

FIDELIDADE MACAU -
INSURANCE COMPANY LIMITED
忠誠澳門保險股份有限公司

ANNUAL
REPORT
2020

20
20



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

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 2020.

The Board of Directors

INDEX

A.	GOVERNING BODIES	5
B.	MACAO ECONOMY	6
C.	MACAO NON-LIFE INSURANCE MARKET	7
D.	COMPANY OVERVIEW	8
E.	STRONG FINANCIAL POSITION.....	9
F.	KEY INDICATORS	10
G.	SHAREHOLDER STRUCTURE	12
H.	HUMAN RESOURCES.....	13
I.	COMMERCIAL OPERATIONS	14
J.	CORPORATE RESPONSIBILITY.....	16
K.	FINANCIAL REVIEW	17
L.	APPROPRIATION OF PROFITS.....	18
M.	MANAGEMENT APPRECIATION	19
N.	FINANCIAL STATEMENTS	20
O.	SUPERVISOR'S REPORT	26
P.	AUDITORS' REPORT.....	27

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 <i>(up to 22 March 2020)</i>
André Simões Cardoso	Chairman <i>(as from 23 March 2020)</i>
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

Macao's economy is heavily relying on the gaming and tourism industry, with majority of revenues generated from Mainland Chinese tourists. Travel restrictions in most part of 2020 due to the Coronavirus disease 2019 (Covid-19) and tightened measurements on gambling-related cross-border capital flow from mainland has resulted in significant reduction of revenue from the Casino sector and tourism related business. Due to global travel restriction, Macao received only 5.9 million tourists in 2020, a significant decrease of 85% from the 39.4 million tourists in 2019. Hotel occupancy fell to 28.6% in 2020 from 90.8% in the previous year.

For the whole year of 2020, the Macao's economy significantly decrease by 56.3% year-on-year on real terms. Contraction was observed in all quarters of 2020. Macao's inflation dropped to 0.81% in 2020, compared to 2.75% in the previous year, amid slower demand from Macao residents as well, with the two largest components of the Composite Price Index, food & non-alcoholic beverages and housing & fuel, registering year on year growth of 3.37% and 0.71% respectively. As gaming and tourism industry strongly affected, the unemployment rate has increased to 2.7% compared to 1.7% in 2019, reaching above 2% for the first time in past eight years. The median monthly salary dropped to MOP\$ 15,000 from MOP\$ 17,000 in 2019.

In order to minimize the impact of the pandemic, the Macao Government has issued several bouts of economic aid to the tune of MOP\$ 42.6 billion into the population and businesses. These timely measures helped to a great extent to stabilize the social situation of Macao. Despite this significant effort, by the end of 2020 the financial reserves of Macao still amounted to MOP\$ 621.1 billion.

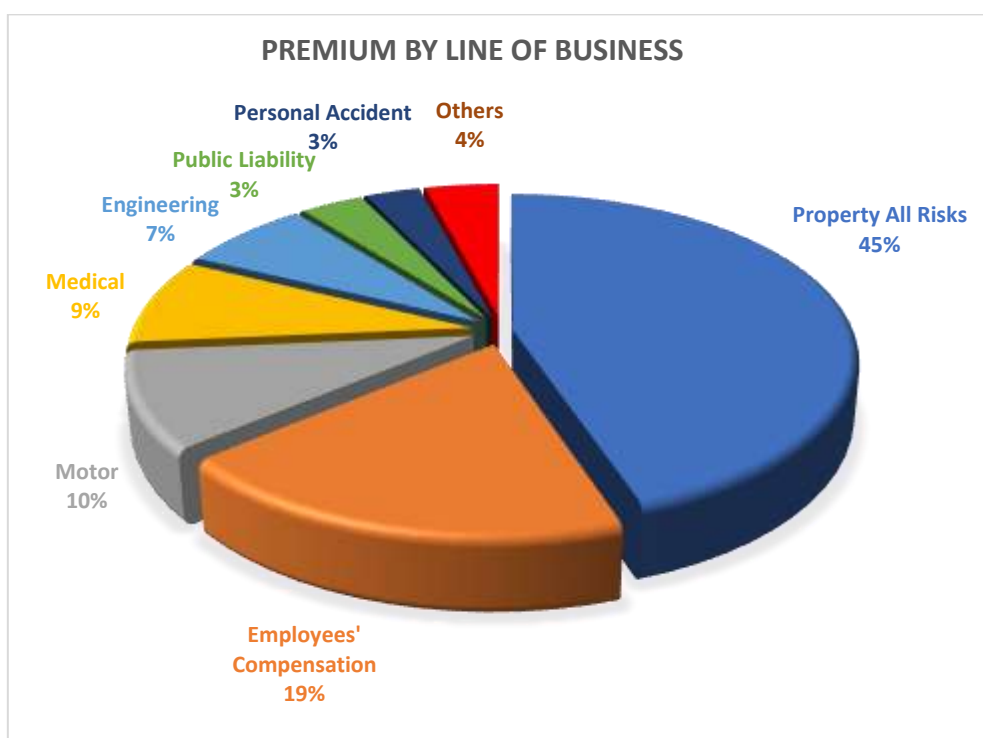
With the lifting of travel restrictions in Mainland China from late 2020 and the start of Covid-19 vaccination in 2021, IMF forecasted Macao will have a bounce back of about 24% GDP growth in 2021. The Macao Chief Executive has also outlined measures to help the recovery in 2021 namely a further extraordinary injection of MOP\$ 26.6 billion from the financial reserves to counter public administration deficit.

Macao's main policies will focus on epidemic prevention and control, revitalizing and diversifying the economy. Integration within the Greater Bay Area will continue to be pursued and as a major factor for rapid recovery of economy in Macao.

C. MACAO NON-LIFE INSURANCE MARKET

Despite the contraction of the Macao's economy, the non-life insurance industry only slightly decrease by 0.04%, recording total gross written premiums of MOP\$ 2,307 million up to the 3Q/2020, which compares with MOP\$ 2,308 million in the same period of 2019.

The distribution of gross written premiums by insurance class remained quite stable, with property business representing 44.8%, seconded by employees' compensation, motor and medical businesses with a combined share of 37.4%.



After the 2017 industry's loss ratio of 305%, arising from the catastrophic Typhoon Hato, it is noticeable that the extremely low loss ratios of 2% in 2018 and 3% in 2019 are reflections of the final settlement of 2017 claims and which were ultimately below the initial expectations. The overall 27% loss ratio in 2020 (up to the 3rd quarter) is reflecting the favourable trend of two most important mandatory lines of business, the Employees' Compensation and the Motor Third Party Insurances.

Gross Loss Ratio	Up to Q3/2020	2019	2018	2017
All Lines of Business	27%	3%	2%	305%
Engineering	22%	(48%)	(596%)	2,846%
Property All Risks	19%	(39%)	18%	343%
Employees' Compensation	32%	39%	41%	47%
Motor (Third Party)	45%	78%	48%	67%

D. COMPANY OVERVIEW

Fidelidade Macau - Insurance Company Limited is a legally licensed insurance company authorized for the transaction of non-life insurance business in Macao. The Company was incorporated on 1st 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. ("Fidelidade Portugal"), 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 1st 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 stood out for the reinforced commitment of the Company's major shareholder, Fidelidade Portugal, 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 two centuries of development of Fidelidade Portugal, 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, properties 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 stood out for the change in the shareholder control of Fidelidade Portugal, 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. (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 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.

