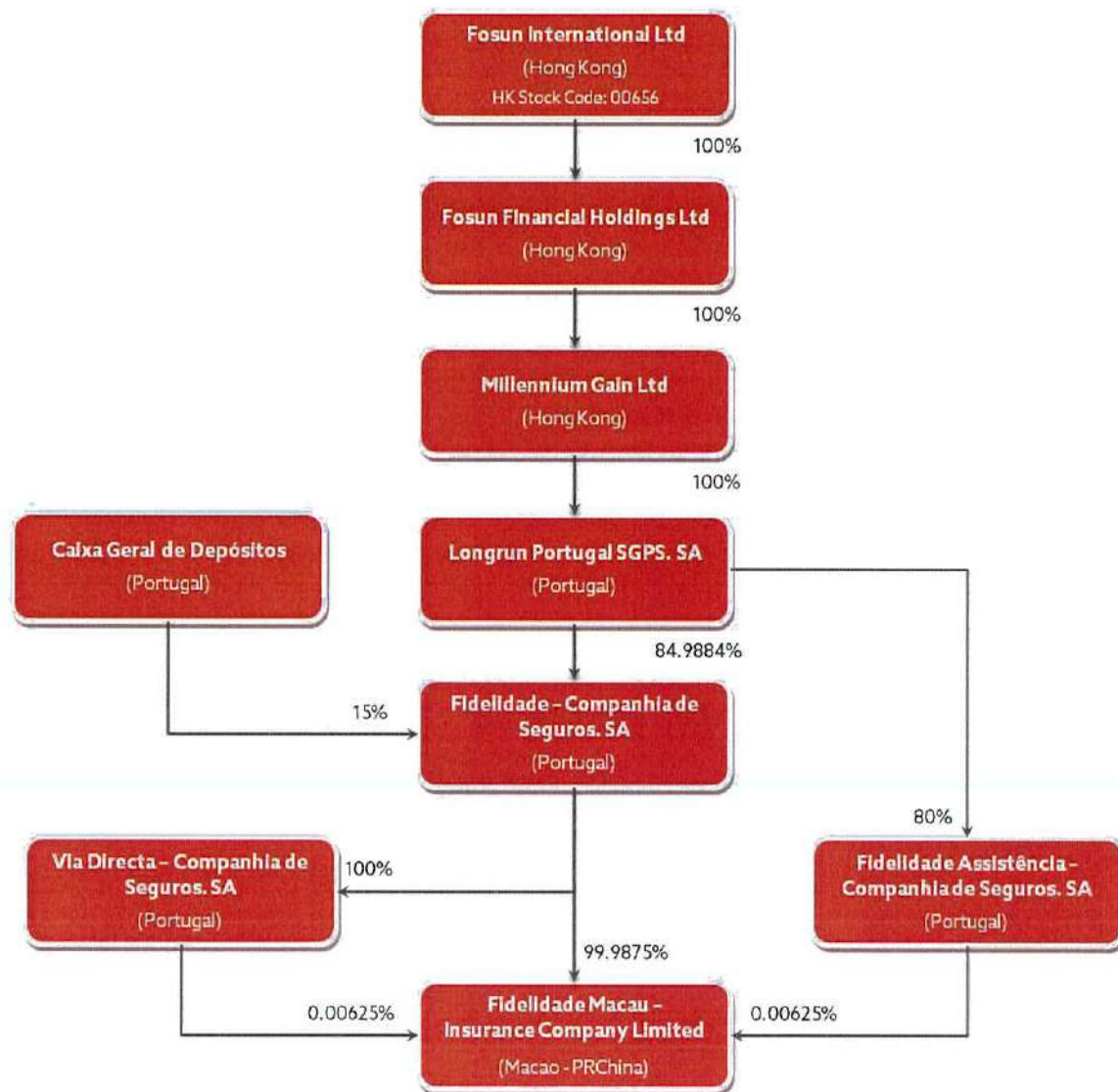
- **Fidelidade - Companhia de Seguros, S.A.** 99.9875%

The remaining shareholders, with non-qualifying holding, are:

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

Three handwritten signatures in blue ink are located in the bottom right corner of the page. The top signature is a stylized 'A' or 'H' shape. Below it are two more signatures, one appearing to be 'H' and the other a more complex scribble.

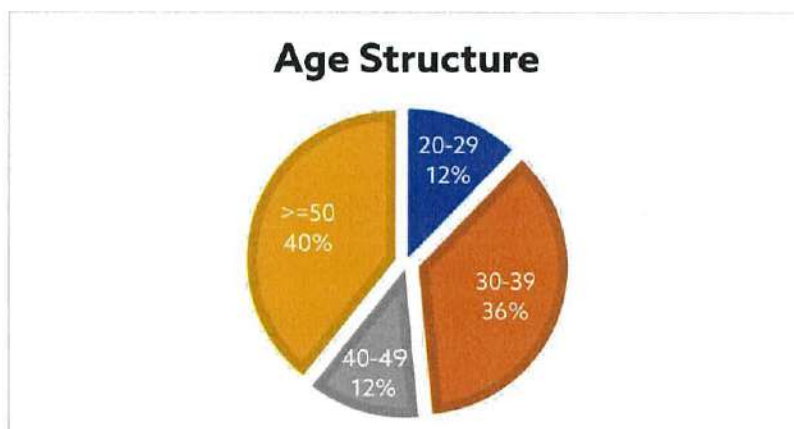
G. SHAREHOLDER STRUCTURE



H. HUMAN RESOURCES

At the end of 2019, the Company employed 33 staff members (32 staff in 2018), 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 19 females (58%) and 14 males (42%). The overall average age is 43.4 years, comprising a female average age of 38.8 years and a male average age of 49.6 years.



In terms of academic background, staff members with higher education degree represent 64% of the total, which is clearly above the 33% average of the Macao'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 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.

I. COMMERCIAL OPERATIONS

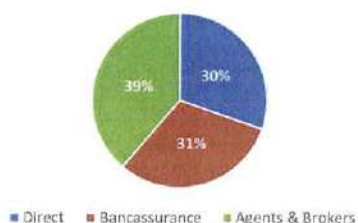
The Company continuously adapts to align with new business strategies and meet the needs of its corporate clients, aiming a positive and effective communication with them. This encompasses high quality, needs-oriented, client-centric, clear communication, comprehensive services, and timely assistance in the event of a loss, with a lean organization that understands client value and focuses its key processes to continuously improve it. In combination with its solid financial strength, this makes our Company's highly skilled professionals as reliable partners for insurance solutions.



