Macau Pension Fund Management Company Limited

澳門退休基金管理股份有限公司

(Incorporated in Macau with limited liability)

Financial Statements

For the year ended 31 December 2022

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羅兵咸永道

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

Report on the Audit of the Financial Statements

We have audited the financial statements of Macau Pension Fund Management Company Limited (the "Company") set out on pages 3 to 24, which comprise the statement of financial position as at 31 December 2022, and the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards issued by the Government of the Macao Special Administrative Region and the Macao Insurance Ordinance under Decree-Law No. 27/97/M, of 30 June amended by Law No. 21/2020 (the "Macao Insurance Ordinance"), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

We conducted our audit in accordance with Auditing Standards issued by the Professional Committee of Accountants of the Government of the Macao Special Administrative Region. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers
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羅兵咸永道

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF MACAU PENSION FUND MANAGEMENT COMPANY LIMITED (Continued)
(incorporated in Macao with limited liability by shares)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and of its financial performance and cash flows for the year then ended in accordance with Financial Reporting Standards issued by the Government of the Macao Special Administrative Region and have been properly prepared in accordance with the Macao Insurance Ordinance.

Report on Other Matters under Article 88(2) of the Macao Insurance Ordinance

In our opinion, the Company has maintained proper accounting records in respect of the year ended 31 December 2022.

The Company has provided us with all the necessary information and explanations required for the purpose of the audit.

Ng Wai Ying

NG Wai Ying
Certified Public Accountant
PricewaterhouseCoopers

Macao, 23 February 2023

Statement of comprehensive income for the year ended 31 December 2022

(Expressed in Macau Patacas)

	Note	*2022*	*2021*
Fund management income	5	19,972,987	22,199,357
Net investment income	6	627,331	598,868
Total income		20,600,318	22,798,225
Commission received		(11,596)	-
Fund management expense	5	(7,949,011)	(8,362,287)
Administrative expenses	7	(7,447,988)	(7,660,450)
Operating expenses		(15,408,595)	(16,022,737)
Profit before taxation		5,191,723	6,775,488
Income tax expense	8(a)	(551,190)	(441,219)
Profit after taxation		4,640,533	6,334,269

Approved and authorised for issue by the Board of Directors on 23 February 2023.

Signing on behalf of the Board and certifying the correspondence of these financial statements to those approved by the Board and signed by all directors:

Lee Kai Tai
Director

Chan Io Meng
Director / Chief Executive Officer

Statement of financial position as at 31 December 2022
(Expressed in Macau Patacas)

	Note	*2022*	*2021*
Assets			
Property, plant and equipment	9	-	2,458
Intangible assets	10	170,500	-
Amount due from immediate holding company	15(b)	88	26
Amount due from a fellow subsidiary	15(b)	102,256	15,183
Sundry debtors		884,523	1,306,934
Cash and bank balances	11	89,672,687	70,950,963
Total assets		90,830,054	72,275,564
Equity			
Capital and reserves attributable to owners of the Company			
Share capital	12	60,000,000	60,000,000
Reserves	13	14,009,937	9,369,404
Total equity		74,009,937	69,369,404
Liabilities			
Accounts payable and accruals		16,268,928	2,164,885
Tax payable	8(b)	551,189	741,275
Total liabilities		16,820,117	2,906,160
Total equity and liabilities		90,830,054	72,275,564

Approved and authorised for issue by the Board of Directors on 23 February 2023.

Signing on behalf of the Board and certifying the correspondence of these financial statements to those approved by the Board and signed by all directors:

Lee Kai Tai
Director

Chan Io Meng
Director / Chief Executive Officer

Statement of changes in equity for the year ended 31 December 2022

(Expressed in Macau Patacas)

	Attributable to equity holders of the Company			
	Share capital	*Legal reserve*	*Retained earnings*	*Total*
	(Note 12)	*(Note 13)*	*(Note 13)*	
At 1 January 2021	40,000,000	2,033,493	13,001,642	55,035,135
Transfer to legal reserve	-	973,534	(973,534)	-
Increase of share capital	20,000,000	-	(12,000,000)	8,000,000
Profit for the year	-	-	6,334,269	6,334,269
At 31 December 2021	60,000,000	3,007,027	6,362,377	69,369,404
At 1 January 2022				
Transfer to legal reserve	-	1,266,854	(1,266,854)	-
Profit for the year	-	-	4,640,533	4,640,533
At 31 December 2022	60,000,000	4,273,881	9,736,056	74,009,937

