

FIDELIDADE MACAU -  
INSURANCE COMPANY LIMITED

忠誠澳門保險股份有限公司

ANNUAL  
REPORT

20  
21



## 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

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Dear Shareholders

In compliance with the legal and statutory requirements on the provision of information, the Directors are happy to submit the annual report, together with the audited financial statements of Fidelidade Macau - Insurance Company Limited for the year ended 31 December 2021.

The Board of Directors

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## A. GOVERNING BODIES

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### General Assembly

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

### 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

### 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

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While COVID-19 did not hit Macao directly much, Macao experienced a year of indirect impact of the disease in 2021. Although the most important industries, gaming and tourism, were bottoming out and recovering in 2021, they were still significantly lower than the pre COVID-19 level. Macao had 7.7 million tourists in 2021 up 30.7% from 2020 but was much lower than 39.4 million in 2019. Hotel occupancy rate was 50.1% in 2021, significantly higher than the 28.6% in 2020, but still far away from the 90.8% in 2019. Gross gaming revenue was MOP 86.9 billion in 2021, up 43% from MOP 60.4 billion in 2020 but still much lower than MOP 292.5 billion in 2019.

As a result, while real GDP grew by 32.9% in first 3 quarters of 2021, real GDP level was still 46% lower than the same period of 2019. 2021 has almost no inflation as the CPI increased just by 0.03% comparing to 0.81% in 2020. With the impact of the gaming and tourism, the unemployment rate as of December 2021 was 3.1%, moving up from 2.7% in 2020. Considering only the Macao residents, it is observed that the unemployment rate also increased to 4.1% from 3.8% in the same period. The overall median monthly salary was up slightly to MOP 15,600 at end 2021, representing an addition of MOP 600 to the MOP 15,000 in December 2020.

Macao's money supply M2 was MOP 687.5 billion at end of 2021, which represents a decrease of 0.7% year-on-year. The base interest rate was 0.5% and had remained unchanged since June 2020. The exchange rate USD to MOP was 8.0319 at end of 2021, meaning an appreciation of 0.6% comparing to 7.9852 at end 2020.

The year 2022 is expected to be a challenging year. The impact of the new variants of COVID-19 has increased the uncertainty of the macroeconomy. The timing of the lifting of administrative travel restriction from Mainland China is highly uncertain and may not even start in 2022. That would possibly limit the recovery of Macao economy and may offset the positive impact of the renewal of Macao gaming licences. Besides, the expected implementation of the US fed interest rates increases in 2022 may translate to higher interest rates in Macao which, in turn, will affect the aggregate demand. Furthermore, the increase in interest rates would adversely affect the return of the bond and possibly stocks.

Going forward, with the pandemic subside, the integration of Macao within the Greater Bay Area will generate opportunities for a high growth economy for the years to come.

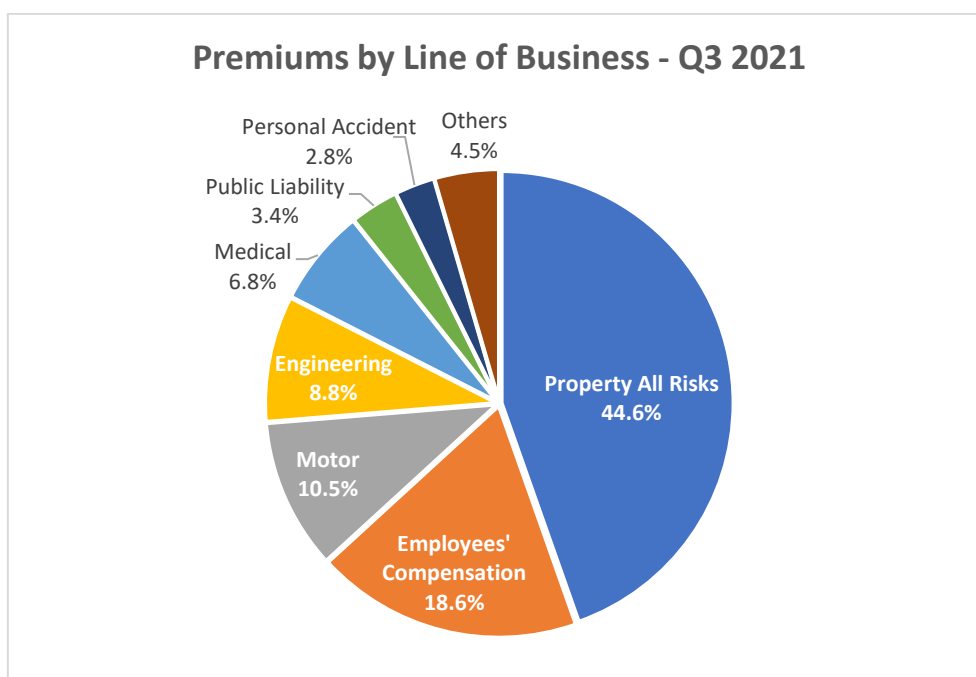
## C. MACAO INSURANCE MARKET

Despite the recovery of the Macao's economy, the non-life insurance industry only slightly increased by 1.95%, recording total gross written premiums of MOP 2,352 million up to the Q3/2021, which compares with MOP 2,307 million in the same period of 2020.

Regarding the distribution of gross written premiums by insurance class it is worth to note the following evolution from Q3/2020 to Q3/2021:

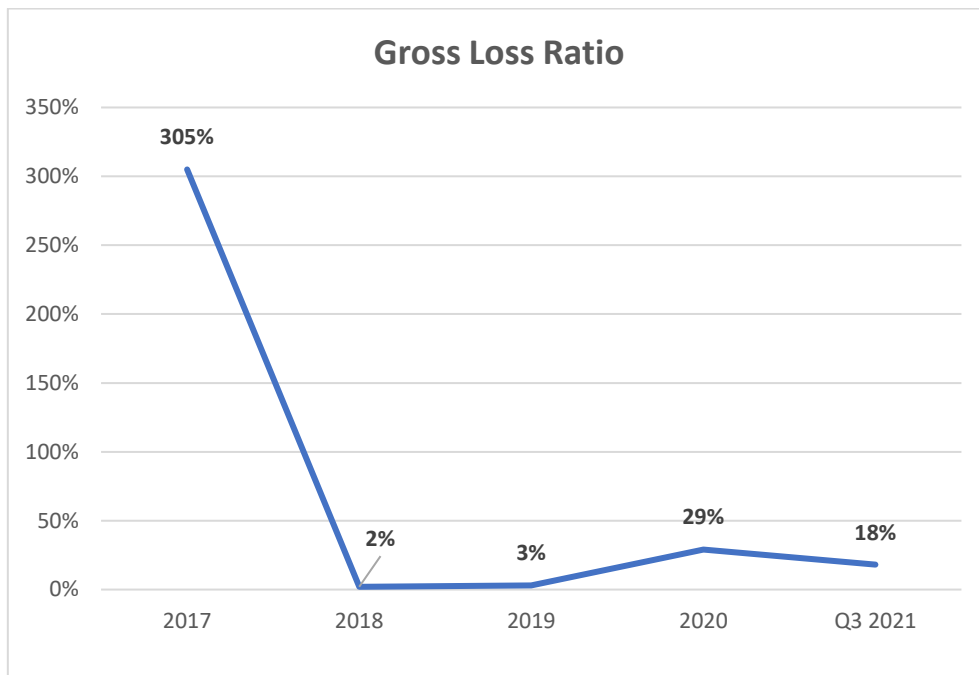
- Engineering has increased by 24% from a share of 7.2% to 8.8%
- Medical has decreased by 20% from a share of 8.6% to 6.8%
- Personal Accidents and Travel has decreased by 6% from a share of 3.0% to 2.8%

The premium distribution of the other lines of business remained quite stable, with Property All Risks and Allied Perils representing a share of 44.6%, followed by Employees' Compensation of 18.6% and Motor of 10.5%.