The Company kept its commercial strategic focus on the Bancassurance channel development, with our main partner, Banco Nacional Ultramarino S.A. ("BNU"), while improving other distribution channels performance. The Bancassurance operation, maintained its positive sales performance, with a growth rate of +2.5% in gross premiums written, accounting for 31% of the Company's total gross premiums. There is still a considerable margin to improve this partnership with one of the most relevant financial entities in Macao, both in new lines of business, service enhancement and development of online solutions.

All other channels, direct and agents & brokers, achieved a remarkable growth rate of +27.6% in gross premiums written, as compared with the corresponding previous year, accounting for 69% of the Company's total gross premiums.

2019 Gross Written Premium
by Distribution Channel



The Company continued to receive great support from its Reinsurance partners, which alongside our knowledgeable and experienced team on the local market, always keen to assist companies with unique and customized solutions that stand out from the competition, allows the creation of new business opportunities and thus widening our client base. We offer our corporate clients in Macao's main business sectors (i.e. construction, real estate, tourism and gaming, banking, etc.), a wide range of traditional and specialized products, custom-built insurance solutions and services, managed from within our organization in partnership with our reinsurance partners, assuring an effective access to the expertise and capacity of a leading insurer in Macao.

The increasing scale and competitiveness of our Non-Life businesses are now driving strong growth in sales, market share, profits and returns, supported by the improving of Fidelidade Group's performance.

Handwritten signature and initials in blue ink, located in the right margin of the page. The signature appears to be 'L. S.' followed by a stylized mark, and there are additional initials 'M' and 'S' nearby.

J. FINANCIAL REVIEW

The Company's total assets amounted to MOP\$ 553 million at the end of 2019. The total liabilities amounted to MOP\$ 293 million, which includes the Company's reserves towards policyholders and claimants of MOP\$ 230 million.

The solvency margin measured against the minimum regulatory requirements issued by the Monetary Authority of Macao was 534% at the end of 2019, revealing the continued Company's solid financial structure and reflecting a strong foundation for future business expansion.

The net combined ratio was 51% for 2019, indicating a healthy profitable performance on the insurance operation of the Company.

The Company's net profit for the year 2019 amounted to MOP\$ 41.7 million.

K. APPROPRIATION OF PROFITS

In compliance with Article 23 of the Articles of Association of the Company and pursuant to Article 84 of the Macao 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 2019, totaling MOP\$ 41,728,580.02 (forty-one million, seven hundred twenty-eight thousand, five hundred eighty Macau Patacas, and two cents), be allocated as follows:

- To Legal Reserve:
MOP\$ 3,350,081.67
(Three million, three hundred fifty thousand, eighty-one Macau Patacas and sixty-seven cents)
- To Free Reserve:
MOP\$ 38,378,498.35
(Thirty-eight million, three hundred seventy-eight thousand, four hundred ninety-eight Macau Patacas and thirty-five cents)

L. 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 Macao and, in particular, the Monetary Authority of Macao, for their valuable support and guidance and their role as a key driving force in the development of the Macao'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 shareholders 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;

Macao, 12 March 2020

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

M. FINANCIAL STATEMENTS

BALANCE SHEET AS AT 31 DECEMBER 2019

REVENUE ACCOUNT FOR 2019

PROFIT AND LOSS ACCOUNT FOR 2019

BALANCE SHEET AS AT 31 DECEMBER 2019

(Amounts in MOP\$)

ASSETS	Balance	Sub-total	Total
TANGIBLE ASSETS			
Office Premises	-		
Motor Vehicles	878,870.20		
Furniture & Fixtures	1,327,704.70		
Office Equipment	243,907.80		
Central Air-Conditioning and Electrical System	1,242,461.40		
Computers	1,776,700.02		
Air Conditioners and Heaters	17,000.00		
Telecommunication Equipment	175,959.00		
(Accumulated Depreciation)	(3,304,929.32)	2,357,673.80	2,357,673.80
FINANCIAL ASSETS			
Assets Without Encumbrance			
Bonds	35,163,238.70	35,163,238.70	
Assets Guaranteeing Technical Reserves			
Fixed deposits	128,915,513.21		
Bonds	175,245,901.83	304,161,415.04	339,324,653.74
LOANS AND ADVANCES			
Others			651,594.64
REINSURER'S SHARE IN UNEARNED PREMIUM RESERVES			
On Direct Insurance	50,804,333.70		
On Reinsurance Accepted	2,175,516.00	52,979,849.70	52,979,849.70
REINSURERS' PARTICIPATION IN OUTSTANDING CLAIMS RESERVE			
On Direct Insurance	74,413,729.04		
On Reinsurance Accepted	2,822,362.18	77,236,091.22	77,236,091.22
GENERAL DEBTORS			
Ceding Companies	3,932,252.56		
Reinsurers	7,026,984.52		
Co-Insurers	10,448.94		
Insureds	47,495.20		
Intermediaries	13,659.30		
Others	762,542.17	11,793,382.69	11,793,382.69
PREMIUMS ON COLLECTION		31,849,468.25	
(PROVISION FOR DUE PREMIUMS)		(4,314,817.99)	27,534,650.26
ACCRUALS AND DEFERRALS			
Interest Receivable		3,393,508.78	
Other Accruals and Deferrals		13,357,011.82	16,750,520.60
DEPOSITS AT BANKS			
In Local Currency			
Current Accounts	7,997,808.21		
Fixed Deposits	-	7,997,808.21	
In Foreign Currency			
Current Accounts	7,815,984.08		
Fixed Deposits	8,098,172.09	15,914,156.17	23,911,964.38
CASH			10,000.00
TOTAL ASSETS			552,550,381.03

(Amounts in MOP\$)