Cash flow statement for the year ended 31 December 2022

(Expressed in Macau Patacas)

	Note	*2022*	*2021*
Cash flows from operating activities			
Profit before taxation		5,191,723	6,775,488
Adjusted for:			
Interest income	6	(1,172,903)	(613,732)
Depreciation of property, plant and equipment	9	2,458	5,900
Amortisation of intangible assets	10	27,500	-
Change in provision for expected credit losses	11	(22,703)	3,380
Operating profit before working capital changes		4,026,075	6,171,036
Decrease / (increase) in sundry debtors		422,411	(368,062)
Net movement in balances with a fellow subsidiary		(15,447)	(77)
Net movement in balances with immediate holding company		(62)	(681,022)
Increase / (decrease) in accounts payable and accruals		14,104,043	(279,094)
Cash generated from operations		18,537,020	4,842,781
Income tax paid		(741,276)	(241,244)
Net cash generated from operating activities		17,795,744	4,601,537
Cash flows from investing activities			
Acquisition of intangible assets		(198,000)	-
Interest received		1,101,277	605,349
Increase in time deposits	11	(327,051)	(10,905,349)
Net cash generated from / (used in) investing activities		576,226	(10,300,000)
Cash flows from financing activities			
Proceeds from issuance of shares	12	-	8,000,000
Net cash generated from financing activities		-	8,000,000
Net increase in cash and cash equivalents		18,371,970	2,301,537
Cash and cash equivalents at the beginning of the year	11	5,417,954	3,116,417
Cash and cash equivalents at the end of the year	11	23,789,924	5,417,954

Notes to the financial statements

(Expressed in Macau Patacas)

1 General information

Macau Pension Fund Management Company Limited (the "Company" or "MPFM") is a company domiciled in the Macau Special Administrative Region of the People's Republic of China and has its registered office and principal place of business at 11 Floor, BCM Building, 594 Avenida da Praia Grande, Macau. The Company was incorporated on 5 April 2017 and licensed to operate pension fund business on 26 May 2017. It is engaged in private pension fund management business.

These financial statements have been approved for issue by the Board of Directors on 23 February 2023 and one original has been signed by all directors. By a written resolution adopted by all members of the Board, it was resolved that any one director is authorised to sign on behalf of the Board other sets of financial statements for filing and submission purpose and to certify that such financial statements correspond to those approved by the Board and signed by all directors.

2 Principal accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements of the Company have been prepared in accordance with the Macao Financial Reporting Standards issued by the Government of the Macao Special Administrative Region ("MFRS") under the Dispatch of Secretary for Economy and Finance No. 44/2020 and the Macao Insurance Ordinance under Decree-Law No. 27/97/M, of 30 June amended by Law No. 21/2020 (the "Macao Insurance Ordinance").

The financial statements are presented in Macau Patacas ("MOP"), which is the functional and presentation currency of the Company unless otherwise stated. They are prepared on the historical cost basis.

The preparation of financial statements requires the management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Judgements made by the management in the application of accounting principles that have significant effect on the financial statements and estimates with a significant risk arising from material judgements on future years are discussed in Note 3.

2 Principal accounting policies (continued)

(a) Basis of preparation (continued)

As the accounting policies and financial statement presentation adopted by the Company are consistent with those specified by the MFRS, none of the standards included in the MFRS, including those effective for the first time for the year ended 31 December 2022, have a significant effect on the financial positions or results of the operations of the Company, presentation or disclosure impacts on the financial statements, except as set out below:

IFRS 7

IFRS 7, 'Financial Instruments: Disclosures' requires disclosure of information about the significance of financial instruments to an entity, and the nature and extent of risks arising from those financial instruments, both in qualitative and quantitative terms. Specific disclosures have been added in these financial statements to that effect.

The following relevant new and amended standards have been adopted for the first time for the financial year ended 31 December 2022 and have no material impact to the Company:

IAS 1 'Presentation of Financial Statements'
IAS 19 'Employee Benefits'
IFRS 10 'Consolidated financial statements'
IFRS 13 'Fair value measurement'
IFRS 15 'Revenue from Contracts with Customers'

2 Principal accounting policies (continued)

(b) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (Note 2(h)).

Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of items of property, plant and equipment. The applicable rate of depreciation adopted by the Company is as follows:

Computer equipment	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2(h)).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and recognised in profit or loss.

(c) Intangible assets – computer software

Intangible assets are stated at cost less accumulated amortisation and impairment losses (Note 2(h)).

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The applicable rate of amortisation adopted by the Company is as follows:

Computer software	33.33%

Costs that are directly associated with the acquisition or development of identifiable and unique software products controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Development costs of such intangible assets include employee costs incurred as a result of developing the software and an appropriate portion of relevant overheads. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and highly liquid investments that mature in less than three months of maturity at the time of acquisition, which are readily convertible into known amounts of cash and therefore subject to insignificant risk from changes in value.

(e) Receivables

Receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses (Note 2(h)).

2 Principal accounting policies (continued)

(f) Foreign currencies

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The financial statements are presented in Macau Patacas ("MOP"), which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into MOP using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

(g) Employee benefits

(i) Salaries, annual bonuses, paid annual leaves, and the cost to the Company of non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Company.

(ii) Obligation for contributions to defined contribution pension plans are recognised as an expense as incurred. The Company has no legal or constructive obligations to pay further contributions if the related fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

(h) Impairment

(i) Impairment of financial assets

The Company adopts a "three-stage" model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in "Stage 1" and has its credit risk continuously monitored by the Company.
- If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to "Stage 2" but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to "Stage 3".
- Financial instruments in Stage 1 have their expected credit losses ("ECL") measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- In measuring ECL, the Company considers forward-looking information.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

2 Principal accounting policies (continued)

(h) Impairment (continued)

(i) Impairment of financial assets (continued)

The Company recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Company applies a simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables. To measure the ECL, trade receivables has been grouped based on shared credit risk characteristics and the days past due.

Financial assets are reviewed at each balance sheet date to determine whether any impairment exists or is expected. If in a subsequent period the assessed amount of an impairment loss decreases, the impairment loss is reversed through profit or loss. The reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

- Property, plant and equipment; and
- Intangible assets.

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

  An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

2 Principal accounting policies (continued)

(h) Impairment (continued)

(ii) Impairment of other assets (continued)

- Reversal of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. The reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods. Reversals of impairment losses are credited to profit or loss in the period in which the reversals are recognised.

(i) Accounts payable and accruals

Accounts payable and accruals are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(j) Taxation

Taxation expense is the expected tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences arising between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(k) Revenue

Provided it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably, revenue is recognised in profit or loss as follows:

Fund management income

Fee income for pension fund management, subscription, switching and withdrawal is recognised when earned under the terms of the respective pension fund management regulations and membership contracts.

Interest income

Interest income from bank deposits and from dated debt securities intended to be held to maturity is recognised as it accrues using the effective interest method.

2 Principal accounting policies (continued)

(l) Related parties

For the purposes of these financial statements, a party is considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals (i.e. key management personnel, significant shareholders and / or their close family members) or other entities and include entities which are under the significant influence of related parties of the Company where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Company or of any entity that is a related party of the Company.

(m) Private pension fund business

The Company manages private pension funds under Decree-Law No. 6/99 of Macau (8 February 1999) under which it receives contributions from employer companies, administers pension plans, pays plan expenses and benefits to plan beneficiaries, holds and manages investment assets in various financial instruments and receives remuneration income from the plans.

Under Article 3 of Chapter 1 of Decree-Law No. 6/99, pension funds are autonomous assets solely for the purpose of financing one or more pension plans. Other than remuneration income, the Company does not recognise in its primary financial statements (balance sheet, statement of comprehensive income, cash flow statement and statement of changes in equity) the assets, liabilities, income, expenses or cash flows of the pension funds. Further information on these pension funds is shown in Note 14.

(n) Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as deduction from the proceeds, net of tax.

3 Critical accounting estimates and judgments in applying accounting policies

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

Critical accounting judgements in selecting and applying the Company's accounting policies are described below:

Private pension fund business

Assets, liabilities, income, expenses and cash flows relating to private pension fund business are not recognised in the primary financial statements of the Company (Note 2(m)).

4 Management of financial risk

(a) *Financial risk*

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

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

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

(i) Interest rate risk

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

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

Assuming interest rates / yields increased by 100 basis points:

	2022	*2021*
Change on profit after tax	203,204	196,419

(ii) Credit risk

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

Credit risk on amount due from a fellow subsidiary and immediate holding company are limited, after considering the exposure amounts and periods, and the financial strength of the fellow subsidiaries.

