

AIA MACAU RETIREMENT FUND
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST DECEMBER 2021

AIA MACAU RETIREMENT FUND

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AIA MACAU RETIREMENT FUND

MANAGEMENT AND PROFESSIONAL SERVICE DETAILS

Management Company

AIA International Limited Macau Branch
1903, AIA Tower
251A-301 Avenida Comercial de Macau
Macau

Auditor

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

INDEPENDENT AUDITOR'S REPORT TO THE MANAGEMENT COMPANY OF AIA MACAU RETIREMENT FUND

We have audited the financial statements of AIA Macau Retirement Fund (the “Fund”) set out on pages 4 to 20, which comprise the statement of financial position as at 31 December 2021, and the statement of comprehensive income, statement of movements in net assets attributable to members and statement of cash flows for the year then ended, and a summary of significant accounting policies and explanatory notes.

Management Company’s responsibility for the financial statements

The Management Company is responsible for the preparation and the true and fair presentation of the financial statements in accordance with Financial Reporting Standards issued by the Government of the Macao Special Administrative Region and in compliance with the Legal Framework of Private Pension Funds under Decree-Law no. 6/99/M on February 8 as amended by Law no. 10/2001. This responsibility includes designing, implementing and maintaining appropriate internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable; and keeping proper and accurate accounting records.

Auditor’s responsibility

Our responsibility is to express an opinion on these financial statements based on the audit work we have performed and in accordance with Notice no. 011/2021-AMCM issued by the Autoridade Monetaria de Macau (“AMCM”), 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 the audit in accordance with General Auditing Standards (“GASs”) issued by the Government of the Macao Special Administrative Region. Those standards require that the auditor complies with relevant ethical requirements and plans and performs the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit includes performing appropriate audit procedures to obtain audit evidence supporting the amounts and disclosures in the financial statements. The procedures are selected according to the auditor’s professional 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 and true and fair presentation of the financial statements 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 the Management Company, 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
TO THE MANAGEMENT COMPANY OF AIA MACAU RETIREMENT FUND (CONTINUED)**

Audit opinion

In our opinion, the financial statements give a true and fair view, in all material respects, of the financial position of the Fund as at 31 December 2021 and of its operating results 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 has been properly prepared in accordance with the relevant provisions of the Legal Framework of Private Pension Funds. The accounting policies used in the preparation of the financial statements for the year ended 31 December 2021 are consistent with those used in the preceding year.

Report on Notice No. 011/2021-AMCM

In our opinion, the accounting books of the Fund record the activities of the Fund for the year ended 31 December 2021 appropriately.

The Management Company has provided us with the information and explanations required for the audit of the financial statements of the Fund.

Other Matters

The comparative financial statements prepared in accordance with MFRSs as at 31 December 2020, and for the year ended 31 December 2020 have not been audited in accordance with GASs

As set out in Note 2 to these financial statements, the financial statements of the Fund for the year ended 31 December 2020 were prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") on which we audited in accordance with Hong Kong Standards on Auditing issued by the HKICPA and issued a separate unmodified auditor's report to the Management Company of the Fund dated 29 June 2021.

A handwritten signature in blue ink, appearing to read 'PricewaterhouseCoopers', is written over a faint, larger version of the same text.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 8 July 2022

AIA MACAU RETIREMENT FUND**STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2021**

	Note	2021 MOP	2020 MOP
Assets			
Current assets			
Investments	4	7,278,977,709	6,807,107,593
Amounts receivable on subscription		24,761,104	1,878,779
Other receivables		5,469,347	6,784,559
Cash at banks		51,801	51,800
Total assets		7,309,259,961	6,815,822,731
Liabilities			
Current liabilities			
Amounts payable on redemption		2,127,558	656,686
Accruals and other payables		931,293	488,792
Liabilities (excluding net assets attributable to members and employers)		3,058,851	1,145,478
Net assets		7,306,201,110	6,814,677,253
Net assets represented by:			
Net assets attributable to members	5	7,306,201,110	6,750,787,162
Excess return reserve	6	-	63,890,091
		7,306,201,110	6,814,677,253

For and on behalf of AIA International Limited Macau Branch


Mr. Louie Ho
Chief Executive Officer, Macau Branch
Authorised signer of the Management Company

The notes on pages 8 to 20 are an integral part of these financial statements.

AIA MACAU RETIREMENT FUND**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2021**

	Note	2021 MOP	2020 MOP
Income			
Change in unrealised (losses)/gains on investments		(33,610,347)	80,359,926
Investment return		70,472,343	71,221,228
Exchange gains		961	1,930,348
Total income		36,862,957	153,511,502
Expenses			
Auditor's remuneration		236,177	258,155
Other operating expenses		1,858,411	497,802
Total expenses		2,094,588	755,957
Net income		34,768,369	152,755,545
Decrease/(Increase) in excess return reserve	6	63,890,091	(61,827,455)
Increase in net assets attributable to members from operations		98,658,460	90,928,090

The notes on pages 8 to 20 are an integral part of these financial statements.

AIA MACAU RETIREMENT FUND**STATEMENT OF MOVEMENTS IN NET ASSETS ATTRIBUTABLE TO MEMBERS
FOR THE YEAR ENDED 31ST DECEMBER 2021**

	Note	2021 MOP	2020 MOP
Balance at the beginning of the year		<u>6,750,787,162</u>	<u>5,952,008,516</u>
Proceeds on subscription	5	1,102,892,761	1,300,353,435
Payments on redemption	5	<u>(646,137,273)</u>	<u>(592,502,879)</u>
Net subscription		<u>456,755,488</u>	<u>707,850,556</u>
Increase in net assets attributable to members from operations		98,658,460	90,928,090
Balance at the end of the year		<u><u>7,306,201,110</u></u>	<u><u>6,750,787,162</u></u>

The notes on pages 8 to 20 are an integral part of these financial statements.

AIA MACAU RETIREMENT FUND

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER 2021

	2021 MOP	2020 MOP
Cash flows from operating activities		
Increase in net assets attributable to members from operations	98,658,460	90,928,090
Adjustment for:		
(Decrease)/increase in excess return reserve	(63,890,091)	61,827,455
Operating profit before working capital changes	34,768,369	152,755,545
Net increase in investments	(471,870,116)	(876,976,995)
Net decrease in amount due from a related party	-	2,573,000
Net decrease/(increase) in other receivables	1,315,211	(1,190,890)
Net increase in accruals and other payables	442,502	251,279
Net cash used in operating activities	(435,344,034)	(722,588,061)
Cash flows from financing activities		
Proceeds on subscription	1,080,010,436	1,328,536,385
Payments on redemption	(644,666,401)	(605,948,387)
Net cash generated from financing activities	435,344,035	722,587,998
Net increase/(decrease) in cash and cash equivalents	1	(63)
Cash and cash equivalents at the beginning of the year	51,800	51,863
Cash and cash equivalents at the end of the year	51,801	51,800
Analysis of balance of cash and cash equivalents		
Cash at banks	51,801	51,800

The notes on pages 8 to 20 are an integral part of these financial statements.