LIABILITIES	Balance	Sub-total	Total
UNEARNED PREMIUM RESERVE			
On Direct Insurance	85,999,727.17		
On Reinsurance Accepted	4,837,124.17	90,836,851.34	90,836,851.34
OUTSTANDING CLAIMS RESERVE			
On Direct Insurance	127,112,162.19		
On Reinsurance Accepted	12,175,878.97	139,288,041.16	139,288,041.16
MISCELLANEOUS RESERVE			74,944.87
GENERAL CREDITORS			
Shareholders	432,675.09		
Associate Companies	571,535.96		
Ceding Companies	2,417,328.85		
Reinsurers	23,166,030.38		
Co-insurers	197,791.92		
Insureds	2,057,764.16		
Intermediaries	916,680.70		
Government Departments	6,253,664.60		
Others	4,302,938.45	40,316,410.11	40,316,410.11
LOANS AND ADVANCES			
Others		-	-
CLAIMS PAYABLE			7,482,283.37
COMMISSIONS PAYABLE			4,487,241.88
ACCRUALS AND DEFERRALS			10,086,436.66
TOTAL LIABILITIES			292,572,209.39
EQUITY	Balance	Sub-total	Total
SHARE CAPITAL			
Paid-up Capital			160,000,000.00
RESERVES			
Legal Reserve		11,649,918.33	
Free Reserve		46,599,673.29	58,249,591.62
PROFIT BEFORE TAXATION		47,520,487.52	
PROVISION FOR INCOME TAX		(5,791,907.50)	
NET PROFIT (AFTER TAX)			41,728,580.02
TOTAL EQUITY			259,978,171.64
TOTAL LIABILITIES & EQUITY			552,550,381.03

Accounting Manager: Chan Soi Ngo (陳瑞娥)

Board of Directors:

Rogério Miguel Antunes Campos Henriques

Paulo Manuel Gomes Barbosa

Wai Lam William Mak (麥偉林)

Cheung Ming Fai Iyan (張明輝)

ANNUAL REPORT 2019
FIDELIDADE MACAU
REVENUE ACCOUNT FOR 2019

(Amounts in MOP\$)

DEBIT	Employees' Compensation	Fire	Motor	Marine Cargo	Other Classes	General Accounts	Sub-total	Total
UNEARNED PREMIUM RESERVE								
On Direct Insurance	-	5,373,558.50	886,681.50	-	21,046,279.17		27,306,519.17	
On Reinsurance Accepted	1,351,552.00	106,368.20	16,524.89	-	1,034,189.90		2,508,634.99	29,815,154.16
COMMISSIONS								
On Direct Insurance	1,196,634.81	19,651,986.06	1,556,624.90	457.70	3,518,375.30		25,924,078.77	
On Reinsurance Accepted	199,054.30	143,260.90	258,485.00	-	234,415.30		835,215.50	26,759,294.27
COSTS RELATED TO REINSURANCE CEDED								
On Direct Insurance								
Premiums ceded	1,492,806.40	32,805,461.20	621,739.00	847,708.60	58,454,139.60		94,221,854.80	
Reduction in Unearned Premium Reserve	-	143,069.40	-	173,245.00	494,600.40		810,914.80	
Reduction in Outstanding Claims Reserve	48,153.16	46,517,843.25	-	124,490.00	139,737,495.27		186,427,981.68	281,460,751.28
On Reinsurance Accepted								
Premiums ceded	-	582,806.80	-	-	2,037,065.50		2,619,872.30	
Reduction in Unearned Premium Reserve	-	-	-	-	-		-	
Reduction in Outstanding Claims Reserve	-	7,050,774.50	-	-	2,534,333.03		9,585,107.53	12,204,979.83
GROSS CLAIMS								
On Direct Insurance								
Paid	8,904,838.16	24,508,229.87	5,611,685.59	15,598.18	79,903,700.67		118,944,052.47	
Provisions	6,537,180.45	8,533,800.00	4,491,772.26	177,000.00	25,607,928.69		45,347,681.40	164,291,733.87
On Reinsurance Accepted								
Paid	321,163.48	3,214,097.13	1,139,218.52	-	(795,120.04)		3,879,359.09	
Provisions	410,211.41	72,100.00	2,589,117.91	-	45,081.11		3,116,510.43	6,995,869.52
GENERAL EXPENSES						28,907,138.11	28,907,138.11	
FINANCIAL COSTS						773,474.73	773,474.73	
OTHER COSTS						579,851.37	579,851.37	
AMORTISATION AND DEPRECIATION								
Tangible Assets						712,619.57	712,619.57	
FINANCIAL PROVISIONS								
Provision for Premium Due						1,436,701.27		
Sundry Reserves						1,706,865.27		3,143,566.54
UNDERWRITING PROFIT						42,740,841.32		42,740,841.32
TOTAL	20,461,594.17	148,703,355.81	17,171,849.57	1,338,499.48	333,852,483.90	76,857,491.64		598,385,274.57

Handwritten signature and date 24.

ANNUAL REPORT 2019
FIDELIDADE MACAU

(Amounts in MOP\$)

CREDIT	Employees' Compensation	Fire	Motor	Marine Cargo	Other Classes	General Accounts	Sub-total	Total
GROSS PREMIUMS								
On Direct Insurance	17,247,075.40	63,808,537.94	11,232,331.20	1,172,158.70	65,492,378.63		158,952,481.87	
On Reinsurance Accepted	1,974,511.50	627,235.70	958,629.00	-	2,077,309.80		5,637,686.00	164,590,167.87
INCOME FROM REINSURANCE CEDED								
On Direct Insurance								
Commissions (including profit sharing)	128,364.20	9,851,471.30	-	374,366.10	9,250,389.10		19,604,590.70	
Claims Sharing	316,114.61	29,060,059.93	-	20,994.97	78,902,934.58		108,300,104.09	
Reinsurers' Share in UPR	-	4,974,783.60	-	-	21,045,968.60		26,020,752.20	
Reinsurers' Share in Claims Reserve	925,596.25	8,130,204.76	11,029.50	91,000.00	23,287,912.91		32,445,743.42	
Others	-	-	-	-	-		-	186,371,190.41
On Reinsurance Accepted								
Commissions (including profit sharing)	-	308,567.70	-	-	597,931.20		906,498.90	
Claims Sharing	-	3,182,465.15	-	-	(785,240.67)		2,397,224.48	
Reinsurers' Share in UPR	-	100,764.80	-	-	1,052,242.00		1,153,006.80	
Reinsurers' Share in Claims Reserve	-	65,683.15	-	-	41,952.33		107,635.48	
Others	-	-	-	-	-		-	4,564,365.66
REDUCTION IN UNEARNED PREMIUM RESERVE								
On Direct Insurance	3,155,467.00	676,160.56	715,303.36	173,530.70	1,851,490.76		6,571,952.38	
On Reinsurance Accepted	-	-	18,486.50	-	0.40		18,486.90	6,590,439.28
REDUCTION IN OUTSTANDING CLAIMS RESERVE								
On Direct Insurance	13,640,508.46	42,707,676.35	9,284,710.20	142,000.00	143,158,693.04		208,933,588.05	
On Reinsurance Accepted	1,156,354.01	7,138,350.00	1,860,103.93	-	2,563,584.05		12,718,391.99	221,651,980.04
OTHER INCOME								
Financial Income						10,370,608.05		
Sundry Income						1,728,615.61		12,099,223.66
REDUCTION IN FINANCIAL RESERVES								
On Cancellation of Premiums						-		
On Sundry Reserves						2,517,907.65		2,517,907.65
UNDERWRITING LOSS								
TOTAL	38,543,991.43	170,631,960.94	24,080,593.69	1,974,050.47	348,537,546.73	14,617,131.31	598,385,274.57	