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

4 Management of financial risk (continued)

(a) Financial risk (continued)

(ii) Credit risk (continued)

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

	AAA	*AA- to AA+*	*A-to A+*	*Below A-*	*Unrated*	*Total*
At 31 December 2022						
Time deposits	-	-	45,095,521	20,876,739	-	65,975,260
Cash and cash equivalents	-	-	19,948	23,769,976	-	23,789,924
	-	-	45,118,469	44,646,715	-	89,765,184
At 31 December 2021						
Time deposits	-	-	65,648,209		-	65,648,209
Cash and cash equivalents	-	-	5,412,165	5,789	-	5,417,954
	-	-	71,060,374	5,789		71,066,163

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

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

- Cash and Bank balances

Other financial assets at amortised cost

	Time deposits	*Cash and bank balances*	*Total*
Balance at 1 January 2021	111,820	-	111,820
Increase in impairment allowance recognised	3,380	-	3,380
Balance at 31 December 2021	115,200	-	115,200
Decrease in impairment allowance recognised	(22,703)	-	(22,703)
Balance at 31 December 2022	92,497	-	92,497

4 Management of financial risk (continued)

(a) Financial risk (continued)

(iii) Liquidity risk

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

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

	On demand	*Less than 1 year*	*1 to 5 years*	*Total*
At 31 December 2022				
Assets				
Amount due from holding companies	88	-	-	88
Amount due from a fellow subsidiary	102,256	-	-	102,256
Time deposits with original maturity greater than three months	-	65,975,260	-	65,975,260
Cash and cash equivalent	23,789,924	-	-	23,789,924
	23,892,268	65,975,260	-	89,867,528
Liabilities				
Accounts payable and accruals	16,268,928	-	-	16,268,928
	16,268,928	-	-	16,268,928

4 Management of financial risk (continued)

(a) Financial risk (continued)

(iii) Liquidity risk (continued)

	On demand	*Less than 1 year*	*1 to 5 years*	*Total*
At 31 December 2021				
Assets				
Amount due from holding companies	26	-	-	26
Amount due from a fellow subsidiary	15,183	-	-	15,183
Time deposits with original maturity greater than three months	-	65,648,209	-	65,648,209
Cash and cash equivalent	5,417,954	-	-	5,417,954
	5,433,163	65,648,209	-	71,081,372
Liabilities				
Accounts payable and accruals	2,164,885	-	-	2,164,885
	2,164,885	-	-	2,164,885

4 Management of financial risk (continued)

(a) Financial risk (continued)

(iv) Currency risk

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

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

	MOP	*HKD*	*USD*	*Total*
At 31 December 2022				
Assets				
Intangible assets	170,500	-	-	170,500
Amount due from immediate holding company	88	-	-	88
Amount due from a fellow subsidiary	102,256	-	-	102,256
Sundry debtors	884,523	-	-	884,523
Cash and bank balances	23,667,631	16,599	65,988,457	89,672,687
	24,824,998	16,599	65,988,457	90,830,054
Liabilities				
Accounts payable and accruals	16,268,928	-	-	16,268,928
Tax payable	551,189	-	-	551,189
	16,820,117	-	-	16,820,117
At 31 December 2021				
Assets				
Property, plant and equipment	2,458	-	-	2,458
Amount due from immediate holding company	26	-	-	26
Amount due from a fellow subsidiary	15,183	-	-	15,183
Sundry debtors	1,306,934	-	-	1,306,934
Cash and bank balances	5,195,231	65,741,685	14,047	70,950,963
	6,519,832	65,741,685	14,047	72,275,564
Liabilities				
Accounts payable and accruals	2,164,885	-	-	2,164,885
Tax payable	741,275	-	-	741,275
	2,906,160	-	-	2,906,160

4 Management of financial risk (continued)

(b) Capital management

The Company's objectives when managing capital are:

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

5 Fund management income and expenses

Fund management income comprises predominantly management fees charged on the balances of pension fund assets under management in accordance with the management regulations and management contracts of the respective pension funds, for services rendered in relation to the management of pension funds and administration of pension plans.

Fund management expenses comprise predominantly fees incurred on pension fund assets in relation to custody and investment advisory services.