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 following 2020 and 2021 years, period of COVID-19 pandemic, are reflecting an improvement on the overall favourable trend of all the most important lines of business, as shown below:

Gross Loss Ratio	Q3/2021	2020	2019	2018	2017
All Lines of Business	18%	29%	3%	2%	305%
• Engineering	13%	27%	(48%)	(596%)	2846%
• Property All Risks	4%	20%	(39%)	18%	343%
• Employees' Compensation	27%	32%	39%	41%	47%
• Motor (Third Party)	49%	59%	78%	48%	67%



For the period in analysis, the overall weighted average gross loss ratio is a sound 65% of the written premiums, despite the gross loss ratio of 305% in respect of 2017, indicator of financial distress in such year but it has been smoothed over time since then.



## D. COMPANY OVERVIEW

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Established in Portugal in the year of **1808**, from the merger between two insurance companies: Fidelidade-Mundial and Império-Bonança, Fidelidade - Companhia de Seguros, S.A. (“Fidelidade”) is one of the oldest insurance companies in Europe.

May **2014** stands 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 (“Fosun”) for an aggregate consideration of Euro 1.36 billion. During year 2014 the share position of Fosun was further increased to almost 85% by acquisition of additional shares, fulfilling its investment plan in Fidelidade.

In Macao, Fidelidade is duly authorized to perform insurance activities for non-life insurance business since **1999**, in the form of a branch, servicing Macao with a diversified range of solutions for the protection of individual customers and companies.

In **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, a new subsidiary is formally incorporated in Macao, Fidelidade Macau - Insurance Company Limited (“the Company”), with a share capital of MOP 160 million, showing the strong commitment of Fidelidade in developing the insurance business in Macao. This Executive Order also revoked the operating license granted to the non-life branch of Fidelidade, named Fidelidade - Insurance Company Limited (Non-Life), and authorized the transfer of the Branch's net assets to the Company.

The Company started its operations in Macao on 1 October 2015, date on which its newly approved insurance license becomes effective and the date that all policies, certificates, and contracts entered 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, in contributing to the development of the financial industry of Macao through its insurance activities.

In January **2021**, Moody's Investors Service (“Moody's”) assigned an A3 insurance financial strength rating to the Company, which was an important achievement that reflected the strong underwriting profitability and capitalization of the Company, along with its prudent investment allocation. The outlook is stable, reflecting Moody's expectation that the Company will maintain its robust level of risk-adjusted capitalisation in the next 12-18 months. The credit rating assigned by Moody's, was a remarkable accomplishment for the Company and for Macao.

Its success in the market reflects 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.

Throughout its trajectory, the Company 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.

Together, in protection, care, and health, adding efforts and multiplying wills to serve more and better the Company's customers. This is the spirit that has guided the Company for over 22 years!

**So that life doesn't stop.**

## E. STRONG FINANCIAL POSITION

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On 11 January 2021, Moody's Investors Service assigned an A3 insurance financial strength rating 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

Following Moody's expectations that the Company will keep its robust level of risk-adjusted capitalisation in the next 12-18 months, a periodic review was announced on 14 September 2021 affirming the existing credit rating conclusions.



F. KEY INDICATORS

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<b>145</b> MOP million Gross Written Premiums	<b>4.6%</b> Market Share Q3 2021	<b>671%</b> Solvency Ratio
<b>552</b> MOP million Assets	<b>33</b> Staff	<b>44%</b> Net Combined Ratio
<b>35.9</b> MOP million Net Profits	<b>323</b> MOP million Shareholders' Equity	<b>11.8%</b> Return on Equity

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**FIDELIDADE MACAU**

The year 2021 was the sixth completed year of activity after the incorporation of the Company in Macao in October 2015.

<b>Financial Position</b> <i>(in MOP Million)</i>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Assets	552.0	532.9	552.6
Liabilities	228.7	245.5	292.6
Equity	323.3	287.4	260.0

<b>Key Ratios</b> <i>(in %)</i>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Ceded Ratio (Earned Basis)	55.5	53.1	50.7
Solvency Ratio	670.8	650.0	534.4
Combined Ratio	44.1	89.2	50.7
Return on Equity	11.8	10.0	17.4

<b>Financial Results</b> <i>(in MOP Million)</i>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Gross Written Premiums	145.1	129.0	164.6
Net Profit	35.9	27.4	41.7

## G. SHAREHOLDER STRUCTURE

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### 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:

▶ <b>Fidelidade - Companhia de Seguros, S.A.</b>	99.9875%
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The remaining shareholders, with non-qualifying holding, are:

▶ <b>Fidelidade Assistência - Companhia de Seguros, S.A.</b>	0.00625%
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▶ <b>Via Directa - Companhia de Seguros, S.A.</b>	0.00625%
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### 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.

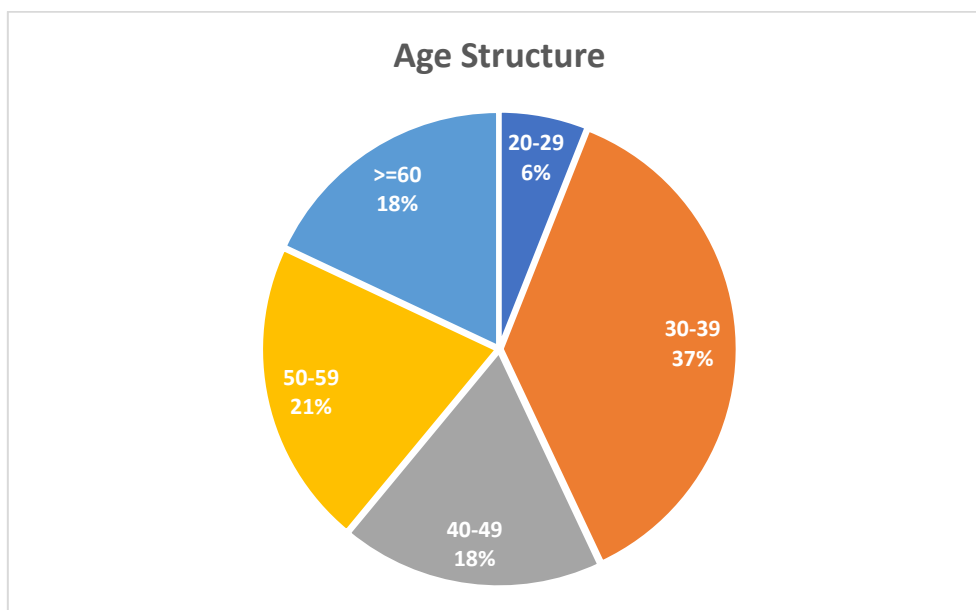
The Fidelidade Group operates in the Portuguese market through its different insurance companies (Fidelidade, Via Directa and Companhia Portuguesa de Resseguro). It also has a presence in the international market through Fidelidade branches (Spain, France, Luxembourg and Mozambique) and through several insurance subsidiaries, Fidelidade Angola, Garantia (in Cabo 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

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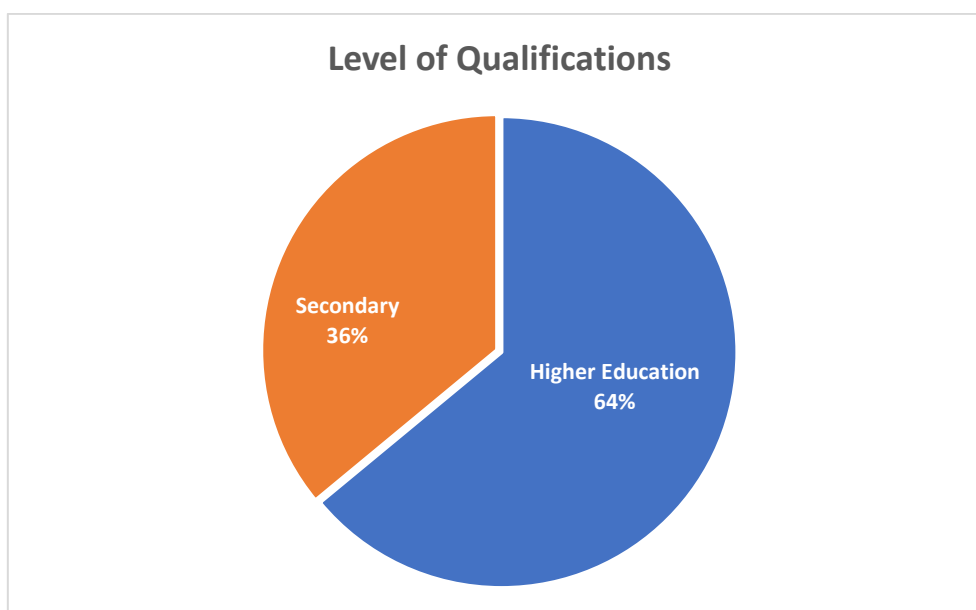
By the end of 2021, the Company employed a total of 33 permanent staff which is a decrease of 2.9% in comparison to the previous year.