Accounting Manager


Chan So Nigo
(陳瑞娥)

Board of Directors


Rogério Miguel Antunes
Campos Henriques


Wai Lam William Mak
(麥偉林)


Paulo Manuel Gomes Barbosa


Cheung Ming Fai (張明輝)

PROFIT AND LOSS ACCOUNT FOR 2019

LOSSES	Total
Extraordinary Losses of the Year	-
Losses Pertaining to Prior Years	1.00
Provision for Income Tax	5,791,907.50
Net Profit After Taxation	41,728,580.02
TOTAL	47,520,488.52

PROFITS	Total
Extraordinary Gains of the Year	4,779,647.20
Gains Pertaining to Prior Years	-
Profits from Revenue Account	42,740,841.32
TOTAL	47,520,488.52

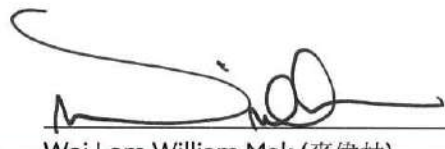
Accounting Manager:


 Chan Soi Ngo (陳瑞娥)

Board of Directors


 Rogério Miguel Antunes Campos Henriques


 Paulo Manuel Gomes Barbosa


 Wai Lam William Mak (麥偉林)


 Cheung Ming Fai Ivan (張明輝)

N. 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 2019

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.

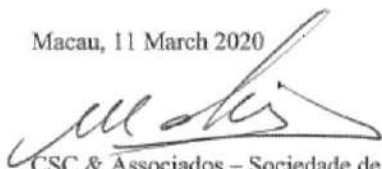
In due consideration of the above, the Single Supervisor issues the following

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, 11 March 2020



CSC & Associados – Sociedade de Auditores

Represented by Mok Chi Meng

Single Supervisor



Avenida da Praia Grande, n.º 517, Edifício Comercial Nam Tung, 8.º andar, A-B, Macau

澳門南灣大馬路517號南通商雲大廈8樓A-B座

Fax: (853) 28355212

Tel: (853) 28322121

27


○. AUDITORS' REPORT

Audited Financial Statements

FIDELIDADE MACAU - COMPANHIA DE SEGUROS, S.A.

31 December 2019



FIDELIDADE MACAU - COMPANHIA DE SEGUROS, S.A.

CONTENTS

	Pages
INDEPENDENT AUDITOR'S REPORT	1 - 2
AUDITED FINANCIAL STATEMENTS	
Statement of profit or loss	3
Statement of financial position	4
Statement of changes in equity	5
Statement of cash flows	6
Notes to financial statements	7 - 27

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 27, which comprise the statement of financial position as at 31 December 2019, 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 "Macao Insurance 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

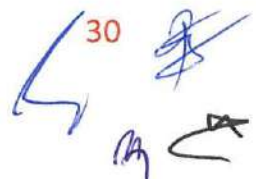
Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Article 88 of the Law and our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability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

30





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 2019, 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 Macao Insurance 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 Macao Insurance Law;
- (b) no assets guaranteeing the insurance reserves were applied in contravention of the provisions of the Macao Insurance Law for the year ended 31 December 2019; 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
28 February 2020

31

FIDELIDADE MACAU - COMPANHIA DE SEGUROS, S.A.

STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2019

	Notes	2019 MOP	2018 MOP
Gross premiums	3	141,365,453	127,427,263
Premiums ceded to reinsurers	3	(70,478,883)	(61,901,701)
NET PREMIUMS		70,886,570	65,525,562
Reinsurance commission income		20,511,090	16,552,264
Interest income	4	10,370,609	5,916,772
Net investment income		4,779,647	-
Other income		1,728,616	1,763,023
OTHER REVENUE		37,389,962	24,232,059
TOTAL REVENUE		108,276,532	89,757,621
Gross benefits and claims paid		(122,823,412)	(138,143,601)
Claims ceded to reinsurers		110,697,328	113,658,104
Gross change in contract liabilities		173,187,789	136,140,975
Change in contract liabilities ceded to reinsurers		(163,459,710)	(126,474,599)
NET BENEFITS AND CLAIMS		(2,398,005)	(14,819,121)
Commission expense paid		(26,759,295)	(24,921,477)
Deferred acquisition costs	8	5,449,932	5,940,764
Amortisation of deferred acquisition costs	8	(4,638,889)	(5,436,013)
Net investment loss		-	(445,364)
Other operating and administrative expenses		(32,409,786)	(26,055,295)
OTHER EXPENSES		(58,358,038)	(50,917,385)
TOTAL BENEFITS, CLAIMS AND OTHER EXPENSES		(60,756,043)	(65,736,506)
PROFIT BEFORE TAX	4	47,520,489	24,021,115
Income tax expense	5	(5,791,909)	(2,810,009)
PROFIT FOR THE YEAR		41,728,580	21,211,106

FIDELIDADE MACAU - COMPANHIA DE SEGUROS, S.A.

STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	2019 MOP	2018 MOP
ASSETS			
Deferred acquisition costs	8	13,357,012	12,809,247
Property, plant and equipment	6	2,357,673	2,937,627
Financial assets at fair value through profit or loss	12	210,409,141	148,209,398
Reinsurance assets	11	130,215,941	267,312,806
Insurance receivables		38,504,335	34,817,441
Other receivables and prepayments		4,868,799	4,559,173
Due from a fellow subsidiary		-	4,147
Pledged deposits	9	128,915,513	115,162,489
Deposits with banks with original maturity of more than three months	10	-	35,024,998
Cash and cash equivalents	10	23,921,965	17,611,950
Total assets		<u>552,550,379</u>	<u>638,449,276</u>
EQUITY			
Share capital	14	160,000,000	160,000,000
Legal reserve	15	11,649,918	7,407,697
Retained profits		88,328,251	50,841,892
Total equity		<u>259,978,169</u>	<u>218,249,589</u>
LIABILITIES			
Insurance contract liabilities	11	230,199,838	380,162,910
Deferred revenue		10,086,437	10,349,715
Insurance payables and accruals		45,489,815	26,618,921
Due to the immediate holding company		432,675	227,294
Due to a fellow subsidiary		571,536	-
Tax payable		5,791,909	2,840,847
Total liabilities		<u>292,572,210</u>	<u>420,199,687</u>
Total equity and liabilities		<u>552,550,379</u>	<u>638,449,276</u>



Director



Director

FIDELIDADE MACAU - COMPANHIA DE SEGUROS, S.A.

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

	Note	Share capital MOP	Legal reserve MOP	Retained profits MOP	Total equity MOP
At 1 January 2018		160,000,000	4,492,121	32,546,362	197,038,483
Profit for the year		-	-	21,211,106	21,211,106
Transfer to legal reserve	15	-	2,915,576	(2,915,576)	-
At 31 December 2018 and 1 January 2019		160,000,000	7,407,697	50,841,892	218,249,589
Profit for the year		-	-	41,728,580	41,728,580
Transfer to legal reserve	15	-	4,242,221	(4,242,221)	-
At 31 December 2019		<u>160,000,000</u>	<u>11,649,918</u>	<u>88,328,251</u>	<u>259,978,169</u>

FIDELIDADE MACAU - COMPANHIA DE SEGUROS, S.A.

STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Notes	2019 MOP	2018 MOP
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		47,520,489	24,021,115
Adjustments for:			
Depreciation	6	712,620	710,853
Amortisation of deferred acquisition costs, net	8	4,638,889	5,436,013
Loss on disposal of items of property, plant and equipment		-	54,775
Interest income	4	(10,370,609)	(5,916,772)
Fair value (gains)/losses on financial assets at fair value through profit or loss	4	(4,358,249)	454,965
Impairment loss on insurance receivables	4	1,436,701	299,958
		<u>39,579,841</u>	<u>25,060,907</u>
Increase in deferred acquisition costs, net	8	(5,449,932)	(5,940,764)
Decrease in reinsurance assets		137,096,865	119,150,299
Increase in insurance receivables		(5,123,595)	(14,641,985)
(Increase)/decrease in other receivables and prepayments		(309,626)	305,634
(Increase)/decrease in pledged deposits		(13,753,024)	40,362,180
(Increase)/decrease in amount due from a fellow subsidiary		4,147	(4,147)
Decrease in insurance contract liabilities		(149,963,072)	(124,805,057)
Increase/(decrease) in insurance payables and accruals		18,870,894	(9,255,338)
Increase/(decrease) in an amount due to the immediate holding company		205,381	(112,286)
Increase in an amount due to a fellow subsidiary		571,536	-
Cash generated from operations		<u>21,729,415</u>	<u>30,119,443</u>
Macao complementary tax paid		(2,840,847)	(1,821,128)
Interest received		3,722,738	5,118,975
Net cash flows from operating activities		<u>22,611,306</u>	<u>33,417,290</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	6	(132,666)	(2,106,816)
Decrease in deposits with original maturity of more than three months		35,024,998	14,751,419
Purchase of financial assets at fair value through profit or loss		(187,153,052)	(288,540,995)
Proceeds from sale of financial assets at fair value through profit or loss		129,311,558	139,876,632
Interest received from financial assets at fair value through profit or loss		6,647,871	797,797
Net cash flows used in investing activities		<u>(16,301,291)</u>	<u>(135,221,963)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		6,310,015	(101,804,673)
Cash and cash equivalents at beginning of year		<u>17,611,950</u>	<u>119,416,623</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>23,921,965</u>	<u>17,611,950</u>

FIDELIDADE MACAU - COMPANHIA DE SEGUROS, S.A.

NOTES TO FINANCIAL STATEMENTS

31 December 2019

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 ("Macao Insurance Law") to underwrite general insurance business in Macao Special Administrative Region, the People's Republic of China ("Macao SAR"). The registered office and principal place of business of the Company is located at Avenida da Praia Grande no.567, BNU Building 14/F, Macao SAR. Its immediate holding company is Fidelidade - Companhia de Seguros, S.A., an insurance company incorporated in the Republic of Portugal. In the opinion of the directors, the ultimate holding company of the Company is Fosun International Holding Limited, a company with limited liability incorporated in British Virgin Islands ("BVI").

2.1 BASIS OF PREPARATION

These financial statements 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, except for debt securities which have been measured at fair value. These financial statements are presented in Macao patacas ("MOP") and all values are rounded to the nearest MOP except when otherwise indicated.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments, as appropriate.

31 December 2019

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented in profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Company's statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

FIDELIDADE MACAU - COMPANHIA DE SEGUROS, S.A.

NOTES TO FINANCIAL STATEMENTS

31 December 2019

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Fair value measurement

The Company measures its equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

31 December 2019

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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% - 33½%

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 2019

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.

40

NOTES TO FINANCIAL STATEMENTS

31 December 2019

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.

41

FIDELIDADE MACAU - COMPANHIA DE SEGUROS, S.A.