6 Net investment income

	2022	*2021*
Interest income	1,172,903	613,732
Exchange loss	(545,572)	(14,864)
Net investment income	627,331	598,868

7 Administrative expenses

	2022	*2021*
Wages and salaries	1,335,063	1,887,437
Other staff related expenses	259,825	317,691
Management fee charged by immediate holding company	4,800,000	4,557,167
Acquisition costs	34,156	43,597
Auditor's remuneration	363,400	210,400
Professional fees and support charges	427,783	432,058
Depreciation of property plant and equipment (Note 9)	2,458	5,900
Amortisation of intangible assets (Note 10)	27,500	-
Other expenses	197,803	206,200
	7,447,988	7,660,450

8 Taxation

(a) Income tax expense

Income tax expense comprises Macau Complementary Tax. Macau Complementary Tax is levied at progressive rates ranging from 3% to 9% on the taxable income above MOP32,000 but below MOP300,000, and thereafter at a fixed rate at 12%.

For the years 2022 and 2021, a special tax incentive is provided to the effect that the tax free income threshold is increased from MOP32,000 to MOP600,000 and the profit thereafter being taxed at a fixed rate of 12%.

In respect of 2020, the Macau SAR Government has granted a further concession in the form of MOP300,000 deductible against Complementary Tax (Law No.3/2021 Article 23.2 published on 4 May 2021) with retrospective effect from 1 January 2021. The amount has been captured in the financial statements of 2021.

At the time when the financial statements were prepared, the amounts of taxation on the Company's profits before tax differ from the theoretical amounts that would arise using the Macau Complementary Tax rate applicable to profits of the Company as follows:

	2022	*2021*
Profit before taxation	5,191,723	6,775,488
Tax calculated at 12%	623,007	813,060
Effect of progressive tax rate before 12%	(17,260)	(17,260)
Special tax incentive	(54,740)	(54,740)
Effect of expenses not deductible for tax purposes	184	216
Over-provision in prior years	(1)	(57)
Additional special complementary tax incentive	-	(300,000)
Income tax expense	551,190	441,219

(b) Tax payable

	2022	*2021*
Provision for current taxation	551,189	741,275

9 Property, plant and equipment

	Computer equipment	
	2022	*2021*
Cost		
At 1 January and 31 December	29,500	29,500
Accumulated depreciation		
At 1 January	27,042	21,142
Depreciation charge (Note 7)	2,458	5,900
At 31 December	29,500	27,042
Net book value at 31 December	-	2,458

10 Intangible assets

	Computer software	
	2022	*2021*
Cost		
At 1 January	6,000	6,000
Acquisitions	198,000	-
31 December	204,000	6,000
Accumulated amortisation:		
At 1 January	6,000	6,000
Amortisation charge (Note 7)	27,500	-
At 31 December	33,500	6,000
Net book value at 31 December	170,500	-

11 Cash and bank balances

	Cash and cash equivalents	*Time deposits with original maturity greater than three months*	*Provision for expected credit losses*	*Total*
Balance at 1 January 2021	3,116,417	54,742,860	(111,820)	57,747,457
Net change	2,301,537	10,905,349	(3,380)	13,203,506
Balance at 31 December 2021	5,417,954	65,648,209	(115,200)	70,950,963
Net change	18,371,970	327,051	22,703	18,721,724
Balance at 31 December 2022	23,789,924	65,975,260	(92,497)	89,672,687

12 Share capital

	Number of shares	*Share capital*
Ordinary shares, issued and fully paid:		
At 1 January 2021	40,000	40,000,000
Increase in share capital - settled in cash	8,000	8,000,000
Increase in share capital - converted from retained earnings	12,000	12,000,000
At 31 December 2021, 1 January 2022 and 31 December 2022	60,000	60,000,000

Through a resolution of the shareholders' general meeting on 25 March 2021, the Company has authorized 20,000 shares to be issued proportionally to existing shareholders for a total consideration of MOP20,000,000, to be settled by payment of MOP8,000,000 in cash and conversion of MOP12,000,000 retained earnings of the Company into share capital, subject to regulatory approval. Such approval was granted by the Government of the Macao Special Administrative Region effective 16 August 2021, upon which 20,000 shares were issued against settlement as stipulated by the said resolution. The shareholding structure of the Company remains unchanged before and after this increase of share capital.