E. STRONG FINANCIAL POSITION

In 2020, the Company has concluded a credit rating assessment with Moody's Investors Service which result was released to the public on January 11, 2021.

Moody's has assigned an A3 insurance financial strength rating (IFSR) to the Company, with a stable outlook, taking into consideration the following major conclusions:

- ▶ Strong underwriting profitability and capitalization
- ▶ Prudent investment allocation
- ▶ Low level of combined ratio
- ▶ Strong capital buffer relative to the risks underwritten
- ▶ Solid share capital and retained earnings
- ▶ High level of regulatory solvency ratio



F. KEY INDICATORS

129 MOP\$ million Gross Written Premiums	4.5% Market Share 3Q2020	650% Solvency Ratio
533 MOP\$ million Assets	34 Employees	89% Net Combined Ratio
27.4 MOP\$ million Net Profit	287 MOP\$ million Shareholders' Equity	10% Return on Equity

ANNUAL REPORT 2020
FIDELIDADE MACAU

The year 2020 was the fifth completed year of activity after the incorporation of the Company in Macao in October 2015.

Financial Position	2020	2019	2018
<i>(in MOP\$ Million)</i>			
Assets	532.9	552.6	638.4
Liabilities	245.5	292.6	420.2
Equity	287.4	260.0	218.2

Key Ratios	2020	2019	2018
<i>(in %)</i>			
Ceded Ratio (Earned Basis)	53.1	50.7	48.3
Solvency Ratio	650.0	534.4	517.6
Combined Ratio	89.2	50.7	71.5
Return on Equity	10.0	17.4	10.2


Financial Results	2020	2019	2018
<i>(in MOP\$ Million)</i>			
Gross Written Premiums	129.0	164.6	138.8
Net Profit	27.4	41.7	21.2

G. SHAREHOLDER STRUCTURE

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%
---	----------

ABOUT OUR MAIN SHAREHOLDER

Fidelidade - Companhia de Seguros, S.A. has a shareholder structure that is the result of the privatisation process that took place in Portugal in 2014.

Its major shareholder is Fosun Group that holds approximately 84.99% of the capital and Caixa Geral de Depósitos holds 15%. The complementary relationship of these two shareholders of reference provides a guarantee of the stability and dynamism of the Group's operations.

Fosun is a Chinese investment conglomerate of global dimension, focused on the insurance industry and present in several different business sectors.

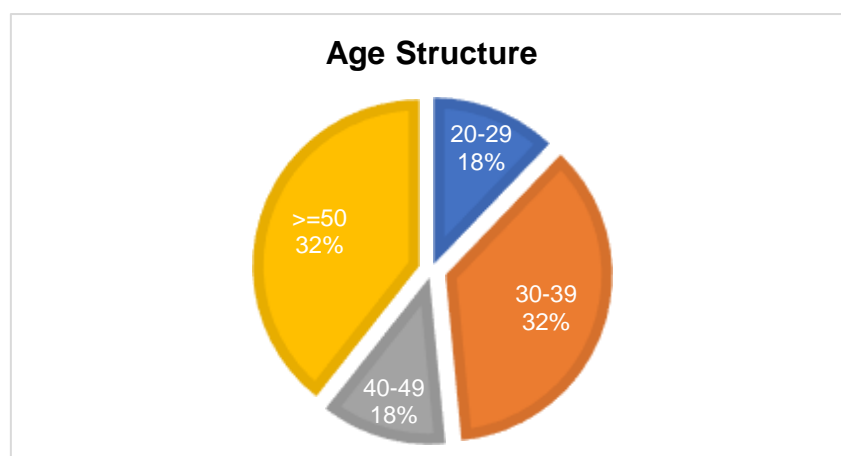
Caixa Geral de Depósitos is a Portuguese state bank, considered the largest financial institution in Portugal, with approximately 4 million clients and with presence in more than 20 countries.

The Fidelidade Group operates in the Portuguese market through its different insurance companies (Fidelidade, Via Directa and Companhia Portuguesa de Resseguro). It also has a presence in the international market through Fidelidade branches (Spain, France, Luxembourg and Mozambique) and through several insurance subsidiaries, Fidelidade Angola, Garantia (in Cape Verde), Fidelidade Macau, Fidelidade Macau Life, La Positiva Insurance Group (which has a leading position in Peru and also operates in Bolivia and Paraguay) and Fid Chile.

H. HUMAN RESOURCES

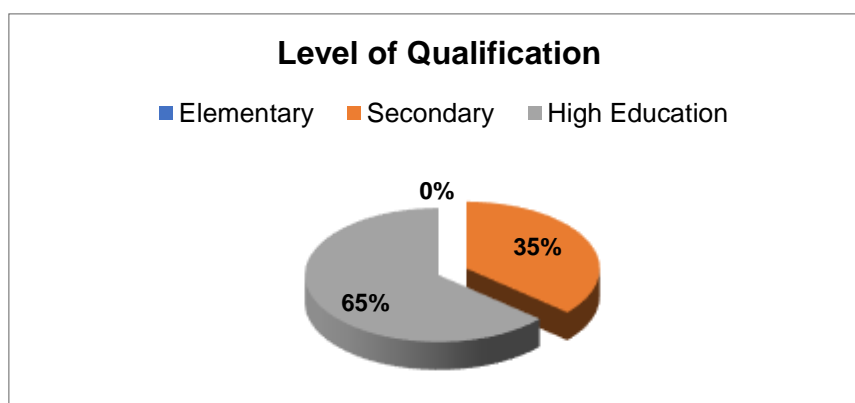
At the end of 2020, the Company employed 34 staff members reflecting an increase of 3% comparing to 2019, all of them employed on a permanent contract basis. The Company follows a staff valuing and stability policy, where temporary work may be resourced only to cover short-term needs.

In terms of gender distribution, the Company has 21 females and 13 males, representing 62% and 38% respectively. The overall average age is 43.4 years, comprising a female average age of 38.4 years and a male average age of 51.5 years.



The overall average seniority is 6.7 years, comprising a female average of 5.3 years and a male average of 8.8 years.

In terms of academic background, staff members with higher education degree represent 65% of the total. The remaining 35% 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 individual and corporate clients, aiming a positive and effective communication with them.

As example for individual clients, the Company has created a specific campaign to tackle the typhoon season that, year after year, gets harsher in Macao and the concerns related to it increase considerably. So the Company has provided an all-in-one solution for a stronger protection during that season, linking two protection products (household contents and personal accident insurances) for the safeguard of the local community. This also enhanced the cross-selling of these 2 products in existent customers.

In respect to corporate segment, the Company has designed specific packages to meet the market demand, especially to target the SME's clients of our bank strategic partner, Banco Nacional Ultramarino, where an all-in-one solution was provided covering property all risks, public liability, signboard liability and employees' compensation Insurances.

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.