NOTES TO FINANCIAL STATEMENTS

31 December 2019

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

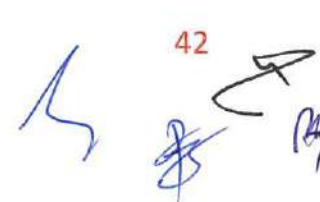
Claims consist of claims paid to policyholders, as well as changes in the gross insurance liabilities, except for gross changes in the unearned premium provision which are recorded in premium income. It further includes internal and external claims handling costs that are directly related to the processing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

42



31 December 2019

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. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future reporting periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Insurance contract liabilities

For insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred, but not yet reported, at the reporting date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies, IBNR claims form the majority of the liability in the statement of financial position.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder methods.

31 December 2019

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Insurance contract liabilities (continued)

The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

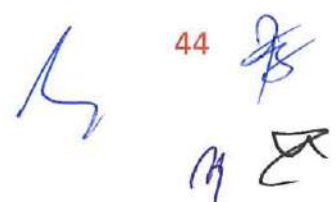
Similar judgements, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium. Judgement is also required in determining whether the pattern of insurance service provided by a contract requires amortisation of unearned premium on a basis other than time apportionment.

The carrying value at the reporting date of insurance contract liabilities is MOP230,199,838 (2018: MOP380,162,910).

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset backed securities.

44



FIDELIDADE MACAU - COMPANHIA DE SEGUROS, S.A.

NOTES TO FINANCIAL STATEMENTS

31 December 2019

3. NET PREMIUMS

	2019 MOP	2018 MOP
(a) Gross premiums earned:		
Gross premiums written	164,590,167	138,763,180
Gross change in unearned premiums and provision for unexpired risk	(23,224,714)	(11,335,917)
Total gross premiums earned	<u>141,365,453</u>	<u>127,427,263</u>
(b) Ceded reinsurance premiums earned:		
Premiums written	(96,841,727)	(69,226,002)
Change in unearned premiums and provision for unexpired risk	<u>26,362,844</u>	<u>7,324,301</u>
Total ceded reinsurance premiums earned	<u>(70,478,883)</u>	<u>(61,901,701)</u>
Total net premiums earned	<u>70,886,570</u>	<u>65,525,562</u>

4. PROFIT BEFORE TAX

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

	Note	2019 MOP	2018 MOP
Depreciation	6	712,620	710,853
Minimum lease payments under operating leases		2,623,265	2,741,947
Employee benefit expense:			
Wages and salaries		18,694,409	16,561,979
Pension scheme contributions		1,316,006	1,229,280
Foreign exchange differences, net		267,905	(9,601)
Interest income from bank deposits		(3,722,738)	(5,118,975)
Interest income from financial assets at fair value through profit or loss		(6,647,871)	(797,797)
Fair value (gains)/losses on financial assets at fair value through profit or loss		(4,358,249)	454,965
Gain on disposal of financial assets at fair value through profit or loss		(689,303)	-
Impairment loss on insurance receivables		<u>1,436,701</u>	<u>299,958</u>

FIDELIDADE MACAU - COMPANHIA DE SEGUROS, S.A.

NOTES TO FINANCIAL STATEMENTS

31 December 2019

5. INCOME TAX

Macao complementary tax has been provided at the rate of 12% (2018: 12%) on the estimated assessable profits arising in Macao during the year.

	2019 MOP	2018 MOP
Charge for the year	5,791,909	2,840,847
Overprovision in prior years	-	(30,838)
Tax charge for the year	<u>5,791,909</u>	<u>2,810,009</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:

	2019 MOP	2018 MOP
Profit before tax	<u>47,520,489</u>	<u>24,021,115</u>
Tax at the statutory tax rate of 12% (2018: 12%)	5,702,459	2,882,534
Adjustments in respect of current tax of previous periods	-	(30,838)
Income not subject to tax	(522,990)	-
Expenses not deductible for tax	161,450	30,313
Others	<u>450,990</u>	<u>(72,000)</u>
Tax charge at the effective rate of 12% (2018: 12%)	<u>5,791,909</u>	<u>2,810,009</u>

There was no material unprovided deferred tax during the year or as at the end of the reporting period (2018: Nil).

FIDELIDADE MACAU - COMPANHIA DE SEGUROS, S.A.

NOTES TO FINANCIAL STATEMENTS

31 December 2019

6. PROPERTY, PLANT AND EQUIPMENT

	Motor Vehicles MOP	Furniture, fixtures and equipment MOP	Computer system MOP	Total MOP
31 December 2019				
At 31 December 2018 and at 1 January 2019:				
Cost	878,869	2,550,246	700,756	4,129,871
Accumulated depreciation	(347,885)	(401,086)	(443,273)	(1,192,244)
Net carrying amount	<u>530,984</u>	<u>2,149,160</u>	<u>257,483</u>	<u>2,937,627</u>
At 1 January 2019, net of accumulated depreciation	530,984	2,149,160	257,483	2,937,627
Additions	-	7,600	125,066	132,666
Disposals	-	-	-	-
Depreciation provided during the year	(219,718)	(285,178)	(207,724)	(712,620)
At 31 December 2019, net of accumulated depreciation	<u>311,266</u>	<u>1,871,582</u>	<u>174,825</u>	<u>2,357,673</u>
At 31 December 2019:				
Cost	878,869	2,557,846	825,822	4,262,537
Accumulated depreciation	(567,603)	(686,264)	(650,997)	(1,904,864)
Net carrying amount	<u>311,266</u>	<u>1,871,582</u>	<u>174,825</u>	<u>2,357,673</u>

FIDELIDADE MACAU - COMPANHIA DE SEGUROS, S.A.

NOTES TO FINANCIAL STATEMENTS

31 December 2019

6. PROPERTY, PLANT AND EQUIPMENT (continued)

31 December 2018	Motor Vehicles MOP	Furniture, fixtures and equipment MOP	Computer system MOP	Total MOP
At 1 January 2018:				
Cost	878,869	846,788	472,583	2,198,240
Accumulated depreciation	(128,168)	(266,421)	(207,212)	(601,801)
Net carrying amount	<u>750,701</u>	<u>580,367</u>	<u>265,371</u>	<u>1,596,439</u>
At 1 January 2018, net of accumulated depreciation	750,701	580,367	265,371	1,596,439
Additions	-	1,878,643	228,173	2,106,816
Disposals	-	(54,775)	-	(54,775)
Depreciation provided during the year	(219,717)	(255,075)	(236,061)	(710,853)
At 31 December 2018, net of accumulated depreciation	<u>530,984</u>	<u>2,149,160</u>	<u>257,483</u>	<u>2,937,627</u>
At 31 December 2018:				
Cost	878,869	2,550,246	700,756	4,129,871
Accumulated depreciation	(347,885)	(401,086)	(443,273)	(1,192,244)
Net carrying amount	<u>530,984</u>	<u>2,149,160</u>	<u>257,483</u>	<u>2,937,627</u>

During 2018, certain items with cost of MOP175,186 and carrying amount of MOP54,775 were disposed of without proceeds.