AIA MACAU RETIREMENT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

1 The Fund

AIA International Limited Macau Branch (the “Management Company”) established AIA Macau Retirement Fund (the “Fund”) on 15th August 2002 under the provisions of Article 14 paragraphs 1 and 3 of Decree-Law 6/99/M in accordance with the Management Regulation. The Fund has been approved by the Monetary Authority of Macau. The Fund was set up for the execution of the pension plans relating to early retirement, old age retirement, termination of employment and permanent loss of work capacity or death. The Fund is an investment choice for the participating schemes to invest. An employer can become a participant in the Fund by entering into a Participating Agreement with the Management Company whereby the employer agrees to participate in and contribute to the Fund.

2 Summary of significant 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 Fund for the year ended 31 December 2021 have been prepared in accordance with the Legal Framework of Private Pension Funds and Financial Reporting Standards (“MFRSs”) promulgated by the Macao Special Administrative Region under Administrative Regulation No. 25/2005.

The financial statements of the Fund for the year ended 31 December 2020 were prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) on which PricewaterhouseCoopers audited in accordance with Hong Kong Standards on Auditing (“HKSAs”) issued by the HKICPA and issued a separate unmodified auditor's report to the Management Company of the Fund dated 29 June 2021. The financial statements of the Fund for the year ended 31 December 2020 were prepared for the Management Company of the Fund for submission to the Monetary Authority of Macao (“AMCM”). The comparative financial statements presented in the Fund's 31 December 2021 financial statements is, in the significant majority, consistent with the Fund's 31 December 2020 audited financial statements prepared in accordance with HKFRSs submitted to AMCM. In 2021, the Management Company adopted MFRSs for the first time to prepare the annual financial statements of the Fund. The adoption of MFRSs during the year did not have a significant effect on the financial position, financial performance and disclosures in the financial statements in current year and prior years.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets held at fair value through profit or loss.

Issued and effective, but not yet adopted Financial Reporting Standards and amendments

Effective from 28 March 2020, Financial Reporting Standards issued by the Government of Macau under Administrative Regulation No. 25/2005 (“MFRSs”) were replaced by Financial Reporting Standards issued by Directive of Secretaria para a Economia e Financas No. 44/2020 on 17 March 2020 (“New MFRSs”). The new MFRS is mandatory for adoption from the annual period beginning 1 January 2022. The Fund has not early adopted the New MFRSs in preparing the financial statements. None of the standards included in the New MFRSs is expected to have a significant effect on the financial statements.

AIA MACAU RETIREMENT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

The Management Company plans to adopt the New MFRSs from the annual reporting period beginning 1 January 2022.

(b) Investments

(i) Classification

The Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. The collection of contractual cash flows is only incidental to achieving the Fund's business model's objective. Consequently, all investments are measured at fair value through profit or loss. The Fund's policy requires the Management Company to evaluate the information about these financial assets on a fair value basis together with other related financial information.

(ii) Recognition, derecognition and measurement

Regular purchases and sales of investments are recognised on the trade date – the date on which the Fund commits to purchase or sell the investment. Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed as incurred in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'Investments' category are presented in the statement of comprehensive income in the period in which they arise.

(iii) Fair value estimation

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 values of the Fund's interests in the Underlying Funds are based on the fair values of the Underlying Funds. The fair values of the Underlying Funds are based on quoted market prices at the close of trading on the reporting date.

(iv) Transfers between levels of the fair value hierarchy

Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting period.

AIA MACAU RETIREMENT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

2 Summary of significant accounting policies (continued)

(c) Income and expenses

Investment return is recognised on an accrual basis. Interest income is recognised on a time-proportion basis using the effective interest method. Other income is accounted for on an accrual basis.

Expenses are accounted for on an accrual basis.

(d) Translation of foreign currencies

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which it operates (the “functional currency”). The financial statements are presented in Macau Pataca (“MOP”), which is the functional and presentation currency of the Fund.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the year end date.

Foreign exchange gains and losses arising from translation are included in the statement of comprehensive income.

Foreign exchange gains and losses relating to cash and cash equivalents are presented in the statement of comprehensive income within “exchange gains”.

Foreign exchange gains and losses relating to financial assets carried at fair value through profit or loss are presented in the statement of comprehensive income within “exchange gains”.

(e) Net assets attributable to members

Net assets attributable to members represent a financial liability in the statement of financial position, carried at the redemption amount that would be payable at the year end date if the members exercised the right to redeem from the Fund.

AIA MACAU RETIREMENT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

2 Summary of significant accounting policies (continued)

(f) Proceeds and payments on subscription and redemption of units

The net asset value of the Fund is computed on each business day. Prices for subscriptions and redemptions on each business day are based on the closing valuation of that business day. Proceeds and payments for units subscribed for and redeemed are included in the statement of changes in equity.

(g) Cash and cash equivalents

Cash and cash equivalents comprise bank deposits with maturities at acquisition of three months or less from the date of placement. Bank overdraft, if any, are shown in current liabilities in the statement of financial position.

(h) Other receivables

Other receivables are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Fund shall measure the other receivables at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance.

(i) Interests in structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual arrangements. The underlying investment funds in which the Fund invests are determined as structured entities.

3 Financial risk management

(a) Strategy in using financial instruments

The investment objective of the Fund is to invest in a set of well-planned and balanced fixed-rate instruments and stock portfolios within an acceptable range of risks to achieve long-term and highly stable returns.

The Fund may be exposed to market price risk, interest rate risk, credit and custody risk, liquidity risk and currency risk.

The risks and the respective risk management policies employed by the Fund to manage these risks are discussed below.

AIA MACAU RETIREMENT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

3 Financial risk management (continued)

(b) Market price risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments in the market.

At 31st December 2021 and 2020, the overall market exposures of the Fund were as follows:

	2021		2020	
	Fair value MOP	% of net assets attributable to members	Fair value MOP	% of net assets attributable to members and employers
Guaranteed fund	4,273,055,606	58.49	5,446,115,329	80.67
Unit trust	3,005,922,103	41.14	1,360,992,264	20.16
Total investments	7,278,977,709	99.63	6,807,107,593	100.83

The Fund invests in a guaranteed fund and a unit trust. The return from the guaranteed fund is based on a rate declared by the trustee of the guaranteed fund. The rate is a minimum percentage per annum and is reviewed annually by the trustee of the guaranteed fund and adjusted as required based on the market performance of the guaranteed fund, which is subject to market price risk arising from uncertainties about the future prices of underlying investments of the guaranteed fund. Consequently, an increase or decrease of 1%, in absolute terms, in the declared return from the guaranteed fund would result in an increase or decrease of MOP42,730,556 (2020: MOP54,461,153) in the Fund's net assets.