In terms of gender distribution, the Company has employed 19 women and 14 men, occupying 58% and 42% of the total staff respectively. The average staff age is 45.6 years, comprising an average age of 41.4 years for women and an average age of 51.4 years for men.



The average seniority of the staff is 7.6 years, with an average of 6.3 years for women and 9.4 years for men.

Academically, 64% of the staff have a higher education degree and 36% have at least completed their secondary studies.



To ensure a safer working environment and to reduce the impact of the COVID-19 outbreak conditions, the Company has launched COVID-19 Vaccination Support Plan to encourage staff to take the vaccine, offering extra holiday and money incentive. The Company also encouraged staff to comply with the precautionary measures established by the local health authorities, reminding them to pay attention to workplace and personal hygiene.

In terms of hiring, the Company has and will continue to source right applicants to fill vacant positions giving priority to residents through various channels included but not limited to the use of recruitment agencies, the company website, advertising on the websites of some local universities. The Company will remain vigilant on any possible changes that affect labor quota application when no local candidate has been identified.

Like in previous years, the Company has successfully held another Continuing Professional Development (“CPD”) training in November 2021, inviting industry professionals to share their knowledge and expertise to our staff, business partners and insurance agents. The aim of the CPD is to continuously encourage insurance intermediaries to carry on lifelong learning. In addition to CPD, staff has taken part in internal and external learning programmes to enhance their knowledge and professional skills.

The Company aims to develop efficient planning and execution of human resources best practices including talent acquisition and onboarding, staff retention, staff succession, compliance to internal policies, while maintaining a positive work culture.

## I. COMMERCIAL OPERATIONS

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“We Know, We Care” is the Company’s commitment to all its customers, standing always as their ultimate risk solutions provider. To carry forward this commitment, the Company’s staff is motivated with a high degree of enthusiasm.

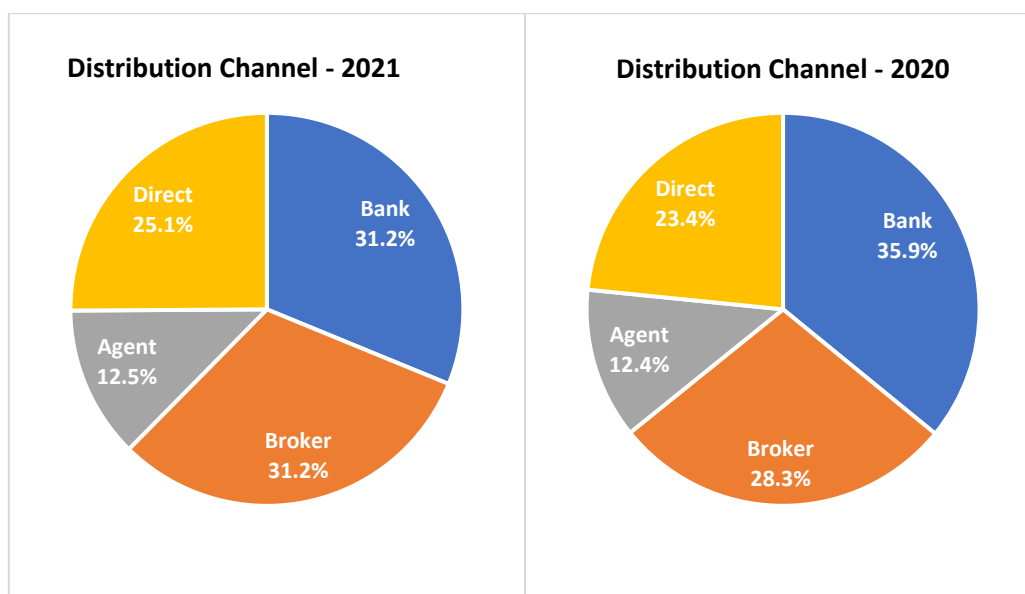
The Company is focused on reliable, prompt, and personalized services to customers. It believes in developing strong interpersonal relationships, ensuring safety to customers’ properties and wealth, at the same time making efforts to introduce innovative and diversified products to existing and potential customers.

The year of 2021 can be characterized as the year of hotel quarantines, remote working, restrictions on social gathering and ban on international flights, but also registered some recovery on entrance of visitors and on gaming revenue. The COVID-19 pandemic continued to affect every sector in Macao, especially gaming, tourism, real estate, construction, education, transportation, health and financial, with a severe impact on the financial performance of small and medium-sized enterprises.

In this environment, the key objective of the Company is to provide value-added risk solutions to its customers, engaging them in a strategic dialogue to ascertain their protection requirements, providing them tailor-made services.

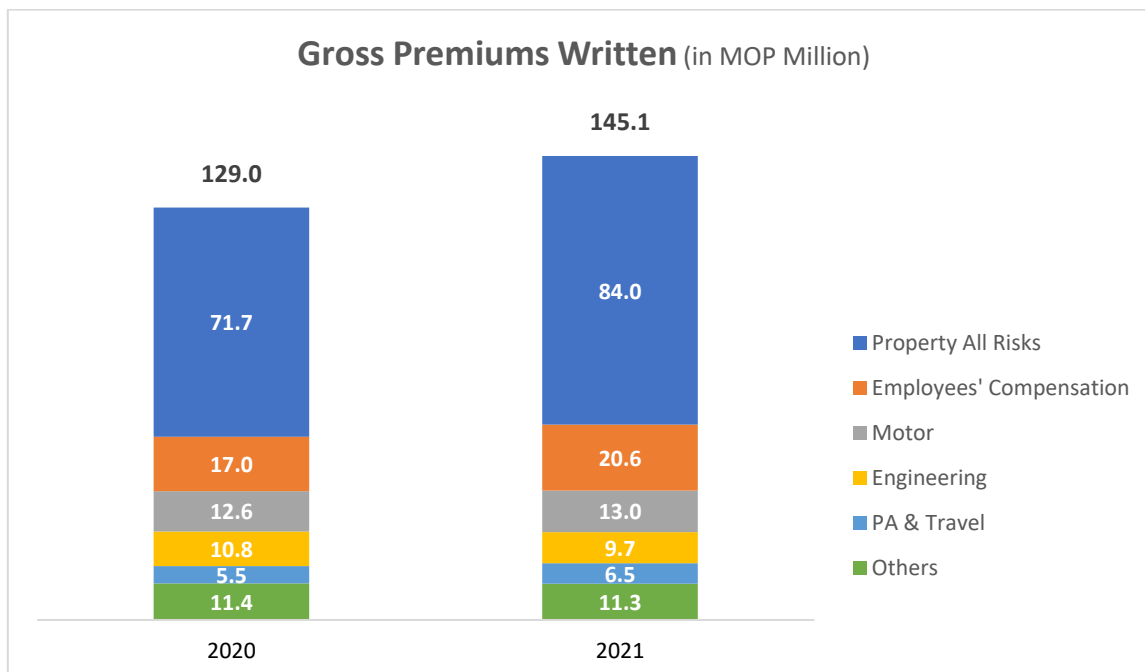
The Company works closely with Banco Nacional Ultramarino S.A., one of the most prestigious financial institutions in Macao, in a strategic partnership to develop and grow the bancassurance channel with a wide offer of products to support their customers’ holistic needs, with a growing focus on digital platforms.

Throughout the year, the Company’s portfolio was built on a prudent and disciplined underwriting strategy, rooted in the principles of professionalism and transparency. The Company maintained a diversified and defensive portfolio in the development of the distribution channels: direct, bancassurance, agents and brokers. The bancassurance and brokers are the dominant distribution channels, each of them with 31.2% share of the total gross written premiums in 2021. For the other channels, direct and agents, the contribution was 25.1% and 12.5% respectively.