7. OPERATING LEASE COMMITMENTS

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

At 31 December 2019, the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2019 MOP	2018 MOP
Within one year	1,371,291	1,245,900
In the second to third year, inclusive	<u>1,275,000</u>	<u>2,001,600</u>
	<u>2,646,291</u>	<u>3,247,500</u>

48

FIDELIDADE MACAU - COMPANHIA DE SEGUROS, S.A.

NOTES TO FINANCIAL STATEMENTS

31 December 2019

8. DEFERRED ACQUISITION COSTS

	Gross MOP	Reinsurance MOP	Net MOP
At 1 January 2018	10,966,465	(9,011,684)	1,954,781
Acquisition costs deferred	11,687,761	(5,746,997)	5,940,764
Amortisation	(9,844,979)	4,408,966	(5,436,013)
At 31 December 2018 and 1 January 2019	12,809,247	(10,349,715)	2,459,532
Acquisition costs deferred	12,719,927	(7,269,995)	5,449,932
Amortisation	(12,172,162)	7,533,273	(4,638,889)
At 31 December 2019	<u>13,357,012</u>	<u>(10,086,437)</u>	<u>3,270,575</u>

9. PLEDGE OF ASSETS

Time deposits of MOP128,915,513 (2018: MOP115,162,489) 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.

Details of the Company's debt securities pledged for the Company's technical reserves are included in note 12 to the financial statements.

10. CASH AND CASH EQUIVALENTS

	2019 MOP	2018 MOP
Cash and cash equivalents	23,921,965	17,611,950
Non-pledged time deposits with original maturity of more than three months when acquired	-	35,024,998
	<u>23,921,965</u>	<u>52,636,948</u>

49

FIDELIDADE MACAU - COMPANHIA DE SEGUROS, S.A.

NOTES TO FINANCIAL STATEMENTS

31 December 2019

11. INSURANCE CONTRACT LIABILITIES

	Note	2019 MOP	2018 MOP
Provision for unearned premiums		90,053,492	64,486,543
Provision for unexpired risk		783,360	3,125,594
Outstanding claims provision	16	139,362,986	312,550,773
Insurance contract liabilities		<u>230,199,838</u>	<u>380,162,910</u>
Less:			
Reinsurers' share of provision for unearned premiums		(52,979,850)	(26,617,005)
Reinsurers' share of outstanding claims provision		(77,236,091)	(240,695,801)
Reissuance assets		<u>(130,215,941)</u>	<u>(267,312,806)</u>
Technical reserves, net		<u>99,983,897</u>	<u>112,850,104</u>

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 MOP	2018 MOP
Debt securities	<u>210,409,141</u>	<u>148,209,398</u>

The above financial assets at the end of the reporting period were classified as held for trading and measured at fair value. Upon initial recognition, they were designated by the Company as financial assets at fair value through profit or loss. Debt securities amounted to MOP175,245,902 (2018: MOP148,209,398) have been endorsed in favour of the Autoridade Monetária de Macau ("AMCM") to guarantee the technical reserves.

13. FAIR VALUE HIERARCHY

The following tables illustrate the fair value measurement hierarchy of the Company's financial instruments:

Assets measured at fair value:

As at 31 December 2019

	Note	Fair value measurement using			Total MOP
		Quoted prices in active markets (Level 1) MOP	Significant observable inputs (Level 2) MOP	Significant unobservable inputs (Level 3) MOP	
Financial assets at fair value through profit or loss	12	<u>210,409,141</u>	<u>-</u>	<u>-</u>	<u>210,409,141</u>

50

FIDELIDADE MACAU - COMPANHIA DE SEGUROS, S.A.

NOTES TO FINANCIAL STATEMENTS

31 December 2019

13. FAIR VALUE HIERARCHY (Continued)

Assets measured at fair value: (continued)

The fair values of Level 1 securities are based on quoted market price. During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2018: Nil).

As at 31 December 2018

	Note	Fair value measurement using			Total MOP
		Quoted prices in active markets (Level 1) MOP	Significant observable inputs (Level 2) MOP	Significant unobservable inputs (Level 3) MOP	
Financial assets at fair value through profit or loss	12	<u>148,209,398</u>	<u>-</u>	<u>-</u>	<u>148,209,398</u>

14. SHARE CAPITAL

	2019 MOP	2018 MOP
Authorised, issued and fully paid: 160,000 (2018: 160,000) shares of MOP1,000 each	<u>160,000,000</u>	<u>160,000,000</u>

15. LEGAL RESERVE

Pursuant to Article 84 of the Macao Insurance 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 Macao Insurance 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 2019

16. INDIVIDUAL CLASSES OF INSURANCE BUSINESS

Year ended 31 December 2019

	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		10,142,365	1,089,966	17,247,075	62,147	3,992,503	126,418,425	158,952,481
Reinsurance accepted		958,629	-	1,974,512	-	-	2,704,545	5,637,686
Gross written premiums	3	<u>11,100,994</u>	<u>1,089,966</u>	<u>19,221,587</u>	<u>62,147</u>	<u>3,992,503</u>	<u>129,122,970</u>	<u>164,590,167</u>
Direct insurance		9,255,684	1,406,167	20,402,542	61,187	-	104,733,576	135,859,156
Reinsurance accepted		977,116	-	622,960	-	-	1,563,987	3,164,063
Provision for unexpired risk reserve		382,578	-	-	-	-	1,959,656	2,342,234
Gross earned premiums	3	<u>10,615,378</u>	<u>1,406,167</u>	<u>21,025,502</u>	<u>61,187</u>	<u>-</u>	<u>108,257,219</u>	<u>141,365,453</u>
Direct insurance		1,403,290	153,335	1,196,635	2,610	-	23,168,209	25,924,079
Reinsurance accepted		258,485	-	199,054	-	-	377,677	835,216
Change in deferred acquisition costs		736	56,679	(313,898)	703	-	(814,065)	(1,069,845)
Commission paid		<u>1,662,511</u>	<u>210,014</u>	<u>1,081,791</u>	<u>3,313</u>	<u>-</u>	<u>22,731,821</u>	<u>25,689,450</u>

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

FIDELIDADE MACAU - COMPANHIA DE SEGUROS, S.A.