The net exposure of the investment in the unit trust to market price risk is MOP3,005,922,103 (2020: MOP1,360,992,264). Consequently, an increase or decrease of 1% in market price across all instruments in the portfolio of the unit trust would result in an increase or decrease of MOP30,059,221 (2020: MOP13,609,923) in the Fund's net assets.

Except as disclosed above, refer to note 3(b) and note 4 in the financial statements of AIA Guaranteed Fund, AIA Stable Conservative Fund, AIA Corporate Bond Fund and AIA Government Bond Fund for the overall market exposures.

(c) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The majority of the Fund's financial assets and liabilities are non-interest bearing; as a result, the Fund is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash and cash equivalents are invested at short-term market interest rates. The Fund had bank balances of MOP51,801 at 31st December 2021 (2020: MOP51,800) and is therefore exposed to minimal interest rate risk on these bank balances.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2021**

3 Financial risk management (continued)
(d) Credit and custody risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due.

Certain transactions entered into by the Fund may expose it to risks associated with counterparties not able to fulfil their obligations. To mitigate this risk, the Fund only buys and sells through brokers who have been approved as an acceptable counterparty according to the Management Company's internal counterparty credit review procedures.

The Fund's financial assets which are potentially subject to concentrations of credit risk consist principally of bank deposits and assets held with the custodian.

The table below summarises the assets placed with the custodian:

	MOP	Credit rating	Source of credit rating
At 31st December 2021			
<u>Bank and custodian</u>			
Citibank N.A.	<u>7,279,029,510</u>	<u>A+</u>	<u>S&P</u>
At 31st December 2020			
Citibank N.A.	<u>6,807,159,393</u>	<u>A+</u>	<u>S&P</u>

The maximum exposure to credit risk is represented by the carrying amount of the financial assets as shown in the statement of financial position.

None of the assets is impaired nor past due but not impaired.

The Fund measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. The Management Company considers both historical analysis and forward looking information in determining any expected credit loss. At 31st December 2021 and 2020, amounts receivable from subscription and other receivables are due to be settled within 1 week. The Management Company considers the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Fund.

AIA MACAU RETIREMENT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

3 Financial risk management (continued)

(e) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in settling its liabilities, including a redemption request.

The Fund is exposed to daily cash redemptions of the member units in the Fund. The Fund invests in investment funds that are considered to be readily realisable.

The table below analyses the Fund's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	Less than 8 days MOP	8 days to 12 months MOP
At 31st December 2021		
Amounts payable on redemption	2,127,558	-
Accruals and other payables	-	931,293
Net assets attributable to members	7,306,201,110	-
	<u>7,308,328,668</u>	<u>931,293</u>
At 31st December 2020		
Amounts payable on redemption	656,686	-
Accruals and other payables	-	488,792
Net assets attributable to members	6,750,787,162	-
	<u>6,751,443,848</u>	<u>488,792</u>

Units are redeemable on demand at the option of members. However, the Management Company does not envisage that the contractual maturity disclosed in the table above will be representative of the actual cash outflows, as the members typically retain their units for the medium to long term. The Management Company has the final and conclusive right to restrict the total number of units redeemed under any participating scheme on any valuation day to 10% of the total units issued. No individual member held more than 10% of the Fund's net assets at 31st December 2021 and 2020.

The Fund manages its liquidity risk by investing predominantly in investments that it expects to be able to liquidate within 1 month or less. The following table illustrates the expected liquidity of the assets held:

	Less than 1 month MOP
At 31st December 2021	
Total assets	<u>7,309,259,961</u>
At 31st December 2020	
Total assets	<u>6,815,822,731</u>

AIA MACAU RETIREMENT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

3 Financial risk management (continued)

(f) Currency risk

The majority of assets and liabilities of the Fund are denominated in currencies other than Macau Pataca, the functional currency.

Currency risk, as defined in International Financial Reporting Standards (“IFRS”) 7, arises as the value of future transactions, recognised monetary assets and liabilities fluctuate due to changes in foreign exchange rates. IFRS 7 considers the foreign exchange exposure relating to non-monetary assets and liabilities to be a component of market price risk not currency risk and this is disclosed in note 3(b). However, management monitors the exposure on all foreign currency denominated assets and liabilities.

The table below provides analysis between monetary and non-monetary items to meet the requirements of IFRS 7:

	2021		2020	
	Monetary MOP	Non-monetary MOP	Monetary MOP	Non-monetary MOP
Hong Kong dollars	5,469,347	7,278,977,709	6,784,559	6,807,107,593

The table below summarises the impact on net assets attributable to members as a result of increases/decreases of key exchange rates on the exposures tabled above. The analysis is based on the assumption that the exchange rates had increased/decreased by 5% (2020: 5%) with all other variables held constant.

	2021		2020	
	Impact Monetary MOP	Impact Non-monetary MOP	Impact Monetary MOP	Impact Non-monetary MOP
Hong Kong dollars	273,467	363,948,885	339,228	340,355,380

(g) Fair value estimation

IFRS 13 requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

AIA MACAU RETIREMENT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

3 Financial risk management (continued)

(g) Fair value estimation (continued)

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes “observable” requires significant judgement by the Management Company. The Fund considers observable data to be such market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table analyses within the fair value hierarchy the net assets attributable to members of the Fund’s financial assets (by class) measured at fair value at 31st December 2021 and 2020:

	Level 2 MOP	Total balance MOP
At 31st December 2021		
Assets		
Investment funds	7,278,977,709	7,278,977,709
At 31st December 2020		
Assets		
Investment funds	6,807,107,593	6,807,107,593

The investment funds held by the Fund are not traded in active markets and are valued based on quoted market prices supported by observable inputs, and are therefore classified within level 2.

The other financial assets and liabilities held by the Fund are carried at amortised cost. The carrying amounts are a reasonable approximation of their fair value.

There has been no transfer between levels for the year ended 31st December 2021 and 2020.

AIA MACAU RETIREMENT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

3 Financial risk management (continued)

(h) Capital risk management

The capital of the Fund is represented by the units in the Fund, and shown as net assets attributable to members in the statement of financial position. The amount of net assets attributable to members can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of members. Subscriptions and redemptions of units during the year are shown in the statement of movements in net assets attributable to members. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide investment returns to members. In order to achieve the investment objectives, the Fund endeavours to invest its capital in accordance with the investment policies as outlined in note 3(a), whilst maintaining sufficient liquidity to meet redemption requests. Such liquidity is augmented by the holding of liquid investments. The Management Company monitors capital on the basis of the value of net assets attributable to members.