The Company’s gross premiums amounted to MOP 145 million in 2021, growing 12.4% from the last year. Despite a 10% reduction in Engineering, the gross premiums for other important lines of business increased, particularly growth of 21% in Employees’ Compensation, 17% in Property All Risks and 20% in PA & Travel.



On product development, the Company aims to deliver innovative products with a market-wide application, covering the demand from the distribution partners and especially the Macao’s population protection requests. The Company was appointed as the insurer of the “*Special Vaccination Programme*” by the Government of Macao addressing the protection of every Macao citizen, providing insurance coverage for possible adverse reactions/side effects of the COVID-19 vaccines.



With significant pressure from local competitors and the increasing demand from the customers, the Company is increasingly seeking ways to improve the efficiency in different areas: modernizing product development, improving claims services effectiveness with a better customer-experience, embracing and accelerating the digital transformation prioritizing the implementation of innovative productivity tools and developing more digital solutions to support customer service.

**FIDELIDADE**  
忠誠保險

忠誠保險產品  
FIDELIDADE  
INSURANCE  
PRODUCTS

- 「易安心」個人意外保險  
EASYSECURE PERSONAL ACCIDENT INSURANCE
- 工作意外及職業病保險 (適用於家庭傭工)  
EMPLOYEES' COMPENSATION INSURANCE  
(FOR DOMESTIC HELPERS)
- 「安心遊」旅遊保險  
TRAVELSAFE INSURANCE PLAN
- 「住安心」家居保險  
HOME PROTECTION INSURANCE

The business environment is expected to remain challenging. As always, the Company will continue to improve local insurance services to Macao's customers, and is considering exploring new business opportunities in the Greater Bay Area, following the *Outline Development Plan for Guangdong-Hong Kong-Macao Greater Bay Area*.

## J. CORPORATE RESPONSIBILITY

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In the past 22 years, the Company has followed its vision to comply with the strongest ethical standards, competence, and integrity, with the clear goal to be valued by its customers, shareholders, and staff.

The Company's mission to protect all its individual and corporate customers, translates into the commitment the Company has with Macao society, towards its sustainable development, greater social equality, respect for the environment and wellbeing of its communities.

Following the Group's Platform for Sustainable Development issues, the Company is part of a global goal with all the company's geographies to improve the conditions of the communities and environment in which it operates, through different initiatives in partnership with non-profit organizations, academic institutions, and corporate customers.

The Company is always looking for new ways to innovate and create a positive impact in the region, and during 2021 it continued the strategy to contribute to the following key areas:

### ▶ Environmental

- Continuous efforts on the Company digital transformation, to better cope with the environmental impact made by the industry, aiming a more effective resources planning and usage. One of the year's major achievements was the enhancement of the Company's Business Continuity Plan allowing a flexible and a more accurate Company management when facing blocking situations to its normal activity.
- Launching of new Online Products in our bancassurance partner digital channels (Online Banking and Mobile APP), dematerializing the purchase of specific products.

### ▶ Ethical

- COVID-19 Vaccination Support Plan in the Company, with specific incentives/benefits to encourage staff to get vaccinated, aiming to ensure a safer and healthier working environment, contributing to the protection of our community, pushing to a faster group immunity and a stronger economic recovery.

### ▶ Philanthropic

- The Company regularly sponsors and acts with local organizations that promote the development of the younger generations. This year the Company sponsored the Children Olympic Exhibition and Futebol Clube do Porto de Macau Football Academy, promoting good and healthy habits amongst the youngest generations.
- The Company has an action plan to support social work organizations to continue their actions, providing care and protection to the Macao community. One of the most significant initiatives was the donation of baby supplies to Caritas Macau to assist migrant families in need.

### ▶ Economic

- The Company was appointed as the insurer of the "Special Vaccination Programme" by the Government of Macao, to provide insurance coverage for possible adverse reactions/side effects of the COVID-19 vaccines, aiming a positive impact in Macao society.

The Company strongly believes that setting a good example is the greatest benefit to inspire other organizations, companies, and individuals to 'raise their game' when it comes to social and environmental responsibility, encouraging further inspiration in the community, as the next years will pose even greater challenges to the Company and to the society.

## K. FINANCIAL REVIEW

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The Company's total assets amounted to MOP 552.0 million at the end of 2021. The total liabilities amounted to MOP 228.7 million, which includes the Company's reserves towards policyholders of MOP 69.6 million and claimants of MOP 109.6 million.

The Company's solvency margin, measured in accordance with the regulatory requirements issued by the Monetary Authority of Macao, was 670.8% at the end of 2021, revealing the Company's continuous solid financial structure and reflecting a strong foundation for future business expansion.

The Company's net profit for the year 2021 amounted to MOP 35.9 million.

## L. APPROPRIATION OF PROFITS

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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 2021, totalizing MOP 35,924,921.39 (thirty-five million, nine hundred twenty-four thousand, nine hundred twenty-one Patacas and thirty-nine cents), be allocated as follows:

- Statutory Reserve (10%):  
MOP 3,592,492.14  
(Three million, five hundred ninety-two thousand, four hundred ninety-two Patacas and fourteen cents)
- Free Reserve (90%):  
MOP 32,332,429.25  
(Thirty-two million, three hundred thirty-two thousand, four hundred twenty-nine Patacas and twenty-five cents)

## M. MANAGEMENT APPRECIATION

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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 staff, 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, 16 March 2022

### The Board of Directors

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André Simões Cardoso  
*Chairman*

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Wai Lam William Mak (麥偉林)  
*Member*

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Paulo Manuel Gomes Barbosa  
*Member*

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Cheung Ming Fai Ivan (張明輝)  
*Member*

## N. FINANCIAL STATEMENTS

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BALANCE SHEET AS AT 31 DECEMBER 2021

REVENUE ACCOUNT FOR 2021

PROFIT AND LOSS ACCOUNT FOR 2021

BALANCE SHEET AS AT 31 DECEMBER 2021

(Amounts in MOP)

ASSETS	Balance	Sub-totals	Total
<b>TANGIBLE ASSETS</b>			
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	2,067,338.21		
Air Conditioners and Heaters	17,000.00		
Telecommunication Equipment	175,959.00		
(Accumulated Depreciation)	(4,450,770.14)	1,468,471.17	1,468,471.17
<b>FINANCIAL ASSETS</b>			
Free of Any Charge or Liability			
Bonds	167,250,654.81	167,250,654.81	
Guaranteeing Technical Reserves			
Fixed Deposits	30,186,322.46		
Bonds	172,108,288.94		
Others	4,500,000.00	206,794,611.40	374,045,266.21
<b>GUARANTEED DEPOSITS</b>			808,386.96
<b>REINSURER'S SHARE IN UNEARNED PREMIUM RESERVES</b>			
On Direct Insurance	31,560,316.10		
On Reinsurance Accepted	1,174,858.20	32,735,174.30	32,735,174.30
<b>REINSURERS' PARTICIPATION IN OUTSTANDING CLAIMS RESERVE</b>			
On Direct Insurance	53,555,046.44		
On Reinsurance Accepted	1,082,691.14	54,637,737.58	54,637,737.58
<b>GENERAL DEBTORS</b>			
Associate Companies	3,759.91		
Ceding Companies	2,109,211.76		
Reinsurers	1,614,964.86		
Co-Insurers	10,448.94		
Insureds	27,270.90		
Others	650,868.22	4,416,524.59	4,416,524.59
<b>PREMIUMS ON COLLECTION</b>			
Premiums on Collection	29,984,981.35		
(Provision for Due Premiums)	(4,726,000.00)	25,258,981.35	25,258,981.35
<b>ACCRUALS AND DEFERRALS</b>			
Interest Receivable	3,007,522.56		
Other Accruals and Deferrals	12,875,658.98	15,883,181.54	15,883,181.54
<b>DEPOSITS AT BANKS</b>			
In Local Currency			
Current Accounts	7,934,320.41		
Fixed Deposits	-	7,934,320.41	
In Foreign Currency			
Current Accounts	24,591,104.79		
Fixed Deposits	10,236,392.46	34,827,497.25	42,761,817.66
<b>CASH</b>			10,000.00
<b>TOTAL ASSETS</b>			<b>552,025,541.36</b>