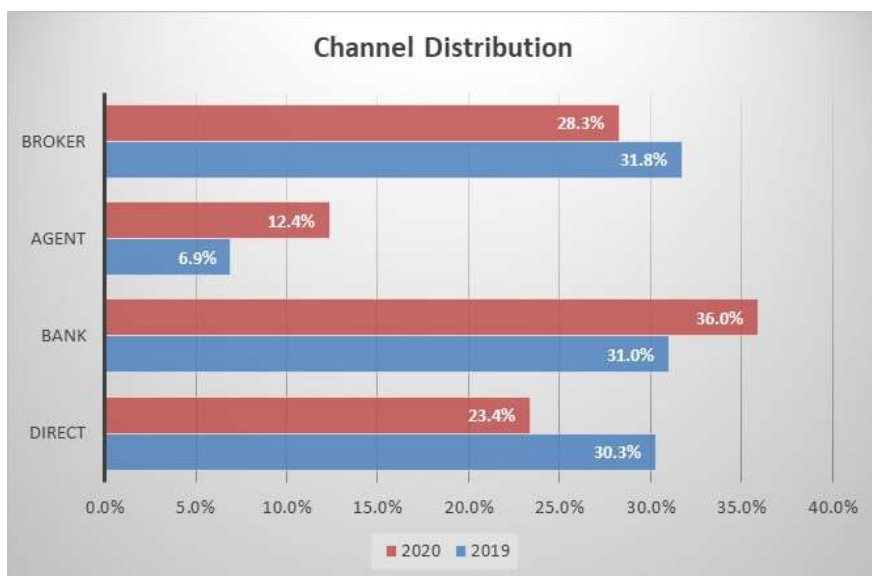
In combination with its solid financial strength, this makes our Company's highly skilled professionals as reliable partners for insurance solutions.



The Company continues to develop its commercial strategy on the bancassurance channel, mainly focused on the Banco Nacional Ultramarino S.A. (“BNU”), one of the most of reputable financial institutions in Macao.

This bancassurance operation is showing its resilience evidenced on the gross premiums written, which accounts for 36% of the Company's total gross premiums, a 5 p.p. increase comparing with 31% in 2019. The Company is improving this partnership with BNU by introducing new lines of business, enhancing service levels and development of online solutions.

All other distribution channels (direct and agents & brokers) are accounting for 64% of the Company's total gross premiums.



The Company continued to receive great support from its Reinsurance partners, which alongside our knowledgeable and experienced team in 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.

The Company offers its corporate clients in the 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 within our organization and in partnership with our reinsurance partners, assuring an effective access to the expertise and capacity of a leading insurer in Macao.

J. CORPORATE RESPONSIBILITY

The Company's long-term success depends on our ability to support customers, employees and the communities we serve, to manage and respond to a wide range of risks and opportunities.

By focusing on providing effective products and services, strengthening relationships and managing the everyday issues influencing our society, the Company is creating sustainable value today and in the future.

The Company is committed to Corporate Social Responsibility initiatives through pro bono service, community engagement, diversity and environmental sustainability in partnership with non-profit organizations, academic institutions and corporate customers.

During 2020, the Company continued the strategy to contribute to societal goals in the following key areas:

- 🏠 Social (Community, Philanthropy, Volunteering)
 - Covid-19 relief measures to healthcare local NGO's:
 - Medical Protection Gear offer to Caritas Macao
 - Food kits delivery to Local Migrant Communities impacted by the pandemic (managed by Caritas Macao)
 - Protection kit offer to all Customers that reach our offices (facial masks and disinfectant gel)
 - Sponsor to Sporting Club Macau Football Academy (ages 5 to 12), helping this local club to improve their offer and practice conditions and pushing younger generations in sports practice.
 - Participation in the solidarity edition of the Race of Companies - B2RUN, movement for healthy life and, simultaneously, contribution to a social cause.
- 🏠 Environmental:
 - Sponsor to the Portuguese School of Macao for an environmental project related to the excessive use of plastic in the People's Republic of China (Workshop).
 - Migration to FidNet Sales Platform of all Products sold through our Bancassurance main partner (BNU), dematerializing the sales process considerably, and by so reducing the paper spending and consumption.

The Company strongly believes that setting a good example is the greatest benefit in that we inspire other organizations, companies and individuals 'raise their game' when it comes to social and environmental responsibility, encouraging further inspiration in the community.

K. FINANCIAL REVIEW

The Company's total assets amounted to MOP\$ 533 million at the end of 2020. The total liabilities amounted to MOP\$ 245 million, which includes the Company's reserves towards policyholders of MOP\$ 77 million and claimants of MOP\$ 138 million.

The solvency margin measured against the minimum regulatory requirements issued by the Monetary Authority of Macao was 650% at the end of 2020, revealing the continued Company's solid financial structure and reflecting a strong foundation for future business expansion.

The Company's net profit for the year 2020 amounted to MOP\$ 27.4 million.

L. 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 2020, totalizing MOP\$ 27,427,589.42 (twenty seven million, four hundred twenty-seven thousand, five hundred eighty-nine Macau Patacas, and forty-two cents), be allocated as follows:

- To Legal Reserve (10%):
MOP\$ 2,742,758.94
(Two million, seven hundred forty-two thousand, seven hundred fifty-eight Macao Patacas and ninety-four cents)
- To Free Reserve (90%):
MOP\$ 24,684,830.48
(Twenty four million, six hundred eighty-four thousand, eight hundred thirty Macao Patacas and forty-eight cents)

M. 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 Monetary Authority of Macao, for the valuable support and guidance and its role as a key driving force in the development of the Macao's insurance sector;
- The Chairman 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, 22 March 2021

The Board of Directors

André Simões Cardoso
Chairman

Wai Lam William Mak (麥偉林)
Member

Paulo Manuel Gomes Barbosa
Member

Cheung Ming Fai Ivan (張明輝)
Member

N. FINANCIAL STATEMENTS

BALANCE SHEET AS AT 31 DECEMBER 2020

REVENUE ACCOUNT FOR 2020

PROFIT AND LOSS ACCOUNT FOR 2020

BALANCE SHEET AS AT 31 DECEMBER 2020

(Amounts in MOP\$)

ASSETS	Balance	Sub-totals	Total
TANGIBLE ASSETS			
Office Premises	-		
Motor Vehicles	878,870.20		
Furniture & Fixtures	1,292,104.70		
Office Equipment	245,507.80		
Central Air-Conditioning and Electrical System	1,242,461.40		
Computers	1,955,960.19		
Air Conditioners and Heaters	17,000.00		
Telecommunication Equipment	175,959.00		
(Accumulated Depreciation)	(3,945,384.79)	1,862,478.50	1,862,478.5
FINANCIAL ASSETS			
Free of Any Charge or Liability			
Fixed Deposits	-		
Bonds	169,937,266.17	169,937,266.17	
Guaranteeing Technical Reserves			
Fixed deposits	41,304,172.21		
Bonds	142,387,629.06	183,691,801.27	
Guarantee Deposits		683,299.74	353,629,067.44
REINSURER'S SHARE IN UNEARNED PREMIUM RESERVES			
On Direct Insurance	37,986,741.40		
On Reinsurance Accepted	1,370,789.00	39,357,530.40	39,357,530.40
REINSURERS' PARTICIPATION IN OUTSTANDING CLAIMS RESERVE			
On Direct Insurance	64,802,673.60		
On Reinsurance Accepted	1,402,484.95	66,205,158.55	66,205,158.55
GENERAL DEBTORS			
Ceding Companies	2,594,138.44		
Reinsurers	3,549,146.43		
Co-Insurers	10,448.94		
Insureds	83,011.80		
Intermediaries	-		
Others	775,809.37	7,012,554.98	7,012,554.98
PREMIUMS ON COLLECTION		11,991,006.10	
(PROVISION FOR DUE PREMIUMS)		(2,284,000.00)	9,707,006.10
ACCRUALS AND DEFERRALS			
Interest Receivable		4,353,817.16	
Other Accruals and Deferrals		12,734,558.68	17,088,375.84
DEPOSITS AT BANKS			
In Local Currency			
Current Accounts	7,374,148.26		
Fixed Deposits	-	7,374,148.26	
In Foreign Currency			
Current Accounts	12,967,691.75		
Fixed Deposits	16,971,365.43	29,939,057.18	37,313,205.44
CASH			10,000.00
TOTAL ASSETS			532,868,676.99