4 Investments

	2021 MOP	2020 MOP
<u>Investment funds</u>		
AIA Guaranteed Fund ¹	4,273,055,606	5,446,115,329
AIA Stable Conservative Fund ¹	-	1,360,992,264
AIA Corporate Bond Fund ¹	1,382,073,083	-
AIA Government Bond Fund ¹	1,623,849,020	-
	<u>7,278,977,709</u>	<u>6,807,107,593</u>

¹ The trustee of AIA Guaranteed Fund, AIA Stable Conservative Fund, AIA Corporate Bond Fund and AIA Government Bond Fund, AIA Company (Trustee) Limited, is an associate of the Management Company of the Fund.

The maximum exposure to loss from these investment funds is equal to their total carrying amounts which represent 99.63% (2020: 99.53%) of net assets attributable to members.

The overall market exposure for the underlying investment funds at 31st December 2021 and 2020 were as follows:

	% of investments of the underlying funds	
	2021	2020
Debt securities	100%	100%
	<u>100%</u>	<u>100%</u>

AIA MACAU RETIREMENT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

4 Investments (continued)

The following table shows the net market exposures of the Underlying Funds:

	% of investments of the Underlying Fund	
	2021	2020
Australia	6	8
Bermuda	2	2
British Virgin Islands	3	4
Canada	3	4
Cayman Islands	12	15
Chile	1	-
China	2	2
France	2	2
Germany	1	2
Hong Kong	8	4
Japan	11	6
Luxembourg	4	1
Malaysia	3	3
New Zealand	1	2
Poland	1	1
Qatar	1	-
Saudi Arabia	1	1
Singapore	3	3
South Korea	14	15
United Arab Emirates	7	7
United Kingdom	5	5
United States	5	3
Other	4	10
	<u>100</u>	<u>100</u>

AIA MACAU RETIREMENT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

5 Units in issue

	2021 Units	2020 Units
<u>Members</u>		
Number of units attributable to members in issue		
Balance at the beginning of the year	36,935,970	32,702,752
Units issued	5,960,173	6,740,598
Units redeemed	<u>(3,492,621)</u>	<u>(2,507,380)</u>
Balance at the end of the year	<u>39,403,522</u>	<u>36,935,970</u>
<u>Employers</u>		
Number of units attributable to employers in issue		
Balance at the beginning of the year	-	57,664,548
Units issued	-	76,818,018
Units redeemed	-	(137,315,277)
Reinvestment of return	<u>-</u>	<u>2,832,711</u>
Balance at the end of the year	<u>-</u>	<u>-</u>
	MOP	MOP
Net assets attributable to members per unit	<u>185.42</u>	<u>182.77</u>

Return allocated to the units attributable to members and employers may be higher or lower than the actual return earned from the underlying investments.

As at 31 December 2020, the remaining balance of net assets attributable to employers during the year were fully redeemed and removed from the Fund.

AIA MACAU RETIREMENT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

6 Transactions with related-parties

Except as disclosed in notes 4 and 5 and below, the Fund had no material related-party transactions and balances during the year.

All transactions were entered into in the ordinary course of business and on normal commercial terms.

Amounts due from a related party represent amounts due from Management Company. The amount represents the shortfall between the accumulated actual return and the accumulated return allocated to the units attributable to members.

Excess return reserve represents the excess of accumulated return allocated to the units attributable to members over the accumulated actual return. At 31st December 2021, no excess return reserve was recognised in the net assets (2020: MOP63,890,091).

If the accumulated allocated return is higher than the accumulated actual return earned from the underlying investments of the net assets attributable to members of the Fund, the Management Company has agreed to make up the shortfall by making top-up to the Fund. Such top-up would be recognised in the statement of financial position as amounts due from a related party. No top-up was recognised for the year ended 31st December 2020.

The allocated return attributable to members for the year ended 31st December 2020 is 1.4%. There was no other income for the year ended 31st December 2020 which represents the excess of allocated return over the actual return for the year. The change in the excess return reserve of MOP63,890,091 (2020: MOP61,827,455) is recognised in the statement of comprehensive income.

Effective from 4th January 2021, two new bond funds, namely AIA Corporate Bond Fund and AIA Government Bond Fund were added as the underlying funds of the Fund. The Fund's investment in AIA Stable Conservative Fund had been allocated to AIA Government Bond Fund, and AIA Stable Conservative Fund had ceased to be the Fund's underlying investment fund effective 1st April 2021.

With the above changes, the special investment yield (i.e. advanced declared crediting rate) and excess return reserves mechanism for the Fund had ceased, and the balance of such reserves was cleared on 1st January 2021. The Fund had been valued on mark-to-market basis with effect from 4th January 2021.

7 Taxation

The fund is established under Decree-Law 6/99/M and hence is exempted from Macao complementary tax.

8 Approval of financial statements

The financial statements were approved by the Management Company on 8th July 2022.

AIA MACAU CAPITAL STABLE FUND
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST DECEMBER 2021

AIA MACAU CAPITAL STABLE FUND

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Statement of changes in equity	6
Statement of cash flows	7
Notes to the financial statements	8 to 19

AIA MACAU CAPITAL STABLE FUND

MANAGEMENT AND PROFESSIONAL SERVICE DETAILS

Management Company

AIA International Limited Macau Branch
1903, AIA Tower
251A-301 Avenida Comercial de Macau
Macau

Auditor

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

INDEPENDENT AUDITOR'S REPORT TO THE MANAGEMENT COMPANY OF AIA MACAU CAPITAL STABLE FUND

We have audited the financial statements of AIA Macau Capital Stable Fund (the “Fund”) set out on pages 4 to 19, which comprise the statement of financial position as at 31 December 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and explanatory notes.

Management Company's responsibility for the financial statements

The Management Company is responsible for the preparation and the true and fair presentation of the financial statements in accordance with Financial Reporting Standards issued by the Government of the Macao Special Administrative Region and in compliance with the Legal Framework of Private Pension Funds under Decree-Law no. 6/99/M on February 8 as amended by Law no. 10/2001. This responsibility includes designing, implementing and maintaining appropriate internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable; and keeping proper and accurate accounting records.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on the audit work we have performed and in accordance with Notice no. 011/2021-AMCM issued by the Autoridade Monetária de Macau (“AMCM”), 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 the audit in accordance with General Auditing Standards (“GASs”) issued by the Government of the Macao Special Administrative Region. Those standards require that the auditor complies with relevant ethical requirements and plans and performs the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit includes performing appropriate audit procedures to obtain audit evidence supporting the amounts and disclosures in the financial statements. The procedures are selected according to the auditor's professional 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 and true and fair presentation of the financial statements 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 the Management Company, 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
TO THE MANAGEMENT COMPANY OF AIA MACAU CAPITAL STABLE FUND
(CONTINUED)**

Audit opinion

In our opinion, the financial statements give a true and fair view, in all material respects, of the financial position of the Fund as at 31 December 2021 and of its operating results 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 has been properly prepared in accordance with the relevant provisions of the Legal Framework of Private Pension Funds. The accounting policies used in the preparation of the financial statements for the year ended 31 December 2021 are consistent with those used in the preceding year.