(Amounts in MOP)

LIABILITIES	Balance	Sub-totals	Total
<b>UNEARNED PREMIUM RESERVE</b>			
On Direct Insurance	66,980,350.52		
On Reinsurance Accepted	2,589,667.60	69,570,018.12	69,570,018.12
<b>OUTSTANDING CLAIMS RESERVE</b>			
On Direct Insurance	98,862,646.37		
On Reinsurance Accepted	10,771,613.92	109,634,260.29	109,634,260.29
<b>GENERAL CREDITORS</b>			
Shareholders	913,994.34		
Associate Companies	-		
Ceding Companies	2,583.24		
Reinsurers	18,665,395.31		
Co-insurers	202,985.10		
Insureds	3,954,416.10		
Intermediaries	577,131.20		
Government Departments	7,230,804.60		
Others	4,584,181.72	36,131,491.61	36,131,491.61
<b>CLAIMS PAYABLE</b>			1,876,484.09
<b>COMMISSIONS PAYABLE</b>			4,354,464.90
<b>ACCRUALS AND DEFERRALS</b>			7,128,139.90
<b>TOTAL LIABILITIES</b>			228,694,858.91

EQUITY	Balance	Sub-totals	Total
<b>SHARE CAPITAL</b>			
Paid-up Capital			160,000,000.00
<b>RESERVES</b>			
Legal Reserve	17,742,758.94		
Free Reserve	109,663,002.12	127,405,761.06	127,405,761.06
<b>PROFIT BEFORE TAXATION</b>	41,505,441.39		
<b>PROVISION FOR INCOME TAX</b>	(5,580,520.00)		
<b>NET PROFIT (AFTER TAX)</b>		35,924,921.39	35,924,921.39
<b>TOTAL EQUITY</b>			323,330,682.45
<b>TOTAL LIABILITIES &amp; EQUITY</b>			552,025,541.36

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 2021**  
**FIDELIDADE MACAU**  
REVENUE ACCOUNT FOR 2021

DEBIT	Employees' Compensation	Fire	Motor	Other Classes	General Accounts	Sub-totals	Total
<b>UNEARNED PREMIUM RESERVE</b>							
On Direct Insurance	1,510,233.90	4,770,234.16	281,880.10	1,059,954.65		7,622,302.81	
On Reinsurance Accepted	-	135,808.70	7,024.50	3,348.30		146,181.50	7,768,484.31
<b>COMMISSIONS</b>							
On Direct Insurance	1,632,000.10	19,739,642.70	1,601,891.60	1,752,018.90		24,725,553.30	
On Reinsurance Accepted	84,842.70	279,444.90	232,893.00	70,261.80		667,442.40	25,392,995.70
<b>COSTS RELATED TO REINSURANCE CEDED</b>							
On Direct Insurance							
Premiums ceded	2,160,535.10	43,602,703.00	650,417.30	28,315,872.60		74,729,528.00	
Reduction in Unearned Premium Reserve	-	37,067.60	-	11,686,230.40		11,723,298.00	
Reduction in Outstanding Claims Reserve	951,994.01	28,818,161.96	17,316.00	22,046,690.59		51,834,162.56	138,286,988.56
On Reinsurance Accepted							
Premiums ceded	-	1,313,955.10	-	559,033.20		1,872,988.30	
Reduction in Unearned Premium Reserve	-	-	-	325,070.40		325,070.40	
Reduction in Outstanding Claims Reserve	-	17,838.44	-	1,021,411.22		1,039,249.66	3,237,308.36
<b>GROSS CLAIMS</b>							
On Direct Insurance							
Paid	13,464,152.66	9,302,366.26	4,521,055.62	8,359,214.37		35,646,788.91	
Provisions	9,205,468.57	16,957,531.97	3,950,690.40	25,786,677.00		55,900,367.94	91,547,156.85
On Reinsurance Accepted							
Paid	104,707.34	81,803.86	1,508,189.78	349,784.18		2,044,485.16	
Provisions	984,925.07	418,091.31	1,648,305.09	339,267.24		3,390,588.71	5,435,073.87
<b>GENERAL EXPENSES</b>					27,426,055.93		27,426,055.93
<b>FINANCIAL COSTS</b>					830,190.17		830,190.17
<b>OTHER COSTS</b>					556,284.38		556,284.38
<b>AMORTISATION AND DEPRECIATION</b>							
Tangible Assets					505,385.35		505,385.35
<b>FINANCIAL PROVISIONS</b>							
Provision for Due Premiums					2,442,000.00		
Sundry Reserves					236,042.40		2,678,042.40
<b>UNDERWRITING PROFIT</b>							47,019,001.79
<b>TOTAL</b>							<b>350,682,967.67</b>

**ANNUAL REPORT 2021**  
**FIDELIDADE MACAU**

CREDIT	Employees' Compensation	Fire	Motor	Other Classes	General Accounts	Sub-totals	Total
<b>GROSS PREMIUMS</b>							
from Direct Insurance	19,759,018.20	74,786,389.90	12,027,526.00	34,776,140.60		141,349,074.70	
from Reinsurance Accepted	804,334.40	1,448,942.35	928,993.00	589,190.47		3,771,460.22	145,120,534.92
<b>INCOME FROM REINSURANCE CEDED</b>							
from Direct Insurance							
Commissions (including profit sharing)	19,802.50	11,444,006.80	-	6,888,414.63		18,352,223.93	
Claims Sharing	3,432,415.69	8,525,930.89	306,008.62	7,899,843.04		20,164,198.24	
Reinsurers' Share in UPR	-	4,578,519.80	-	718,352.90		5,296,872.70	
Reinsurers' Share in Claims Reserve	45,428.41	16,478,353.78	27,991.38	24,034,761.83		40,586,535.40	
Others	-	-	-	-		-	84,399,830.27
from Reinsurance Accepted							
Commissions (including profit sharing)	-	719,975.40	-	166,267.20		886,242.60	
Claims Sharing	-	74,995.98	-	348,724.97		423,720.95	
Reinsurers' Share in UPR	-	126,969.30	-	2,170.30		129,139.60	
Reinsurers' Share in Claims Reserve	-	389,090.31	-	330,365.54		719,455.85	
Others	-	-	-	-		-	2,158,559.00
<b>REDUCTION IN UNEARNED PREMIUM RESERVE</b>							
from Direct Insurance	1,461,000.00	137,328.20	1,322,481.20	11,819,137.08		14,739,946.48	
from Reinsurance Accepted	340,488.90	-	-	324,101.10		664,590.00	15,404,536.48
<b>REDUCTION IN OUTSTANDING CLAIMS RESERVE</b>							
from Direct Insurance	19,473,651.06	29,745,359.69	10,378,770.42	23,499,535.93		83,097,317.10	
from Reinsurance Accepted	1,313,857.22	23,928.70	2,176,498.20	1,029,532.55		4,543,816.67	87,641,133.77
<b>OTHER INCOME</b>							
Financial Income					11,900,737.23		
Miscellaneous					3,916,535.70		15,817,272.93
<b>REDUCTION IN FINANCIAL RESERVES</b>							
Provision for Premiums Due					-		
Provision for Miscellaneous					141,100.30		141,100.30
<b>UNDERWRITING LOSS</b>							
							-
<b>TOTAL</b>							<b>350,682,967.67</b>

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 2021

DEBIT	Total
Extraordinary Losses of the Year	7,705,261.86
Losses Pertaining to Prior Years	-
Provision for Income Tax	5,580,520.00
Profit After Taxation	35,924,921.39
<b>TOTAL</b>	<b>49,210,703.25</b>

CREDIT	Total
Profits from Revenue Account	47,019,001.79
Extraordinary Gains of the Year	2,124,229.46
Gains Pertaining to Prior Years	67,472.00
<b>TOTAL</b>	<b>49,210,703.25</b>

### Accounting Manager

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Chan Soi Ngo (陳瑞娥)

### Board of Directors

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André Simões Cardoso

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Wai Lam William Mak (麥偉林)

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Paulo Manuel Gomes Barbosa

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Cheung Ming Fai Ivan (張明輝)

## O. SUPERVISOR'S REPORT

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崔世昌會計師事務所  
CSC & ASSOCIADOS - Sociedade de Auditores

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To : Shareholders of Fidelidade Macau – Insurance Company Limited

### Report and Opinion of the Single Supervisor 2021

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, 18 March 2022



CSC & Associates, Certified Public Accountants

Represented by Mok Chi Meng, CPA

Single Supervisor

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

## P. AUDITORS' REPORT

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Audited Financial Statements

FIDELIDADE MACAU - COMPANHIA DE SEGUROS, S.A.