(Amounts in MOP\$)

LIABILITIES	Balance	Sub-totals	Total
UNEARNED PREMIUM RESERVE			
On Direct Insurance	74,097,994.19		
On Reinsurance Accepted	3,108,076.10	77,206,070.29	77,206,070.29
OUTSTANDING CLAIMS RESERVE			
On Direct Insurance	126,059,595.53		
On Reinsurance Accepted	11,924,841.88	137,984,437.41	137,984,437.41
SUNDRY RESERVE			-
GENERAL CREDITORS			
Shareholders	349,682.65		
Associate Companies	104,444.70		
Ceding Companies	723,344.77		
Reinsurers	5,237,641.31		
Co-insurers	451,270.70		
Insureds	2,352,019.70		
Intermediaries	554,865.95		
Government Departments	3,728,039.20		
Others	4,821,463.04	18,322,772.02	18,322,772.02
LOANS AND ADVANCES			
Others		-	-
CLAIMS PAYABLE			842,900.55
COMMISSIONS PAYABLE			4,214,638.16
ACCRUALS AND DEFERRALS			6,892,097.50
TOTAL LIABILITIES			245,462,915.93
EQUITY	Balance	Sub-totals	Total
SHARE CAPITAL			
Paid-up Capital			160,000,000.00
RESERVES			
Legal Reserve		15,000,000.00	
Free Reserve		84,978,171.64	99,978,171.64
PROFIT BEFORE TAXATION		30,750,415.42	
PROVISION FOR INCOME TAX		(3,322,826.00)	
NET PROFIT (AFTER TAX)			27,427,589.42
TOTAL EQUITY			287,405,761.06
TOTAL LIABILITIES & EQUITY			532,868,676.99

Accounting Manager: Chan Soi Ngo (陳瑞娥) _____

Board of Directors:

André Simões Cardoso

Wai Lam William Mak (麥偉林)

Paulo Manuel Gomes Barbosa

Cheung Ming Fai Ivan (張明輝)

ANNUAL REPORT 2020
FIDELIDADE MACAU
REVENUE ACCOUNT FOR 2020

(Amounts in MOP\$)

DEBIT	Employees' Compensation	Fire	Motor	Marine Cargo	Other Classes	General Accounts	Sub-totals	Total
UNEARNED PREMIUM RESERVE								
On Direct Insurance	2,574,000.00	234,397.06	1,558,677.77	38,325.60	960,567.22		5,365,967.65	
On Reinsurance Accepted	-	-	165,719.90	-	-		165,719.90	5,531,687.55
COMMISSIONS								
On Direct Insurance	1,494,359.60	19,152,867.20	1,623,158.10	487.10	2,372,114.90		24,642,986.90	
On Reinsurance Accepted	144,454.10	115,807.50	285,691.00	-	133,505.80		679,458.40	25,322,445.30
COSTS RELATED TO REINSURANCE CEDED								
On Direct Insurance								
Premiums ceded	1,919,522.10	33,526,705.90	633,060.40	722,615.80	26,553,414.60		63,355,318.80	
Reduction in Unearned Premium Reserve	-	556,197.70	-	-	13,126,786.50		13,682,984.20	
Reduction in Outstanding Claims Reserve	1,103,357.25	1,522,126.99	11,029.50	66,406.25	19,662,297.27		22,365,217.26	99,403,520.26
On Reinsurance Accepted								
Premiums ceded	-	417,249.00	-	-	462,608.20		879,857.20	
Reduction in Unearned Premium Reserve	-	71,470.60	-	-	733,256.40		804,727.00	
Reduction in Outstanding Claims Reserve	-	38,655.83	-	-	1,528,262.88		1,566,918.71	3,251,502.91
GROSS CLAIMS								
On Direct Insurance								
Paid	12,306,023.53	4,754,001.05	2,164,004.21	94,560.50	13,979,452.59		33,298,041.88	
Provisions	14,825,766.12	8,642,661.98	6,188,058.67	(40,000.00)	7,700,445.02		37,316,931.79	70,614,973.67
On Reinsurance Accepted								
Paid	191,107.22	57,276.22	1,996,771.39	-	485,969.25		2,731,124.08	
Provisions	2,326,766.50	37,465.70	1,236,465.77	-	134,608.61		3,735,306.58	6,466,430.66
GENERAL EXPENSES						26,965,734.00		26,965,734.00
FINANCIAL COSTS						981,301.52		981,301.52
OTHER COSTS						994,209.32		994,209.32
AMORTISATION AND DEPRECIATION								
Tangible Assets						640,455.47		640,455.47
FINANCIAL PROVISIONS								
Provision for Premium Due						-		-
Sundry Reserves						-		-
UNDERWRITING PROFIT						20,300,782.59		20,300,782.59
TOTAL	36,885,356.42	69,126,882.73	15,862,636.71	882,395.25	87,833,289.24	49,882,482.90		260,473,043.25

ANNUAL REPORT 2020
FIDELIDADE MACAU

(Amounts in MOP\$)

CREDIT	Employees' Compensation	Fire	Motor	Marine Cargo	Other Classes	General Accounts	Sub-totals	Total
GROSS PREMIUMS								
On Direct Insurance	16,184,839.80	64,866,559.00	11,470,656.00	1,037,947.70	32,487,589.25		126,047,591.75	
On Reinsurance Accepted	858,514.50	451,769.80	1,140,111.00	-	537,212.10		2,987,607.40	129,035,199.15
INCOME FROM REINSURANCE CEDED								
On Direct Insurance								
Commissions (including profit sharing)	117,599.60	9,046,300.40	-	373,508.80	6,940,184.80		16,477,593.60	
Claims Sharing	1,695,067.55	5,981,298.00	-	47,280.25	13,209,039.84		20,932,685.64	
Reinsurers' Share in UPR	-	160,424.40	-	28,586.20	676,381.30		865,391.90	
Reinsurers' Share in Claims Reserve	1,547,666.16	5,954,257.28	-	(26,000.00)	5,278,238.38		12,754,161.82	
Others	-	-	-	-	-		-	51,029,832.96
On Reinsurance Accepted								
Commissions (including profit sharing)	-	220,846.30	-	-	150,258.40		371,104.70	
Claims Sharing	-	53,975.02	-	-	481,870.40		535,845.42	
Reinsurers' Share in UPR	-	-	-	-	-		-	
Reinsurers' Share in Claims Reserve	-	35,520.01	-	-	111,521.47		147,041.48	
Others	-	-	-	-	-		-	1,053,991.60
REDUCTION IN UNEARNED PREMIUM RESERVE								
On Direct Insurance	3,462,599.10	93,050.60	344,240.80	-	13,367,810.13		17,267,700.63	
On Reinsurance Accepted	754,444.90	75,760.80	326,037.47	-	738,524.80		1,894,767.97	19,162,468.60
REDUCTION IN OUTSTANDING CLAIMS RESERVE								
On Direct Insurance	7,155,951.05	1,824,874.98	3,667,783.71	136,500.00	25,584,388.72		38,369,498.46	
On Reinsurance Accepted	365,415.27	41,200.00	2,043,703.40	-	1,536,025.00		3,986,343.67	42,355,842.13
OTHER INCOME								
Financial Income						10,829,871.39		
Sundry Income						2,328,188.54		13,158,059.93
REDUCTION IN FINANCIAL RESERVES								
On Cancellation of Premiums						2,030,817.99		
On Sundry Reserves						2,646,830.89		4,677,648.88
UNDERWRITING LOSS								
						-		-
TOTAL	32,142,097.93	88,805,836.59	18,992,532.38	1,597,822.95	101,099,044.59	17,835,708.81		260,473,043.25