Report on Notice No. 011/2021-AMCM

In our opinion, the accounting books of the Fund record the activities of the Fund for the year ended 31 December 2021 appropriately.

The Management Company has provided us with the information and explanations required for the audit of the financial statements of the Fund.

Other Matters

The comparative financial statements prepared in accordance with MFRSs as at 31 December 2020, and for the year ended 31 December 2020 have not been audited in accordance with GASs

As set out in Note 2 to these financial statements, the financial statements of the Fund for the year ended 31 December 2020 were prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") on which we audited in accordance with Hong Kong Standards on Auditing issued by the HKICPA and issued a separate unmodified auditor's report to the Management Company of the Fund dated 29 June 2021.

A handwritten signature in blue ink, appearing to read 'PricewaterhouseCoopers', is written over a faint, larger version of the same text.


PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 8 July 2022

AIA MACAU CAPITAL STABLE FUND**STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2021**

	Note	2021 MOP	2020 MOP
Assets			
Current assets			
Investments	4	1,437,355,327	1,307,037,923
Amounts receivable from subscription		2,805,190	318,650
Amounts receivable on sale of investments		151,373	-
Other receivables		-	746,171
Total assets		<u>1,440,311,890</u>	<u>1,308,102,744</u>
Liabilities			
Current liabilities			
Amounts payable on redemption		1,062,662	674,416
Accruals and other payables		383,641	139,776
Total liabilities		<u>1,446,303</u>	<u>814,192</u>
Equity			
Net assets attributable to members		<u>1,438,865,587</u>	<u>1,307,288,552</u>

For and on behalf of AIA International Limited Macau Branch


Mr. Louie Ho
Chief Executive Officer, Macau Branch
Authorised signer of the Management Company

The notes on pages 8 to 19 are an integral part of these financial statements.

AIA MACAU CAPITAL STABLE FUND**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2021**

	Note	2021 MOP	2020 MOP
Income			
Net gains on investments	6	6,786,335	74,502,324
Investment return		3,069,864	9,792,459
Total income		<u>9,856,199</u>	<u>84,294,783</u>
Expenses			
Auditor's remuneration		40,968	52,348
Other operating expenses		<u>427,384</u>	<u>130,475</u>
Total expenses		<u>468,352</u>	<u>182,823</u>
Total comprehensive income for the year		<u><u>9,387,847</u></u>	<u><u>84,111,960</u></u>

The notes on pages 8 to 19 are an integral part of these financial statements.

AIA MACAU CAPITAL STABLE FUND

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2021

	Note	2021 MOP	2020 MOP
Balance at the beginning of the year		<u>1,307,288,552</u>	<u>1,008,988,243</u>
Proceeds on subscription	5	298,647,885	297,576,223
Payments on redemption	5	<u>(176,458,697)</u>	<u>(83,387,874)</u>
Net subscription		<u>122,189,188</u>	<u>214,188,349</u>
Total comprehensive income for the year		<u>9,387,847</u>	<u>84,111,960</u>
Balance at the end of the year		<u><u>1,438,865,587</u></u>	<u><u>1,307,288,552</u></u>

The notes on pages 8 to 19 are an integral part of these financial statements.

AIA MACAU CAPITAL STABLE FUND

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER 2021

	2021 MOP	2020 MOP
Cash flows from operating activities		
Total comprehensive income for the year	9,387,847	84,111,960
Net increase in investments	(130,317,404)	(296,151,036)
Net increase in amount receivable on sales of investments	(151,373)	-
Net decrease in other receivables	746,171	286
Net increase in accruals and other payables	243,865	56,351
Net cash used in operating activities	<u>(120,090,894)</u>	<u>(211,982,439)</u>
Cash flows from financing activities		
Proceeds on subscription	296,161,345	299,595,939
Payments on redemption	<u>(176,070,451)</u>	<u>(87,613,500)</u>
Net cash generated from financing activities	<u>120,090,894</u>	<u>211,982,439</u>
Net change in cash and cash equivalents	-	-
Cash and cash equivalents at the beginning of the year	<u>-</u>	<u>-</u>
Cash and cash equivalents at the end of the year	<u>-</u>	<u>-</u>

The notes on pages 8 to 19 are an integral part of these financial statements.

AIA MACAU CAPITAL STABLE FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

1 The Fund

AIA International Limited Macau Branch (the “Management Company”) established AIA Macau Capital Stable Fund (the “Fund”) on 28th November 2002 under the provisions of Article 14 paragraphs 1 and 3 of Decree- Law 6/99/M in accordance with the Management Regulation. The Fund has been approved by the Monetary Authority of Macau. The Fund was set up for the execution of the pension plans relating to early retirement, old age retirement, termination of employment and permanent loss of work capacity or death. The Fund is an investment choice for the participating schemes to invest. An employer can become a participant in the Fund by entering into a Participating Agreement with the Management Company whereby the employer agrees to participate in and contribute to the Fund.

2 Summary of significant 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 Fund for the year ended 31 December 2021 have been prepared in accordance with the Legal Framework of Private Pension Funds and Financial Reporting Standards (“MFRSs”) promulgated by the Macao Special Administrative Region under Administrative Regulation No. 25/2005.

The financial statements of the Fund for the year ended 31 December 2020 were prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) on which PricewaterhouseCoopers audited in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA and issued a separate unmodified auditor's report to the Management Company of the Fund dated 29 June 2021. The financial statements of the Fund for the year ended 31 December 2020 were prepared for the Management Company of the Fund for submission to the Monetary Authority of Macao (“AMCM”). The comparative financial statements presented in the Fund's 31 December 2021 financial statements is, in the significant majority, consistent with the Fund's 31 December 2020 audited financial statements prepared in accordance with HKFRSs submitted to AMCM. In 2021, the Management Company adopted MFRSs for the first time to prepare the annual financial statements of the Fund. The adoption of MFRSs during the year did not have a significant effect on the financial position, financial performance and disclosures in the financial statements in current year and prior years.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets held at fair value through profit or loss.