In respect of share capital, the Company complied with Article 17 of the Pre-amended Macao Insurance Ordinance applying the transitional provisions for the period from 1 January 2021 to 15 August 2021. The Company complied with Article 17 of the Macao Insurance Ordinance for the period from 16 August 2021 to 31 December 2022.

13 Reserves

	Legal reserve	*Retained earnings*	*Total*
Balance at 1 January 2021	2,033,493	13,001,642	15,035,135
Transfer to legal reserve	973,534	(973,534)	-
Converted to share capital	-	(12,000,000)	(12,000,000)
Profit for the year	-	6,334,269	6,334,269
Balance at 31 December 2021	3,007,027	6,362,377	9,369,404
Transfer to legal reserve	1,266,854	(1,266,854)	-
Profit for the year	-	4,640,533	4,640,533
Balance at 31 December 2022	4,273,881	9,736,056	14,009,937

Article 5 paragraph 2 of the Legal Framework for Private Pension Funds (Decree-Law No.6/99/M) stipulates that provisions of the Macau Insurance Ordinance (Decree-Law No.27/97/M, as amended by Law No.21/2020) relating to life insurance companies shall apply to the constitution, establishment and operation of pension fund management companies. Pursuant to Article 84 of the Macau Insurance Ordinance, the Company is required to set up a legal reserve, which is non-distributable, and make transfers to the reserve based on the following percentages of any net profit computed for each financial year:

(i) 20%, until the total of such a reserve equals one half of the minimum share capital fixed under Article 17 paragraph 1 of the Macau Insurance Ordinance; and then

(ii) 10%, until the total of such a reserve equals such minimum share capital.

Following approval by shareholders of a dividend in respect of a financial year, any undistributed profits to be retained in the Company are transferred to retained earnings.

In accordance with the Macau Insurance Ordinance a minimum of MOP928,107 in respect of the profit for the year 2022, subject to approval by shareholders, shall be transferred to the legal reserve.

14 Private pension fund business

The Company provides trust services for retirement benefit plans under Decree-Law 6/99 of Macau (8 February 1999), whereby it holds and manages assets or invests funds received in various financial instruments according to the limits and rules set out by AMCM. The Company receives fee income for providing these services. Trust assets are not assets of the Company and are therefore not recognised in the balance sheet.

According to conditions set out in the respective management contracts, the Company provides a guarantee of capital to a certain fund put under its management.

	2022	*2021*
Pension fund with capital guarantee	730,337,693	697,800,354
Pension funds without guarantee	2,071,271,659	2,322,643,746
	2,801,609,352	3,020,444,100

15 Related parties

The Company is controlled by Macau Insurance Company Limited (incorporated in Macau), who owns 99.85% of the Company's shares. The directors of the Company consider Dah Sing Financial Holdings Limited (incorporated in Hong Kong) to be the ultimate holding company.

Dah Sing Financial Holdings Limited and its group companies, which include Dah Sing Banking Group Limited and its subsidiaries, are considered as related parties of the Company. Significant transactions, balances and off-balance sheet items involving related parties in the normal course of the Company's business are set out below:

(a) Transactions with related parties

	2022	*2021*
Transactions with immediate holding company		
Fee income received / receivable	51,468	51,171
Premiums paid / payable	(28,986)	(30,530)
Management fees paid / payable	(4,800,000)	(4,557,167)
Transactions with a fellow subsidiary		
Interest income received / receivable	934,914	613,732
Fee income received / receivable	259,443	246,015
Bank charges paid / payable	(326,920)	(338,499)

(b) Balances with related parties

	2022	*2021*
Amount due from a fellow subsidiary	102,256	15,183
Deposits placed with a fellow subsidiary	44,643,821	71,049,058
Amount due from immediate holding company	88	26

(c) Assets held on behalf of retirement benefit plans

Total assets held by the Company at the end of the year on behalf of retirement benefit plans of related parties in the normal course of its private pension fund business are as follows:

	2022	*2021*
Retirement benefit plan of employees of the Company	833,281	938,032
Retirement benefit plan of the immediate holding company	20,055,641	21,291,300
Retirement benefit plans of a fellow subsidiary	105,952,185	107,925,769

Subscription and management fees are charged on assets of these retirement benefit plans on an arm's length basis in the normal course of the Company's business.

(d) Key management compensation

The directors are regarded as key management of the Company. No fees or other emoluments were paid or payable to the key management of Company during the year (2021: Nil).