NOTES TO FINANCIAL STATEMENTS

31 December 2019

16. INDIVIDUAL CLASSES OF INSURANCE BUSINESS (continued)

Year ended 31 December 2019

	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
Gross claims paid – direct insurance		5,590,916	20,770	8,904,838	-	39,030	104,388,499	118,944,053
Gross claims paid – reinsurance accepted		1,139,219	-	321,163	-	-	2,418,977	3,879,359
Change in claim case reserve		422,074	90,000	1,610,530	-	(674,616)	(157,259,777)	(155,811,789)
Change in IBNR/IBNER reserve		(4,579,000)	3,000	(9,460,000)	-	94,000	(3,434,000)	(17,376,000)
Change in loss deviation reserves		-	-	-	-	-	-	-
Gross claims paid and incurred		2,573,209	113,770	1,376,531	-	(541,586)	(53,886,301)	(50,364,377)
Reinsurance claims recoverable		(11,030)	-	(1,193,558)	-	286,720	53,680,250	52,762,382
Net claims paid and incurred		2,562,179	113,770	182,973	-	(254,866)	(206,051)	2,398,005
Case reserve – direct insurance		8,568,516	98,800	21,484,807	122,570	20,824	51,711,644	82,007,161
Case reserve – reinsurance accepted		3,332,146	-	2,134,085	-	-	2,875,649	8,341,880
Reserve for IBNR/IBNER claims		10,861,000	4,000	9,503,000	-	4,367,000	24,204,000	48,939,000
Loss deviation reserves		-	-	-	-	-	74,945	74,945
Gross outstanding claims as at 31 December 2019	11	22,761,662	102,800	33,121,892	122,570	4,387,824	78,866,238	139,362,986

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

FIDELIDADE MACAU - COMPANHIA DE SEGUROS, S.A.

NOTES TO FINANCIAL STATEMENTS

31 December 2019

16. INDIVIDUAL CLASSES OF INSURANCE BUSINESS (continued)

Year ended 31 December 2018

	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		9,463,982	2,102,204	21,819,192	61,349	3,741,947	97,857,709	135,046,383
Reinsurance accepted		788,576	-	1,122,244	-	-	1,805,977	3,716,797
Gross written premiums	3	10,252,558	2,102,204	22,941,436	61,349	3,741,947	99,663,686	138,763,180
Direct insurance		9,702,320	2,102,140	19,969,367	59,069	3,741,947	89,563,486	125,138,329
Reinsurance accepted		983,094	-	725,895	-	-	1,263,361	2,972,350
Provision for unexpired risk reserve		(278,368)	-	-	-	-	(405,048)	(683,416)
Gross earned premiums	3	10,407,046	2,102,140	20,695,262	59,069	3,741,947	90,421,799	127,427,263
Direct insurance		1,402,890	285,499	873,778	2,721	-	21,706,332	24,271,220
Reinsurance accepted		237,022	-	134,219	-	-	279,016	650,257
Change in deferred acquisition costs		64,974	(10,567)	1,480	161	-	(1,548,784)	(1,492,736)
Commission paid		1,704,886	274,932	1,009,477	2,882	-	20,436,564	23,428,741

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

[Handwritten signature]

FIDELIDADE MACAU - COMPANHIA DE SEGUROS, S.A.

NOTES TO FINANCIAL STATEMENTS

31 December 2019

16. INDIVIDUAL CLASSES OF INSURANCE BUSINESS (continued)

Year ended 31 December 2018

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
Gross claims paid – direct insurance	5,925,857	73,800	12,183,909	-	(78,709)	107,720,413	125,825,270
Gross claims paid – reinsurance accepted	1,322,512	-	413,833	-	-	10,581,986	12,318,331
Change in claim case reserve	(300,510)	(80,000)	(1,770,531)	-	(3,180)	(131,131,353)	(133,285,574)
Change in IBNR/IBNER reserve	1,443,118	(60,811)	1,361,474	-	2,391,157	(7,990,340)	(2,855,402)
Change in loss deviation reserves	-	-	-	-	-	-	-
Gross claims paid and incurred	8,390,977	(67,011)	12,188,685	-	2,309,268	(20,819,294)	2,002,625
Reinsurance claims recoverable	1,208	-	(519,215)	-	(2,138,055)	15,472,558	12,816,496
Net claims paid and incurred	8,392,185	(67,011)	11,669,470	-	171,213	(5,346,736)	14,819,121
Case reserve – direct insurance	9,682,454	8,800	20,088,135	122,570	695,440	199,386,669	229,984,068
Case reserve – reinsurance accepted	1,796,132	-	1,920,227	-	-	12,460,401	16,176,760
Reserve for IBNR/IBNER claims	15,440,000	1,000	18,963,000	-	4,273,000	27,638,000	66,315,000
Loss deviation reserves	-	-	-	-	-	74,945	74,945
Gross outstanding claims	-	-	-	-	-	-	-
as at 31 December 2018	26,918,586	9,800	40,971,362	122,570	4,968,440	239,560,015	312,550,773

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

FIDELIDADE MACAU - COMPANHIA DE SEGUROS, S.A.

NOTES TO FINANCIAL STATEMENTS

31 December 2019

17. EVENTS AFTER THE REPORTING PERIOD

Since January 2020, in the light of the emergence of the novel coronavirus (COVID-19), the Macao SAR government has set up measures to prevent the spread of the COVID-19 outbreak including appeals to the local business sector to suspend commercial activities where possible. The COVID-19 global outbreak continues at the date of issuing these financial statements and disrupts local business sectors to a greater or lesser extent including the business operations of the Company. Given the high level of uncertainties around the COVID-19 outbreak, while closely monitoring the development of this non-adjusting event, management cannot at this state reasonably estimate its financial impact on the Company after the reporting period.

18. COMPARATIVE AMOUNTS

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

19. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 February 2020.