Issued and effective, but not yet adopted Financial Reporting Standards and amendments

Effective from 28 March 2020, Financial Reporting Standards issued by the Government of Macau under Administrative Regulation No. 25/2005 (“MFRS”) were replaced by Financial Reporting Standards issued by Directive of Secretaria para a Economia e Financas No. 44/2020 on 17 March 2020 (“New MFRS”). The new MFRS is mandatory for adoption from the annual period beginning 1 January 2022. The Fund has not early adopted the New MFRS in preparing the financial statements. None of the standards included in the New MFRS is expected to have a significant effect on the financial statements.

The Management Company plans to adopt the New MFRSs from the annual reporting period beginning 1 January 2022.

AIA MACAU CAPITAL STABLE FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

2 Summary of significant accounting policies (continued)

(b) Investments

(i) Classification

The Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. The collection of contractual cash flows is only incidental to achieving the Fund's business model's objective. Consequently, all investments are measured at fair value through profit or loss. The Fund's policy requires the Management Company to evaluate the information about these financial assets on a fair value basis together with other related financial information.

(ii) Recognition, derecognition and measurement

Regular purchases and sales of investments are recognised on the trade date – the date on which the Fund commits to purchase or sell the investment. Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed as incurred in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'Investments' category are presented in the statement of comprehensive income in the period in which they arise.

(iii) Fair value estimation

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 values of the Fund's interests in the underlying investment funds are based on the fair values of the underlying investment funds. The fair values of the underlying investment funds are based on quoted market prices at the close of trading on the reporting date.

(iv) Transfers between levels of the fair value hierarchy

Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting period.

AIA MACAU CAPITAL STABLE FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

2 Summary of significant accounting policies (continued)

(c) Income and expenses

Declared investment return is recognised on an accrual basis. Interest income is recognised on a time-proportion basis using the effective interest method. Other income is accounted for on an accrual basis.

Expenses are accounted for on an accrual basis.

(d) Translation of foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of the Fund are measured using the currency of the primary economic environment in which it operates (the “functional currency”). The financial statements are presented in Macau Pataca (“MOP”), which is the functional and presentation currency of the Fund.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rates prevailing at the year end date.

Foreign exchange gains and losses arising from translation are included in the statement of comprehensive income.

Foreign exchange gains and losses relating to financial assets carried at fair value through profit or loss other than forward foreign exchange contracts are presented in the statement of comprehensive income within “net gains on investments”.

(e) Redeemable units

The Fund issues redeemable units, which are redeemable at the holder’s option and are classified as equity in accordance with International Accounting Standard (“IAS”) 32 (Amendment).

Should the redeemable units’ terms or conditions change such that they do not comply with the strict criteria contained in the IAS 32 (Amendment), the redeemable units would be reclassified to a financial liability from the date the instrument ceases to meet the criteria. The financial liability would be measured at the instrument’s fair value at the date of reclassification. Any difference between the carrying value of the equity instrument and fair value of the liability on the date of reclassification would be recognised in equity.

AIA MACAU CAPITAL STABLE FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

2 Summary of significant accounting policies (continued)

(f) Proceeds and payments on subscription and redemption of units

The net asset value of the Fund is computed on each business day. Prices for subscriptions and redemptions on each business day are based on the closing valuation of that business day. Proceeds and payments for units subscribed for and redeemed are included in the statement of changes in equity.

(g) Cash and cash equivalents

Cash and cash equivalents comprise bank deposits with maturities at acquisition of three months or less from the date of placement. Bank overdraft, if any, are shown in current liabilities in the statement of financial position.

(h) Other receivables

Other receivables are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Fund shall measure the other receivables at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance.

(i) Interests in structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual arrangements. The underlying investment funds in which the Fund invests are determined as structured entities.

3 Financial risk management

(a) Strategy in using financial instruments

The investment objective of the Fund is to minimise its short-term capital risk and enhance returns over the long term by investing in one or more pooled retirement funds authorised by the Securities and Futures Commission of Hong Kong that invest in a diversified portfolio of global equities and debt securities.

The Fund may be exposed to market price risk, interest rate risk, credit and custody risk, liquidity risk and currency risk.

The risks and the respective risk management policies employed by the Fund to manage these risks are discussed below.

AIA MACAU CAPITAL STABLE FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

3 Financial risk management (continued)

(b) Market price risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments in the market.

At 31st December 2021 and 2020, the overall market exposures of the Fund were as follows:

	2021		2020	
	Fair value	% of net	Fair value	% of net
	MOP	assets	MOP	assets
Guaranteed fund	-	-	612,503,833	46.85
Unit trust	968,989,979	67.34	253,886,073	19.42
Other investment funds	468,365,348	32.55	440,648,017	33.71
Total investments	1,437,355,327	99.89	1,307,037,923	99.98

The Fund invests in a guaranteed fund and other investment funds. The return from the guaranteed fund is based on a rate declared by the trustee of the guaranteed fund. The rate is a minimum percentage per annum and is reviewed annually by the trustee of the guaranteed fund and adjusted as required based on the market performance of the guaranteed fund, which is subject to market price risk arising from uncertainties about the future prices of underlying investments of the guaranteed fund. Consequently, an increase or decrease of 1%, in absolute terms, in the declared return from the guaranteed fund would result in an increase or decrease of MOP0 (2020: MOP6,125,038) in the Fund's net assets attributable to members.

The net exposure of the investment in the unit trust to market price risk is MOP968,989,979 (2020: MOP253,886,073). Consequently, an increase or decrease of 1% in market price across all instruments in the portfolio of the unit trust would result in an increase or decrease of MOP9,689,890 (2020: MOP2,538,861) in the Fund's net assets attributable to members.

Other investment funds are also subject to market price risk arising from uncertainties about their future prices. The market price risk is managed through diversification of the underlying investment portfolio of the investment funds held. Except as disclosed above, refer to note 3(b) and note 4 in the financial statements of AIA Corporate Bond Fund, AIA Growth Fund, AIA Guaranteed Fund and AIA Allianz Growth Fund for the overall market exposures.

The table below summarises the impact on the net assets attributable to members as a result of increases/decreases of the key benchmark indices to which other investment funds are exposed. The analysis is based on the assumption that the benchmark indices had increased/decreased by the respective percentage with all other variables held constant and the fair value of the Fund's investments moved according to the historical correlation with the benchmark indices.