Accounting Manager

Board of Directors

Chan Soi Ngo (陳瑞娥)

André Simões Cardoso

Wai Lam William Mak (麥偉林)

Paulo Manuel Gomes Barbosa

Cheung Ming Fai Ivan (張明輝)

PROFIT AND LOSS ACCOUNT FOR 2020

DEBIT	Total
Extraordinary Losses of the Year	2,795,852.74
Losses Pertaining to Prior Years	-
Provision for Income Tax	3,322,826.00
Net Profit After Taxation	27,427,589.42
TOTAL	33,546,268.16

CREDIT	Total
Extraordinary Gains of the Year	12,279,594.07
Gains Pertaining to Prior Years	965,891.50
Profits from Revenue Account	20,300,782.59
TOTAL	33,546,268.16

Accounting Manager:

Chan Soi Ngo (陳瑞娥)

Board of Directors:

André Simões Cardoso

Wai Lam William Mak (麥偉林)

Paulo Manuel Gomes Barbosa

Cheung Ming Fai Ivan (張明輝)

O. SUPERVISOR'S REPORT

崔世昌會計師事務所

CSC & ASSOCIADOS - Sociedade de Auditores

To : Shareholders of Fidelidade Macau – Insurance Company Limited

Report and Opinion of the Single Supervisor 2020

In compliance with the applicable legal dispositions and articles of association, 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 auditor's report, Ernst & Young - Certified Public Accountants, with which we are in agreement.

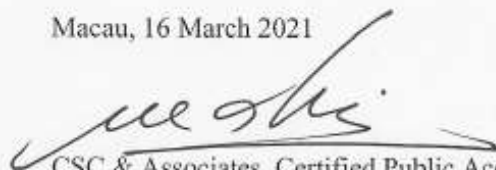
In due consideration of the above, the Single Supervisor issues the following

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 certified public accountants for their excellent collaboration during the course of the year.

Macau, 16 March 2021



CSC & Associates, Certified Public Accountants

Represented by Mok Chi Meng, CPA

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

P. AUDITORS' REPORT

Audited Financial Statements

FIDELIDADE MACAU - COMPANHIA DE SEGUROS, S.A.

31 December 2020



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 - 30



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 30, which comprise the statement of financial position as at 31 December 2020, 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 as amended by Law No. 21/2020 and republished by Dispatch of the Chief Executive No. 229/2020 (the "Macao Insurance Law") and Financial Reporting Standards promulgated by the Macao Special Administrative Region under the Administrative Regulation No. 25/2005 ("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 Macao Insurance 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 2020, 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 2020; and
- (c) all necessary information and explanations as and when requested, and where appropriate, have been satisfactorily obtained.

BAO King To (*Certified Public Accountant*)
Ernst & Young
Certified Public Accountants
Macao
2 March 2021

FIDELIDADE MACAU - COMPANHIA DE SEGUROS, S.A.

STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2020

	Notes	2020 MOP	2019 MOP
Gross premiums	4	142,665,981	141,365,453
Premiums ceded to reinsurers	4	(77,857,495)	(70,478,883)
NET PREMIUMS		64,808,486	70,886,570
Reinsurance commission income		16,848,699	20,511,090
Interest income	5	10,829,871	10,370,609
Net investment income		9,483,743	4,779,647
Other income		2,328,188	1,728,616
OTHER REVENUE		39,490,501	37,389,962
TOTAL REVENUE		104,298,987	108,276,532
Gross benefits and claims paid		(36,029,167)	(122,823,412)
Claims ceded to reinsurers		21,468,530	110,697,328
Gross change in contract liabilities		1,378,548	173,187,789
Change in contract liabilities ceded to reinsurers		(11,030,932)	(163,459,710)
NET BENEFITS AND CLAIMS		(24,213,021)	(2,398,005)
Commission expense paid		(25,322,445)	(26,759,295)
Deferred acquisition costs	10	6,471,140	5,449,932
Amortisation of deferred acquisition costs	10	(3,899,253)	(4,638,889)
Other operating and administrative expenses		(27,550,881)	(32,409,786)
OTHER EXPENSES		(50,301,439)	(58,358,038)
TOTAL BENEFITS, CLAIMS AND OTHER EXPENSES		(74,514,460)	(60,756,043)
PROFIT BEFORE TAX	5	29,784,527	47,520,489
Income tax expense	6	(2,356,933)	(5,791,909)
PROFIT FOR THE YEAR		27,427,594	41,728,580

FIDELIDADE MACAU - COMPANHIA DE SEGUROS, S.A.

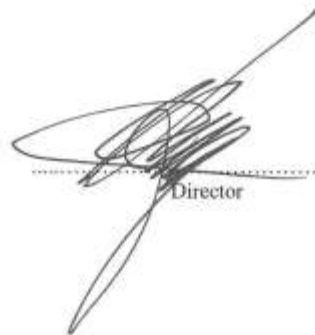
STATEMENT OF FINANCIAL POSITION

31 December 2020

	Notes	2020 MOP	2019 MOP
ASSETS			
Deferred acquisition costs	10	12,734,559	13,357,012
Property, plant and equipment	8	1,862,479	2,357,673
Financial assets at fair value through profit or loss	15	312,324,895	210,409,141
Reinsurance assets	14	105,562,689	130,215,941
Insurance receivables	13	15,860,740	38,504,335
Other receivables and prepayments		5,895,939	4,868,799
Pledged deposits	11	41,304,172	128,915,513
Deposits with banks with original maturity of more than three months	12	16,971,366	-
Cash and cash equivalents	12	20,351,838	23,921,965
Total assets		<u>532,868,677</u>	<u>552,550,379</u>
EQUITY			
Share capital	17	160,000,000	160,000,000
Legal reserve	18	15,000,000	11,649,918
Retained profits		112,405,763	88,328,251
Total equity		<u>287,405,763</u>	<u>259,978,169</u>
LIABILITIES			
Insurance contract liabilities	14	215,190,507	230,199,838
Deferred revenue		6,892,097	10,086,437
Insurance payables and accruals		19,603,357	45,489,815
Due to the immediate holding company		349,683	432,675
Due to a fellow subsidiary		104,444	571,536
Tax payable		2,153,608	5,791,909
Deferred tax liabilities	7	1,169,218	-
Total liabilities		<u>245,462,914</u>	<u>292,572,210</u>
Total equity and liabilities		<u>532,868,677</u>	<u>552,550,379</u>



Director



Director

FIDELIDADE MACAU - COMPANHIA DE SEGUROS, S.A.