31 December 2021



FIDELIDADE MACAU - COMPANHIA DE SEGUROS, S.A.

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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

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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 2021, 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 issued by the Professional Committee of Accountants under the Notice No. 2/2021/CPC. 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 2021, 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 2021; and
- (c) all necessary information and explanations as and when requested, and where appropriate, have been satisfactorily obtained.

**BAO King To** *CPA*  
**Ernst & Young**  
*Certified Public Accountants*

Macao  
16 March 2022

FIDELIDADE MACAU - COMPANHIA DE SEGUROS, S.A.

STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

	Notes	2021 MOP	2020 MOP
Gross premiums	4	152,756,588	142,665,981
Premiums ceded to reinsurers	4	( 83,224,872)	( 77,857,495)
NET PREMIUMS		69,531,716	64,808,486
Reinsurance commission income		19,238,467	16,848,699
Interest income	5	11,900,736	10,829,871
Net investment income		-	9,483,743
Other income		3,916,537	2,328,188
OTHER REVENUE		35,055,740	39,490,501
TOTAL REVENUE		104,587,456	104,298,987
Gross benefits and claims paid		( 37,691,273)	( 36,029,167)
Claims ceded to reinsurers		20,587,919	21,468,530
Gross change in contract liabilities		28,350,178	1,378,548
Change in contract liabilities ceded to reinsurers		( 11,567,421)	( 11,030,932)
NET BENEFITS AND CLAIMS		( 320,597)	( 24,213,021)
Commission expense paid		( 25,392,995)	( 25,322,445)
Deferred acquisition costs	10	6,128,803	6,471,140
Amortisation of deferred acquisition costs	10	( 6,223,746)	( 3,899,253)
Other operating and administrative expenses		( 31,759,923)	( 27,550,881)
Net investment loss		( 5,581,032)	-
OTHER EXPENSES		( 62,828,893)	( 50,301,439)
TOTAL BENEFITS, CLAIMS AND OTHER EXPENSES		( 63,149,490)	( 74,514,460)
PROFIT BEFORE TAX	5	41,437,966	29,784,527
Income tax expense	6	( 5,513,048)	( 2,356,933)
PROFIT FOR THE YEAR		35,924,918	27,427,594

FIDELIDADE MACAU - COMPANHIA DE SEGUROS, S.A.

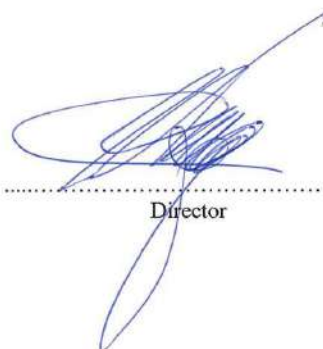
STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	2021 MOP	2020 MOP
<b>ASSETS</b>			
Deferred acquisition costs	10	12,875,659	12,734,559
Property, plant and equipment	8	1,468,471	1,862,479
Financial assets at fair value through profit or loss	15	336,946,336	312,324,895
Reinsurance assets	14	87,372,912	105,562,689
Due from a fellow subsidiary		3,760	-
Insurance receivables	13	28,993,609	15,860,740
Other receivables and prepayments		6,906,657	5,895,939
Pledged deposits	11	34,686,323	41,304,172
Deposits with banks with original maturity of more than three months	12	10,236,392	16,971,366
Cash and cash equivalents	12	32,535,424	20,351,838
Total assets		<u>552,025,543</u>	<u>532,868,677</u>
<b>EQUITY</b>			
Share capital	17	160,000,000	160,000,000
Legal reserve	18	17,742,759	15,000,000
Retained profits		145,587,922	112,405,763
Total equity		<u>323,330,681</u>	<u>287,405,763</u>
<b>LIABILITIES</b>			
Insurance contract liabilities	14	179,204,279	215,190,507
Deferred revenue	10	7,128,140	6,892,097
Insurance payables and accruals		34,698,711	19,603,357
Due to the immediate holding company		913,994	349,683
Due to a fellow subsidiary		-	104,444
Tax payable		6,353,081	2,153,608
Deferred tax liabilities	7	396,657	1,169,218
Total liabilities		<u>228,694,862</u>	<u>245,462,914</u>
Total equity and liabilities		<u>552,025,543</u>	<u>532,868,677</u>



Director



Director

FIDELIDADE MACAU - COMPANHIA DE SEGUROS, S.A.

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

	Note	Share capital MOP	Legal reserve MOP	Retained profits MOP	Total equity MOP
At 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	<u>-</u>	<u>3,350,082</u>	<u>( 3,350,082)</u>	<u>-</u>
At 31 December 2020 and 1 January 2021		160,000,000	15,000,000	112,405,763	287,405,763
Profit for the year		-	-	35,924,918	35,924,918
Transfer to legal reserve	18	<u>-</u>	<u>2,742,759</u>	<u>( 2,742,759)</u>	<u>-</u>
At 31 December 2021		<u>160,000,000</u>	<u>17,742,759</u>	<u>145,587,922</u>	<u>323,330,681</u>

FIDELIDADE MACAU - COMPANHIA DE SEGUROS, S.A.

STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Notes	2021 MOP	2020 MOP
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		41,437,966	29,784,527
Adjustments for:			
Depreciation of property, plant and equipment	8	505,386	640,453
Amortisation of deferred acquisition costs, net	10	6,223,746	3,899,253
Interest income	5	( 11,900,736)	( 10,829,871)
Fair value losses/(gains)			
on financial assets at fair value through profit or loss	5	5,181,466	( 9,943,101)
Provision for/(reversal of)			
impairment loss on insurance receivables	5	<u>2,442,000</u>	<u>( 2,030,818)</u>
		43,889,828	11,520,443
Increase in deferred acquisition costs, net	10	( 6,128,803)	(6,471,140)
Decrease in reinsurance assets		18,189,777	24,653,252
(Increase)/decrease in insurance receivables		( 15,574,869)	24,674,413
Increase in other receivables and prepayments		( 1,010,718)	(1,027,140)
Decrease in pledged deposits		6,617,849	87,611,341
Increase in amount due from a fellow subsidiary		( 3,760)	-
Decrease in insurance contract liabilities		( 35,986,228)	( 15,009,331)
Increase/(decrease) in insurance payables and accruals		15,095,354	( 25,886,458)
Increase/(decrease) in amount due to			
the immediate holding company		564,311	( 82,992)
Decrease in amount due to a fellow subsidiary		<u>( 104,444)</u>	<u>( 467,092)</u>
Cash generated from operations		25,548,297	99,515,296
Macao complementary tax paid		( 2,086,136)	( 4,826,016)
Interest received		<u>1,630,526</u>	<u>1,841,506</u>
Net cash flows from operating activities		<u>25,092,687</u>	<u>96,530,786</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of items of property, plant and equipment	8	( 111,378)	( 222,759)
Proceeds from disposal of property, plant and equipment	8	-	77,500
Decrease/(increase) in deposits with original maturity of more than three months		6,734,974	( 16,971,366)
Purchase of financial assets at fair value through profit or loss		(226,860,605)	(634,921,923)
Proceeds from sale of financial assets at fair value through profit or loss		197,057,698	542,949,270
Interest received from financial assets at fair value through profit or loss		<u>10,270,210</u>	<u>8,988,365</u>
Net cash flows used in investing activities		<u>( 12,909,101)</u>	<u>(100,100,913)</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
		12,183,586	( 3,570,127)
Cash and cash equivalents at beginning of year		<u>20,351,838</u>	<u>23,921,965</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<u><u>32,535,424</u></u>	<u><u>20,351,838</u></u>

FIDELIDADE MACAU - COMPANHIA DE SEGUROS, S.A.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

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 2021.