	Change in market index	Impact on the net asset value	
	%	2021	2020
	+/-	MOP	MOP
Benchmark indices (Note 1)	5	25,345,353	23,265,803

AIA MACAU CAPITAL STABLE FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

3 Financial risk management (continued)

(b) Market price risk (continued)

As at 31st December 2021 and 2020, the benchmark indices used are same as those used for the underlying investment funds and the composition is based on the weighted investment holding of the Fund and compose of the following indices:

	2021	2020
Note 1: FTSE World Government Bond Index, 25% HK\$ hedged	2.1%	2.1%
FTSE World Government Bond Index, 35% HK\$ hedged	4.9%	4.9%
FTSE All World Asia Pacific ex Japan and Hong Kong Index (Total)	12.0%	12.0%
FTSE All World Europe Index (Total)	5.4%	5.4%
FTSE All World North America Index (Total)	5.4%	5.4%
FTSE MPF Europe (Total)	12.6%	12.6%
FTSE MPF Hong Kong Index (Total)	30.0%	30.0%
FTSE MPF Japan (Total)	8.4%	8.4%
FTSE MPF USA (Total)	12.6%	12.6%
FTSE World Japan Index (Total)	3.6%	3.6%
MPFA Prescribed Savings Rate	3.0%	3.0%

The Management Company has used its view of what would be a reasonable shift in each key market to estimate the change for use in the market sensitivity above.

Disclosures above are shown in absolute terms, change and impacts could be positive or negative. Change in benchmark indices percentage is revised annually depending on the Management Company's current view of market volatility and other relevant factors.

(c) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The majority of the Fund's financial assets and liabilities are non-interest bearing; as a result, the Fund is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash and cash equivalents are invested at short-term market interest rates. The Fund did not have any bank balances as at 31st December 2021 and 2020 and is therefore not exposed to interest rate risk on these bank balances.

(d) Credit and custody risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due.

Certain transactions entered into by the Fund may expose it to risks associated with counterparties not able to fulfill their obligations. To mitigate this risk, the Fund only buys and sells through brokers who have been approved as an acceptable counterparty according to the Management Company's internal counterparty credit review procedures.

AIA MACAU CAPITAL STABLE FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

3 Financial risk management (continued)

(d) Credit and custody risk (continued)

The Fund's financial assets which are potentially subject to concentrations of credit risk consist principally of bank deposits and assets held with the custodian.

The table below summarises the assets placed with the custodian which individually exceeds 1% of net assets:

	MOP	Credit rating	Source of credit
At 31st December 2021			
<u>Custodian</u>			
Citibank N.A.	<u>1,437,355,327</u>	<u>A+</u>	<u>S&P</u>
At 31st December 2020			
<u>Custodian</u>			
Citibank N.A.	<u>1,307,037,923</u>	<u>A+</u>	<u>S&P</u>

The maximum exposure to credit risk is represented by the carrying amount of the financial assets as shown in the statement of financial position.

None of the assets is impaired nor past due but not impaired.

The Fund measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. The Management Company considers both historical analysis and forward looking information in determining any expected credit loss. At 31st December 2021 and 2020, amounts receivable from subscription and other receivables are due to be settled within 1 week. Management Company considers the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Fund.

(e) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in settling its liabilities, including a redemption request.

The Fund is exposed to daily cash redemptions of the units in the Fund. The Fund invests in investment funds that are considered to be readily realisable.

AIA MACAU CAPITAL STABLE FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

3 Financial risk management (continued)

(e) Liquidity risk (continued)

The table below analyses the Fund's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	Less than 8 days MOP	8 days to 12 months MOP
At 31st December 2021		
Amounts payable on redemption	1,062,662	-
Accruals and other payables	-	383,641
	<u>1,062,662</u>	<u>383,641</u>
At 31st December 2020		
Amounts payable on redemption	674,416	-
Accruals and other payables	-	139,776
	<u>674,416</u>	<u>139,776</u>

Units are redeemed on demand at the members' option. However, the Management Company has the final and conclusive right to restrict the total number of units redeemed under any participating scheme on any valuation day to 10% of the total units issued. No individual member held more than 10% of the Fund's net assets at 31st December 2021 and 2020.

The Fund manages its liquidity risk by investing predominantly in investments that it expects to be able to liquidate within 1 month or less. The following table illustrates the expected liquidity of assets held:

	Less than 1 month MOP
At 31st December 2021	
Total assets	<u>1,440,311,890</u>
At 31st December 2020	
Total assets	<u>1,308,102,744</u>

AIA MACAU CAPITAL STABLE FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

3 Financial risk management (continued)

(f) Currency risk

The majority of assets and liabilities of the Fund are denominated in currencies other than Macau Pataca, the functional currency.

Currency risk, as defined in International Financial Reporting Standards (“IFRS”) 7, arises as the value of future transactions, recognised monetary assets and liabilities fluctuate due to changes in foreign exchange rates. IFRS 7 considers the foreign exchange exposure relating to non-monetary assets and liabilities to be a component of market price risk not currency risk and this is disclosed in note 3(b). However, management monitors the exposure on all foreign currency denominated assets and liabilities.

The table below provides analysis between monetary and non-monetary items to meet the requirements of IFRS 7:

	2021		2020	
	Monetary MOP	Non-monetary MOP	Monetary MOP	Non-monetary MOP
Hong Kong dollars	-	1,109,008,679	746,171	997,918,383
United States dollars	-	328,346,649	-	309,119,540

The table below summarises the impact on net assets attributable to members as a result of increases/decreases of key exchange rates on the exposures tabled above. The analysis is based on the assumption that the exchange rates had increased/decreased by 5% (2020: 5%) with all other variables held constant.

	2021		2020	
	Impact Monetary MOP	Impact Non-monetary MOP	Impact Monetary MOP	Impact Non-monetary MOP
Hong Kong dollars	-	55,450,434	37,309	49,895,919
United States dollars	-	16,417,332	-	15,455,977

(g) Fair value estimation

IFRS 13 requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

AIA MACAU CAPITAL STABLE FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

3 Financial risk management (continued)

(g) Fair value estimation (continued)

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes “observable” requires significant judgement by the Management Company. The Fund considers observable data to be such market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table analyses within the fair value hierarchy the Fund’s financial assets (by class) measured at fair value at 31st December 2021 and 2020:

	Level 2 MOP	Total Balance MOP
At 31st December 2021		
Assets		
Investment funds	1,437,355,327	1,437,355,327
At 31st December 2020		
Assets		
Investment funds	1,307,037,923	1,307,037,923

The investment funds held by the Fund are not traded in active markets and are valued based on quoted market prices supported by observable inputs, and are therefore classified within level 2.

The other financial assets and liabilities held by the Fund are carried at amortised cost. The carrying amounts are a reasonable approximation of their fair value.

There has been no transfer between levels for the year ended 31st December 2021 and 2020.