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

	Note	Share capital MOP	Legal reserve MOP	Retained profits MOP	Total equity MOP
At 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	18	-	4,242,221	(4,242,221)	-
At 31 December 2019 and 1 January 2020		160,000,000	11,649,918	88,328,251	259,978,169
Profit for the year		-	-	27,427,594	27,427,594
Transfer to legal reserve	18	-	3,350,082	(3,350,082)	-
At 31 December 2020		<u>160,000,000</u>	<u>15,000,000</u>	<u>112,405,763</u>	<u>287,405,763</u>

FIDELIDADE MACAU - COMPANHIA DE SEGUROS, S.A.

STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	Notes	2020 MOP	2019 MOP
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		29,784,527	47,520,489
Adjustments for:			
Depreciation	8	640,453	712,620
Amortisation of deferred acquisition costs, net	10	3,899,253	4,638,889
Interest income	5	(10,829,871)	(10,370,609)
Fair value gains on financial assets at fair value through profit or loss	5	(9,943,101)	(4,367,984)
(Reversal of impairment loss)/provision for impairment loss on insurance receivables	5	(2,030,818)	1,436,701
		11,520,443	39,570,106
Increase in deferred acquisition costs, net	10	(6,471,140)	(5,449,932)
Decrease in reinsurance assets		24,653,252	137,096,865
Decrease/(increase) in insurance receivables		24,674,413	(5,123,595)
Increase in other receivables and prepayments		(1,027,140)	(309,626)
Decrease/(increase) in pledged deposits		87,611,341	(13,753,024)
Decrease in amount due from a fellow subsidiary		-	4,147
Decrease in insurance contract liabilities		(15,009,331)	(149,963,072)
(Decrease)/increase in insurance payables and accruals		(25,886,458)	18,870,894
(Decrease)/increase in amount due to the immediate holding company		(82,992)	205,381
(Decrease)/increase in amount due to a fellow subsidiary		(467,092)	571,536
Cash generated from operations		99,515,296	21,719,680
Macao complementary tax paid		(4,826,016)	(2,840,847)
Interest received		1,841,506	3,722,738
Net cash flows from operating activities		<u>96,530,786</u>	<u>22,601,571</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	8	(222,759)	(132,666)
Proceeds from disposal of property, plant and equipment	8	77,500	-
(Increase)/decrease in deposits with original maturity of more than three months		(16,971,366)	35,024,998
Purchase of financial assets at fair value through profit or loss		(634,921,923)	(186,454,510)
Proceeds from sale of financial assets at fair value through profit or loss		542,949,270	128,622,751
Interest received from financial assets at fair value through profit or loss		8,988,365	6,647,871
Net cash flows used in investing activities		<u>(100,100,913)</u>	<u>(16,291,556)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS			
		(3,570,127)	6,310,015
Cash and cash equivalents at beginning of year		<u>23,921,965</u>	<u>17,611,950</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u><u>20,351,838</u></u>	<u><u>23,921,965</u></u>

FIDELIDADE MACAU - COMPANHIA DE SEGUROS, S.A.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

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 as amended by Law No. 21/2020 and republished by Dispatch of the Chief Executive No. 229/2020 ("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. The immediate holding company of the 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 Holdings 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 Financial Reporting Standards promulgated by the Macao Special Administrative Region under Administrative Regulation No. 25/2005 ("Macao Financial Reporting Standards").

These financial statements have been prepared on a historical cost basis, 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 ISSUED AND EFFECTIVE, BUT NOT YET ADOPTED MACAO FINANCIAL REPORTING STANDARDS DURING THE TRANSITION PERIOD

On 27 March 2020, the Macao Special Administrative Region promulgated a number of new and revised Macao Financial Reporting Standards and Macao Accounting Standards under the Dispatch of Secretary for Economy and Finance No. 44/2020, herein collectively referred as the "New MFRSs", effective on 28 March 2020 superseding the Macao Financial Reporting Standards promulgated under the Administrative Regulation No. 25/2005 (herein referred as "MFRSs"). Pursuant to the Dispatch of Secretary for Economy and Finance No. 44/2020, it provides a transitional option to entities to continue adopting the MFRSs until 31 December 2021. The Company has opted to continue adopting the MFRSs and not to apply the New MFRSs in the financial statements for the year ended 31 December 2020.

For clarity, the New MFRSs include the following:

IAS 1	<i>Presentation of Financial Statements</i>
IAS 2	<i>Inventories</i>
IAS 7	<i>Statement of Cash Flows</i>
IAS 8	<i>Accounting Policies, Changes in Accounting Estimates and Errors</i>
IAS 10	<i>Events after the Reporting Period</i>
IAS 12	<i>Income Taxes</i>
IAS 16	<i>Property, Plant and Equipment</i>
IAS 17	<i>Leases</i>
IAS 19	<i>Employee Benefits</i>
IAS 20	<i>Accounting for Government Grants and Disclosure of Government Assistance</i>

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.2 ISSUED AND EFFECTIVE, BUT NOT YET ADOPTED MACAO FINANCIAL REPORTING STANDARDS DURING THE TRANSITION PERIOD (continued)

For clarity, the New MFRSs include the following: (continued)

IAS 21	<i>The Effects of Changes in Foreign Exchange Rates</i>
IAS 23	<i>Borrowing Costs</i>
IAS 24	<i>Related Party Disclosures</i>
IAS 26	<i>Accounting and Reporting by Retirement Benefit Plans</i>
IAS 27	<i>Separate Financial Statements</i>
IAS 28	<i>Investments in Associates and Joint Ventures</i>
IAS 29	<i>Financial Reporting in Hyperinflationary Economies</i>
IAS 32	<i>Financial Instruments: Presentation</i>
IAS 33	<i>Earnings per Share</i>
IAS 34	<i>Interim Financial Reporting</i>
IAS 36	<i>Impairment of Assets</i>
IAS 37	<i>Provisions, Contingent Liabilities and Contingent Assets</i>
IAS 38	<i>Intangible Assets</i>
IAS 39	<i>Financial Instruments: Recognition and Measurement</i>
IAS 40	<i>Investment Property</i>
IAS 41	<i>Agriculture</i>
IFRS 1	<i>First-time adoption of International Financial Reporting Standards</i>
IFRS 2	<i>Share-based Payment</i>
IFRS 3	<i>Business Combinations</i>
IFRS 4	<i>Insurance Contracts</i>
IFRS 5	<i>Non-current Assets Held for Sale and Discontinued Operations</i>
IFRS 6	<i>Exploration for and Evaluation of Mineral Resources</i>
IFRS 7	<i>Financial Instruments: Disclosures</i>
IFRS 8	<i>Operating Segments</i>
IFRS 9	<i>Financial Instruments</i>
IFRS 10	<i>Consolidated Financial Statements</i>
IFRS 11	<i>Joint Arrangements</i>
IFRS 12	<i>Disclosure of Interests in Other Entities</i>
IFRS 13	<i>Fair Value Measurement</i>
IFRS 14	<i>Regulatory Deferral Accounts</i>
IFRS 15	<i>Revenue from Contracts with Customers</i>
IFRIC* Interpretation 1	<i>Changes in Existing Decommissioning, Restoration and Similar Liabilities</i>
IFRIC Interpretation 2	<i>Members' Shares in Co-operative Entities and Similar Instruments</i>
IFRIC Interpretation 4	<i>Determining whether an Arrangement Contains a Lease</i>
IFRIC Interpretation 5	<i>Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds</i>
IFRIC Interpretation 6	<i>Liabilities arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment</i>
IFRIC Interpretation 7	<i>Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies</i>
IFRIC Interpretation 10	<i>Interim Financial Reporting and Impairment</i>
IFRIC Interpretation 12	<i>Service Concession Arrangements</i>
IFRIC Interpretation 14	<i>IAS 19-The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>
IFRIC Interpretation 16	<i>Hedges of a Net Investment in a Foreign Operation</i>