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 2021

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>

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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 commenced an assessment of the impact of these New MFRSs and the adoption of these New MFRSs will not be expected to have a significant impact on the Company's overall financial performance and financial position upon initial application.

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.



2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

*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.

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.

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### 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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.

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2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Property, plant and equipment and depreciation

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

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

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

Motor vehicles	25%
Furniture, fixtures, and equipment	10% - 38.71%
Computer system	20% - 33½%

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

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

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2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

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

Insurance receivables

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

Income tax

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

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

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

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

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

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

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

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2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

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

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

Revenue recognition

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

(a) Premium income

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

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

(b) Reinsurance premiums

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

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

(c) Interest income

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

(d) Reinsurance commissions on ceded premiums

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

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### 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

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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.

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NOTES TO FINANCIAL STATEMENTS

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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 MOP179,204,279 (2020: MOP215,190,507).

*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.



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4. NET PREMIUMS

	2021 MOP	2020 MOP
(a) Gross premiums earned:		
Gross premiums written	145,120,535	129,035,199
Gross change in unearned premiums and provision for unexpired risk	<u>7,636,053</u>	<u>13,630,782</u>
Total gross premiums earned	<u>152,756,588</u>	<u>142,665,981</u>
(b) Ceded reinsurance premiums earned:		
Premiums written	( 70,602,516)	( 64,235,176)
Change in unearned premiums and provision for unexpired risk	<u>( 6,622,356)</u>	<u>( 13,622,319)</u>
Total ceded reinsurance premiums earned	<u>( 83,224,872)</u>	<u>( 77,857,495)</u>
Total net premiums earned	<u>69,531,716</u>	<u>64,808,486</u>

5. PROFIT BEFORE TAX

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

	Note	2021 MOP	2020 MOP
Depreciation of property, plant and equipment	8	505,386	640,453
Minimum lease payments under operating leases		2,855,577	2,831,025
Employee benefit expense:			
Wages and salaries		18,920,316	18,915,803
Pension scheme contributions		924,433	1,374,771
Foreign exchange differences, net		( 229,559)	728,358
Interest income from bank deposits		( 1,630,526)	( 1,841,506)
Interest income from financial assets at fair value through profit or loss		( 10,270,210)	( 8,988,365)
Fair value (losses)/gains on financial assets at fair value through profit or loss		5,181,466	( 9,943,101)
Loss/(gain) on disposal of financial assets at fair value through profit or loss		629,125	( 269,000)
Provision for/(reversal of) impairment loss on insurance receivables		<u>2,442,000</u>	<u>( 2,030,818)</u>

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6. INCOME TAX

Macao complementary tax has been provided at the rate of 12% (2020: 12%) on the estimated taxable profits arising in Macao during the year.

	Note	2021 MOP	2020 MOP
Current			
Charge for the year		6,353,081	2,153,608
Overprovision in prior years		( 67,472)	( 965,893)
Deferred	7	( 772,561)	1,169,218
Tax charge for the year		<u>5,513,048</u>	<u>2,356,933</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:

	2021 MOP	2020 MOP
Profit before tax	<u>41,437,966</u>	<u>29,784,527</u>
Tax at the statutory tax rate of 12% (2020: 12%)	4,972,556	3,574,143
Adjustments in respect of current tax of previous periods	( 67,472)	( 965,893)
Income not subject to tax	-	( 196,038)
Expenses not deductible for tax	679,964	16,721
Others	( 72,000)	( 72,000)
Tax charge at the effective rate of 13% (2020: 8%)	<u>5,513,048</u>	<u>2,356,933</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 2020	-
Debited to the statement of profit or loss during the year (note 6)	( 1,169,218)
At 31 December 2020 and 1 January 2021	( 1,169,218)
Credited to the statement of profit or loss during the year (note 6)	<u>772,561</u>
At 31 December 2021	<u>( 396,657)</u>

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8. PROPERTY, PLANT AND EQUIPMENT

	Motor Vehicles MOP	Furniture, fixtures and equipment MOP	Computer system MOP	Total MOP
<b>31 December 2021</b>				
At 1 January 2021:				
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>
At 1 January 2021, net of accumulated depreciation	91,549	1,554,214	216,716	1,862,479
Additions	-	-	111,378	111,378
Depreciation provided during the year	( 91,549)	( 280,603)	( 133,234)	( 505,386)
At 31 December 2021, net of accumulated depreciation	<u>-</u>	<u>1,273,611</u>	<u>194,860</u>	<u>1,468,471</u>
At 31 December 2021:				
Cost	878,869	2,523,846	1,116,459	4,519,174
Accumulated depreciation	( 878,869)	( 1,250,235)	( 921,599)	( 3,050,703)
Net carrying amount	<u>-</u>	<u>1,273,611</u>	<u>194,860</u>	<u>1,468,471</u>

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8. PROPERTY, PLANT AND EQUIPMENT (continued)

	Motor Vehicles MOP	Furniture, fixtures and equipment MOP	Computer system MOP	Total MOP
<b>31 December 2020</b>				
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	311,266	1,871,582	174,825	2,357,673
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>

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 2021, the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2021 MOP	2020 MOP
Within one year	678,063	1,371,291
In the second to third year, inclusive	-	274,200
	<u>678,063</u>	<u>1,645,491</u>

FIDELIDADE MACAU - COMPANHIA DE SEGUROS, S.A.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

10. DEFERRED ACQUISITION COSTS

	Gross MOP	Reinsurance MOP	Net MOP
At 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 and 1 January 2021	12,734,559	( 6,892,097)	5,842,462
Acquisition costs deferred	12,555,611	( 6,426,808)	6,128,803
Amortisation	( 12,414,511)	6,190,765	( 6,223,746)
At 31 December 2021	<u>12,875,659</u>	<u>( 7,128,140)</u>	<u>5,747,519</u>

11. PLEDGE OF ASSETS

Time deposits of MOP34,686,323 (2020: MOP41,304,172) 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

	2021 MOP	2020 MOP
Cash and cash equivalents	327,535,424	20,351,838
Non-pledged time deposits with original maturity of more than three months when acquired	<u>10,236,392</u>	<u>16,971,366</u>
	<u>47,771,816</u>	<u>37,323,204</u>

FIDELIDADE MACAU - COMPANHIA DE SEGUROS, S.A.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

13. INSURANCE RECEIVABLES

	2021 MOP	2020 MOP
Amount due in respect of:		
Direct underwriting	29,984,981	11,991,007
Reinsurance accepted and ceded	3,724,179	6,143,284
Co-insurance	10,449	10,449
	<u>33,719,609</u>	<u>18,144,740</u>
Less: Impairment	( 4,726,000)	( 2,284,000)
Insurance receivables, net	<u>28,993,609</u>	<u>15,860,740</u>

14. INSURANCE CONTRACT LIABILITIES

	Note	2021 MOP	2020 MOP
Provision for unearned premiums		67,738,019	72,553,070
Provision for unexpired risk		1,832,000	4,653,000
Outstanding claims provision	19	109,634,260	137,984,437
Insurance contract liabilities		<u>179,204,279</u>	<u>215,190,507</u>
<u>Less:</u>			
Reinsurers' share of provision for unearned premiums		( 32,735,174)	( 39,357,530)
Reinsurers' share of outstanding claims provision		( 54,637,738)	( 66,205,159)
Reissuance assets		<u>( 87,372,912)</u>	<u>(105,562,689)</u>
Technical reserves, net		<u>91,831,367</u>	<u>109,627,818</u>

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 MOP	2020 MOP
Debt securities	<u>336,946,336</u>	<u>312,324,895</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 MOP170,958,344 (2020: MOP142,387,629) and accrued interest from debt securities amounted to MOP1,149,945 (2020: Nil) 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 2021

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 2021

	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>336,946,336</u>	<u>-</u>	<u>-</u>	<u>336,946,336</u>

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>

The fair values of Level 1 securities are based on quoted market prices. 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 (2020: Nil).