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.2 ISSUED AND EFFECTIVE, BUT NOT YET ADOPTED MACAO FINANCIAL REPORTING STANDARDS DURING THE TRANSITION PERIOD (continued)

For clarity, the New MFRSs include the following: (continued)

IFRIC Interpretation 17	<i>Distributions of Non-cash Assets to Owners</i>
IFRIC Interpretation 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i>
IFRIC Interpretation 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i>
IFRIC Interpretation 21	<i>Levies</i>
SIC** Interpretation 7	<i>Introduction of the Euro</i>
SIC Interpretation 10	<i>Government Assistance-No Specific Relation to Operating Activities</i>
SIC Interpretation 15	<i>Operating Leases-Incentives</i>
SIC Interpretation 25	<i>Income Taxes-Changes in the Tax Status of an Entity or its Shareholders</i>
SIC Interpretation 27	<i>Evaluating the Substance of Transactions Involving the Legal Form of a Lease</i>
SIC Interpretation 29	<i>Service Concession Arrangements: Disclosures</i>
SIC Interpretation 32	<i>Intangible Assets-Web Site Costs</i>

* International Financial Reporting Interpretations Committee ("IFRIC")

** Standard Interpretations Committee ("SIC")

The Company has not commenced an assessment of the impact of these New MFRSs and therefore is not yet in a position to state whether these New MFRSs would have a significant impact on its results of operations and financial position.

2.3 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.

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

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.

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.

31 December 2020

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

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.

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

31 December 2020

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

31 December 2020

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

31 December 2020

2.3 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.3 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 2020

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimates and assumptions (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 MOP215,190,507 (2019: MOP230,199,838).

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.

FIDELIDADE MACAU - COMPANHIA DE SEGUROS, S.A.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

4. NET PREMIUMS

	2020 MOP	2019 MOP
(a) Gross premiums earned:		
Gross premiums written	129,035,199	164,590,167
Gross change in unearned premiums and provision for unexpired risk	<u>13,630,782</u>	<u>(23,224,714)</u>
Total gross premiums earned	<u>142,665,981</u>	<u>141,365,453</u>
(b) Ceded reinsurance premiums earned:		
Premiums written	<u>(64,235,176)</u>	<u>(96,841,727)</u>
Change in unearned premiums and provision for unexpired risk	<u>(13,622,319)</u>	<u>26,362,844</u>
Total ceded reinsurance premiums earned	<u>(77,857,495)</u>	<u>(70,478,883)</u>
Total net premiums earned	<u>64,808,486</u>	<u>70,886,570</u>

5. PROFIT BEFORE TAX

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

	Note	2020 MOP	2019 MOP
Depreciation	8	640,453	712,620
Minimum lease payments under operating leases		2,831,025	2,623,265
Employee benefit expense:			
Wages and salaries		18,915,803	18,694,409
Pension scheme contributions		1,374,771	1,316,006
Foreign exchange differences, net		728,358	277,216
Interest income from bank deposits		<u>(1,841,506)</u>	<u>(3,722,738)</u>
Interest income from financial assets at fair value through profit or loss		<u>(8,988,365)</u>	<u>(6,647,871)</u>
Fair value gains on financial assets at fair value through profit or loss		<u>(9,943,101)</u>	<u>(4,367,984)</u>
Gain on disposal of financial assets at fair value through profit or loss		<u>(269,000)</u>	<u>(688,879)</u>
(Reversal of impairment loss)/provision for impairment loss on insurance receivables		<u>(2,030,818)</u>	<u>1,436,701</u>

FIDELIDADE MACAU - COMPANHIA DE SEGUROS, S.A.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

6. INCOME TAX

Macao complementary tax has been provided at the rate of 12% (2019: 12%) on the estimated taxable profits arising in Macao during the year.

	Note	2020 MOP	2019 MOP
Current			
Charge for the year		2,153,608	5,791,909
Overprovision in prior years		(965,893)	-
Deferred	7	<u>1,169,218</u>	-
Tax charge for the year		<u>2,356,933</u>	<u>5,791,909</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:

	2020 MOP	2019 MOP
Profit before tax	<u>29,784,527</u>	<u>47,520,489</u>
Tax at the statutory tax rate of 12% (2019: 12%)	3,574,143	5,702,459
Adjustments in respect of current tax of previous periods	(965,893)	-
Income not subject to tax	(196,038)	(522,990)
Expenses not deductible for tax	16,721	161,450
Others	(72,000)	450,990
Tax charge at the effective rate of 8% (2019: 12%)	<u>2,356,933</u>	<u>5,791,909</u>

7. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities during the year are as follows:

	Fair value adjustments of financial assets at fair value through profit or loss MOP
At 1 January 2019, 31 December 2019 and 1 January 2020	-
Deferred tax charged to the statement of profit or loss during the year (note 6)	<u>1,169,218</u>
At 31 December 2020	<u>1,169,218</u>

FIDELIDADE MACAU - COMPANHIA DE SEGUROS, S.A.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

8. PROPERTY, PLANT AND EQUIPMENT

	Motor Vehicles MOP	Furniture, fixtures and equipment MOP	Computer system MOP	Total MOP
31 December 2020				
At 1 January 2020:				
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>
At 1 January 2020, net of accumulated depreciation				
Additions	-	43,500	179,259	222,759
Disposals	-	(77,500)	-	(77,500)
Depreciation provided during the year	(219,717)	(283,368)	(137,368)	(640,453)
At 31 December 2020, net of accumulated depreciation	<u>91,549</u>	<u>1,554,214</u>	<u>216,716</u>	<u>1,862,479</u>
At 31 December 2020:				
Cost	878,869	2,523,846	1,005,081	4,407,796
Accumulated depreciation	(787,320)	(969,632)	(788,365)	(2,545,317)
Net carrying amount	<u>91,549</u>	<u>1,554,214</u>	<u>216,716</u>	<u>1,862,479</u>

FIDELIDADE MACAU - COMPANHIA DE SEGUROS, S.A.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

8. PROPERTY, PLANT AND EQUIPMENT (continued)

31 December 2019	Motor Vehicles MOP	Furniture, fixtures and equipment MOP	Computer system MOP	Total MOP
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
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>

9. 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 2020, the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2020 MOP	2019 MOP
Within one year	1,371,291	1,371,291
In the second to third year, inclusive	274,200	1,275,000
	<u>1,645,491</u>	<u>2,646,291</u>

FIDELIDADE MACAU - COMPANHIA DE SEGUROS, S.A.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

10. DEFERRED ACQUISITION COSTS

	Gross MOP	Reinsurance MOP	Net MOP
At 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 and 1 January 2020	13,357,012	(10,086,437)	3,270,575
Acquisition costs deferred	12,152,058	(5,680,918)	6,471,140
Amortisation	(12,774,511)	8,875,258	(3,899,253)
At 31 December 2020	<u>12,734,559</u>	<u>(6,892,097)</u>	<u>5,842,462</u>

11. PLEDGE OF ASSETS

Time deposits of MOP41,304,172 (2019: MOP128,915,513) have been endorsed in favour of Autoridade Monetária de Macau ("AMCM") to guarantee the Company's technical reserves as required under the Macao Insurance Law.