17. SHARE CAPITAL

	2021 MOP	2020 MOP
Authorised, issued and fully paid: 160,000 (2020: 160,000) ordinary 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 2021

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 2021

19. INDIVIDUAL CLASSES OF INSURANCE BUSINESS

Year ended 31 December 2021

	Motor Vehicles Insurances		Employees' Compensation Insurance		Signboard Liability		Third Party Liability Insurance for Pleasure Boats		Professional Liability Insurance for Travel Agencies		Compulsory Professional Liability Insurance for Lawyers		Compulsory Professional Liability Insurance for Healthcare Providers		Other Classes		Total	
	MOP		MOP		MOP		MOP		MOP		MOP		MOP		MOP		MOP	
Direct insurance Reinsurance accepted	12,027,526		19,759,018		96,409		-		-		-		53,260		105,171,803		141,349,075	
<b>Gross written premiums (Note 4)</b>	928,993		804,334		-		-		-		-		-		2,038,133		3,771,460	
	12,956,519		20,563,352		96,409		-		-		-		53,260		107,209,936		145,120,535	
Direct insurance Reinsurance accepted	11,765,127		18,248,784		89,636		-		-		-		48,767		111,252,346		145,645,719	
Provision for unexpired risk reserve	921,969		1,144,823		-		-		-		-		-		2,223,077		4,289,869	
<b>Gross earned premiums (Note 4)</b>	1,303,000		1,461,000		-		-		-		-		-		57,000		2,821,000	
	13,990,096		20,854,607		89,636		-		-		-		48,767		113,532,423		152,756,588	
Direct insurance Reinsurance accepted	1,601,892		1,632,000		4,185		-		-		-		-		21,487,476		24,725,553	
Change in deferred acquisition costs	232,893		84,843		-		-		-		-		-		349,706		667,442	
<b>Commission paid</b>	(32,355)		(124,485)		(723)		-		-		-		-		16,464		(141,099)	
	1,802,430		1,592,358		3,462		-		-		-		-		21,853,646		25,251,896	

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 2021

19. INDIVIDUAL CLASSES OF INSURANCE BUSINESS (continued)

Year ended 31 December 2021

	Motor Vehicles Insurances MOP	Employees' Compensation Insurance MOP	Signboard Liability MOP	Third Party Liability Insurance for Pleasure Boats MOP	Professional Liability Insurance for Travel Agencies MOP	Compulsory Professional Liability Insurance for Lawyers MOP	Compulsory Professional Liability Insurance for Healthcare Providers MOP	Other Classes MOP	Total MOP
Gross claims paid – direct insurance	4,521,056	13,464,153	-	-	-	-	5,850	17,655,729	35,646,788
Gross claims paid – reinsurance accepted	1,508,190	104,707	-	-	-	-	-	431,588	2,044,485
Change in claim case reserve	(3,480,273)	(9,535,115)	(122,570)	-	-	(1,000)	-	(17,231,220)	(30,370,178)
Change in IBNR/IBNER reserve	(3,476,000)	(1,062,000)	-	-	-	(58,000)	45,000	6,571,000	2,020,000
<b>Gross claims paid and incurred</b>	(927,027)	2,971,745	(122,570)	-	-	(59,000)	50,850	7,427,097	9,341,095
Reinsurance claims recoverable	(316,684)	(2,525,850)	-	-	-	6,500	(4,680)	(6,179,784)	(9,020,498)
<b>Net claims paid and incurred</b>	(1,243,711)	445,895	(122,570)	-	-	(52,500)	46,170	1,247,313	320,597
Case reserve – direct insurance	5,252,511	14,653,440	-	-	-	-	2,000,000	34,453,695	56,359,646
Case reserve – reinsurance accepted	2,160,715	2,062,504	-	-	-	-	-	1,174,395	5,397,614
Reserve for IBNR/IBNER claims	10,208,000	15,440,000	-	-	-	4,411,000	45,000	17,773,000	47,877,000
<b>Gross outstanding claims (Note 14)</b>	17,621,226	32,155,944	-	-	-	4,411,000	2,045,000	53,401,090	109,634,260

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 2021

19. INDIVIDUAL CLASSES OF INSURANCE BUSINESS (continued)

Year ended 31 December 2020

	Motor Vehicles Insurances MOP	Employees' Compensation Insurance MOP	Signboard Liability MOP	Third Party Liability Insurance for Pleasure Boats MOP	Professional Liability Insurance for Travel Agencies MOP	Compulsory Professional Liability Insurance for Lawyers MOP	Compulsory Professional Liability Insurance for Healthcare Providers MOP	Other Classes MOP	Total MOP
Direct insurance Reinsurance accepted	11,470,656 1,140,111	16,184,840 858,514	67,163 -	- -	- -	3,982,658 -	43,880 -	94,298,395 988,982	126,047,592 2,987,607
<b>Gross written premiums (Note 4)</b>	<b>12,610,767</b>	<b>17,043,354</b>	<b>67,163</b>	-	-	<b>3,982,658</b>	<b>43,880</b>	<b>95,287,377</b>	<b>129,035,199</b>
Direct insurance Reinsurance accepted Provision for unexpired risk reserve	11,814,897 974,391 ( 1,232,640)	19,647,439 1,612,958 ( 2,574,000)	68,917 - -	- - -	- - -	3,982,658 - -	53,921 - -	106,577,171 1,803,269 ( 63,000)	142,145,003 4,390,618 ( 3,869,640)
<b>Gross earned premiums (Note 4)</b>	<b>11,556,648</b>	<b>18,686,397</b>	<b>68,917</b>	-	-	<b>3,982,658</b>	<b>53,921</b>	<b>108,317,440</b>	<b>142,665,981</b>
Direct insurance Reinsurance accepted Change in deferred acquisition costs <b>Commission paid</b>	1,623,159 285,691 ( 70,965) 1,837,885	1,494,360 144,454 57,332 1,696,146	1,733 - 25 1,758	- - - -	- - - -	- - - -	- - - -	21,523,735 249,313 625,934 22,398,982	24,642,987 679,458 612,326 25,934,771

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 2021

19. INDIVIDUAL CLASSES OF INSURANCE BUSINESS (continued)

Year ended 31 December 2020

	Motor Vehicles Insurances MOP	Employees' Compensation Insurance MOP	Signboard Liability MOP	Third Party Liability Insurance for Pleasure Boats MOP	Professional Liability Insurance for Travel Agencies MOP	Compulsory Professional Liability Insurance for Lawyers MOP	Compulsory Professional Liability Insurance for Healthcare Providers MOP	Other Classes MOP	Total MOP
Gross claims paid – direct insurance	2,164,005	12,306,024	-	-	-	-	-	18,828,014	33,298,043
Gross claims paid – reinsurance accepted	1,996,771	191,107	-	-	-	-	-	543,246	2,731,124
Change in claim case reserve	(1,105,963)	2,632,167	-	-	(19,824)	2,000,000	(2,000,000)	(1,727,983)	1,778,397
Change in IBNR/IBNER reserve	2,819,000	6,999,000	-	-	-	102,000	-	(13,002,000)	(3,082,000)
Change in loss deviation reserves	-	-	-	-	-	-	-	(74,945)	(74,945)
<b>Gross claims paid and incurred</b>	<b>5,873,813</b>	<b>22,128,298</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>82,176</b>	<b>2,000,000</b>	<b>4,566,332</b>	<b>34,650,619</b>
Reinsurance claims recoverable	11,029	(2,139,376)	-	-	-	(4,015)	(1,600,000)	(6,705,236)	(10,437,598)
<b>Net claims paid and incurred</b>	<b>5,884,842</b>	<b>19,988,922</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>78,161</b>	<b>400,000</b>	<b>(2,138,904)</b>	<b>24,213,021</b>
Case reserve – direct insurance	7,852,591	24,090,623	122,570	-	-	1,000	2,000,000	51,388,812	85,455,596
Case reserve – reinsurance accepted	3,040,908	2,160,436	-	-	-	-	-	1,470,497	6,671,841
Reserve for IBNR/IBNER claims	13,684,000	16,502,000	-	-	-	4,469,000	-	11,202,000	45,857,000
<b>Gross outstanding claims (Note 14)</b>	<b>24,577,499</b>	<b>42,753,059</b>	<b>122,570</b>	<b>-</b>	<b>-</b>	<b>4,470,000</b>	<b>2,000,000</b>	<b>64,061,309</b>	<b>137,984,437</b>

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 2021

20. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 16 March 2022.

**FIDELIDADE**  
忠誠保險