Details of the Company's debt securities pledged for the Company's technical reserves are included in note 15 to the financial statements.

12. CASH AND CASH EQUIVALENTS

	2020 MOP	2019 MOP
Cash and cash equivalents	20,351,838	23,921,965
Non-pledged time deposits with original maturity of more than three months when acquired	<u>16,971,366</u>	-
	<u>37,323,204</u>	<u>23,921,965</u>

FIDELIDADE MACAU - COMPANHIA DE SEGUROS, S.A.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

13. INSURANCE RECEIVABLES

	2020 MOP	2019 MOP
Amount due in respect of:		
Direct underwriting	11,991,007	31,849,468
Reinsurance accepted and ceded	6,143,284	10,959,236
Co-insurance	10,449	10,449
	<u>18,144,740</u>	<u>42,819,153</u>
Less: Impairment	(2,284,000)	(4,314,818)
Insurance receivables, net	<u>15,860,740</u>	<u>38,504,335</u>

14. INSURANCE CONTRACT LIABILITIES

	Note	2020 MOP	2019 MOP
Provision for unearned premiums		72,553,070	90,053,492
Provision for unexpired risk		4,653,000	783,360
Outstanding claims provision	19	<u>137,984,437</u>	<u>139,362,986</u>
Insurance contract liabilities		<u>215,190,507</u>	<u>230,199,838</u>
<u>Less:</u>			
Reinsurers' share of provision for unearned premiums		(39,357,530)	(52,979,850)
Reinsurers' share of outstanding claims provision		(66,205,159)	(77,236,091)
Reissuance assets		<u>(105,562,689)</u>	<u>(130,215,941)</u>
Technical reserves, net		<u>109,627,818</u>	<u>99,983,897</u>

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 MOP	2019 MOP
Debt securities	<u>312,324,895</u>	<u>210,409,141</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 MOP142,387,629 (2019: MOP175,245,902) have been endorsed in favour of AMCM to guarantee the technical reserves.

FIDELIDADE MACAU - COMPANHIA DE SEGUROS, S.A.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

16. 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 2020

	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	15	<u>312,324,895</u>	<u>-</u>	<u>-</u>	<u>312,324,895</u>

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	15	<u>210,409,141</u>	<u>-</u>	<u>-</u>	<u>210,409,141</u>

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 (2019: Nil).

17. SHARE CAPITAL

	2020 MOP	2019 MOP
Authorised, issued and fully paid:		
160,000 (2019: 160,000) shares of MOP1,000 each	<u>160,000,000</u>	<u>160,000,000</u>

FIDELIDADE MACAU - COMPANHIA DE SEGUROS, S.A.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

18. 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 Macao:

- 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 2020

19. INDIVIDUAL CLASSES OF INSURANCE BUSINESS

Year ended 31 December 2020

	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		10,166,853	1,303,803	16,184,840	67,163	3,982,658	94,342,275	126,047,592
Reinsurance accepted		1,140,111	-	858,514	-	-	988,982	2,987,607
Gross written premiums	4	<u>11,306,964</u>	<u>1,303,803</u>	<u>17,043,354</u>	<u>67,163</u>	<u>3,982,658</u>	<u>95,331,257</u>	<u>129,035,199</u>
Direct insurance		10,434,123	1,380,774	19,647,439	68,917	3,982,658	106,631,092	142,145,003
Reinsurance accepted		974,391	-	1,612,958	-	-	1,803,269	4,390,618
Provision for unexpired risk reserve		(1,232,640)	-	(2,574,000)	-	-	(63,000)	(3,869,640)
Gross earned premiums	4	<u>10,175,874</u>	<u>1,380,774</u>	<u>18,686,397</u>	<u>68,917</u>	<u>3,982,658</u>	<u>108,371,361</u>	<u>142,665,981</u>
Direct insurance		1,469,908	153,251	1,494,360	1,733	-	21,523,735	24,642,987
Reinsurance accepted		285,691	-	144,454	-	-	249,313	679,458
Change in deferred acquisition costs		(88,225)	17,260	57,332	25	-	625,934	612,326
Commission paid		<u>1,667,374</u>	<u>170,511</u>	<u>1,696,146</u>	<u>1,758</u>	<u>-</u>	<u>22,398,982</u>	<u>25,934,771</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 2020

19. INDIVIDUAL CLASSES OF INSURANCE BUSINESS (continued)

Year ended 31 December 2020

	Note	Motor Vehicles	Motor Vehicles	Motor Vehicles	Employees'	Signboard	Compulsory	Total
		(third party risks)	(own damage)	Compensation	Liability	Professional		
		MOP	MOP	MOP	MOP	MOP	Liability	MOP
Gross claims paid – direct insurance		2,015,679	148,326	12,306,024	-	-	-	33,298,043
Gross claims paid – reinsurance accepted		1,996,771	-	191,107	-	-	-	2,731,124
Change in claim case reserve		(1,015,963)	(90,000)	2,632,167	(19,824)	(19,824)	(19,824)	1,778,397
Change in IBNR/IBNER reserve		2,822,000	(3,000)	6,999,000	-	-	102,000	(3,082,000)
Change in loss deviation reserves		-	-	-	-	-	(74,945)	(74,945)
Gross claims paid and incurred		5,818,487	55,326	22,128,298	-	-	82,176	34,650,619
Reinsurance claims recoverable		11,029	-	(2,139,376)	-	-	(4,015)	(10,437,598)
Net claims paid and incurred		5,829,516	55,326	19,988,922	-	-	78,161	24,213,021
Case reserve – direct insurance		7,843,791	8,800	24,090,623	122,570	1,000	53,388,812	85,455,596
Case reserve – reinsurance accepted		3,040,908	-	2,160,436	-	-	1,470,497	6,671,841
Reserve for IBNR/IBNER claims		13,683,000	1,000	16,502,000	-	4,469,000	11,202,000	45,857,000
Loss deviation reserves		-	-	-	-	-	-	-
Gross outstanding claims	14	24,567,699	9,800	42,753,059	122,570	4,470,000	66,061,309	137,984,437

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 2020

19. 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
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	4	<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	4	<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 2020

19. 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	14	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 2020

20. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 2 March 2021.

FIDELIDADE
忠誠保險