(h) Capital risk management

The capital of the Fund is represented by the units in the Fund, and shown as net assets attributable to members in the statement of financial position. The amount of net assets attributable to members can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of members. Subscriptions and redemptions of units during the year are shown in the statement of changes in equity. The Fund’s objective when managing capital is to safeguard the Fund’s ability to continue as a going concern in order to provide investment returns to members. In order to achieve the investment objectives, the Fund endeavors to invest its capital in accordance with the investment policies as outlined in note 3(a), whilst maintaining sufficient liquidity to meet redemption requests. Such liquidity is augmented by the holding of liquid investments. The Management Company monitors capital on the basis of the value of net assets attributable to members.

AIA MACAU CAPITAL STABLE FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

4 Investments

	2021	2020
<u>Investment funds</u>	<u>MOP</u>	<u>MOP</u>
AIA Corporate Bond Fund ¹	968,989,979	253,886,073
AIA Growth Fund ¹	328,346,649	309,119,540
AIA Guaranteed Fund ¹	-	612,503,833
AIA Allianz Growth Fund ¹	140,018,699	131,528,477
	<u>1,437,355,327</u>	<u>1,307,037,923</u>

¹ The trustee of AIA Corporate Bond Fund, AIA Growth Fund, AIA Guaranteed Fund and AIA Allianz Growth Fund, AIA Company (Trustee) Limited, is an associate of the Management Company of the Fund.

The maximum exposure to loss from these investment funds is equal to their total carrying amounts which represents 99.90% (2020: 99.98%) of net assets attributable to members.

The overall market exposure for the underlying funds as at 31st December 2021 and 2020 were as follows:

	<u>% of investments of the underlying Fund</u>	
	<u>2021</u>	<u>2020</u>
Debt securities	67	66
Investment funds - investing mainly in equities with balance in bonds and cash	33	34
	<u>100</u>	<u>100</u>

	<u>% of investments of the underlying Fund</u>	
	<u>2021</u>	<u>2020</u>
Europe	10	7
Hong Kong	36	76
Japan	6	4
North America	12	6
Other Asia	35	5
Global	1	2
	<u>100</u>	<u>100</u>

AIA MACAU CAPITAL STABLE FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

5 Units in issue

	2021 Units	2020 Units
Balance at the beginning of the year	6,154,552	5,083,320
Units issued	1,380,134	1,490,998
Units redeemed	<u>(814,784)</u>	<u>(419,766)</u>
Balance at the end of the year	<u>6,719,902</u>	<u>6,154,552</u>
	MOP	MOP
Net assets attributable to members per unit	<u>214.12</u>	<u>212.41</u>

6 Net gains on investments

	2021 MOP	2020 MOP
Change in unrealised gains on investments	24,306,674	80,895,052
Realised losses on sales of investments	<u>(17,520,339)</u>	<u>(6,392,728)</u>
Net gains on investments	<u>6,786,335</u>	<u>74,502,324</u>

7 Transactions with related-parties

Except as disclosed in note 4, the Fund had no material related-party transactions and balances during the year.

All transactions were entered into in the ordinary course of business and on normal commercial terms.

8 Taxation

The Fund is established under Decree-Law 6/99/M and hence is exempted from Macao complementary tax.

9 Approval of financial statements

The financial statements were approved by the Management Company on 8th July 2022.

AIA MACAU BALANCED FUND
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST DECEMBER 2021

AIA MACAU BALANCED FUND

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Statement of cash flows	7
Notes to the financial statements	8 to 19

AIA MACAU BALANCED FUND

MANAGEMENT AND PROFESSIONAL SERVICE DETAILS

Management Company

AIA International Limited Macau Branch
1903, AIA Tower
251A-301 Avenida Comercial de Macau
Macau

Auditor

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

AIA MACAU BALANCED FUND

INDEPENDENT AUDITOR'S REPORT TO THE MANAGEMENT COMPANY OF AIA MACAU BALANCED FUND

We have audited the financial statements of AIA Macau Balanced Fund (the “Fund”) set out on pages 4 to 19, which comprise the statement of financial position as at 31 December 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and explanatory notes.

Management Company's responsibility for the financial statements

The Management Company is responsible for the preparation and the true and fair presentation of the financial statements in accordance with Financial Reporting Standards issued by the Government of the Macao Special Administrative Region and in compliance with the Legal Framework of Private Pension Funds under Decree-Law no. 6/99/M on February 8 as amended by Law no. 10/2001. This responsibility includes designing, implementing and maintaining appropriate internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable; and keeping proper and accurate accounting records.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on the audit work we have performed and in accordance with Notice no. 011/2021-AMCM issued by the Autoridade Monetária de Macau (“AMCM”), 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 the audit in accordance with General Auditing Standards (“GASs”) issued by the Government of the Macao Special Administrative Region. Those standards require that the auditor complies with relevant ethical requirements and plans and performs the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit includes performing appropriate audit procedures to obtain audit evidence supporting the amounts and disclosures in the financial statements. The procedures are selected according to the auditor's professional 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 and true and fair presentation of the financial statements 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 the Management Company, 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.

AIA MACAU BALANCED FUND

INDEPENDENT AUDITOR'S REPORT TO THE MANAGEMENT COMPANY OF AIA MACAU BALANCED FUND (CONTINUED)

Audit opinion

In our opinion, the financial statements give a true and fair view, in all material respects, of the financial position of the Fund as at 31 December 2021 and of its operating results 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 has been properly prepared in accordance with the relevant provisions of the Legal Framework of Private Pension Funds. The accounting policies used in the preparation of the financial statements for the year ended 31 December 2021 are consistent with those used in the preceding year.

Report on Notice No. 011/2021-AMCM

In our opinion, the accounting books of the Fund record the activities of the Fund for the year ended 31 December 2021 appropriately.

The Management Company has provided us with the information and explanations required for the audit of the financial statements of the Fund.

Other Matters

The comparative financial statements prepared in accordance with MFRSs as at 31 December 2020, and for the year ended 31 December 2020 have not been audited in accordance with GASs

As set out in Note 2 to these financial statements, the financial statements of the Fund for the year ended 31 December 2020 were prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") on which we audited in accordance with Hong Kong Standards on Auditing issued by the HKICPA and issued a separate unmodified auditor's report to the Management Company of the Fund dated 29 June 2021.

A handwritten signature in blue ink, appearing to read "PricewaterhouseCoopers", is written over the printed name of the firm.


PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 8 July 2022

AIA MACAU BALANCED FUND**STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2021**

	Note	2021 MOP	2020 MOP
Assets			
Current assets			
Investments	4	2,372,164,252	2,046,851,305
Amounts receivable on subscription		4,986,510	1,182,700
Amounts receivable on sale of investments		195,400	-
Other receivables		-	768,952
Total assets		<u>2,377,346,162</u>	<u>2,048,802,957</u>
Liabilities			
Current liabilities			
Amounts payable on redemption		1,503,552	223,109
Accruals and other payables		472,796	200,693
Total liabilities		<u>1,976,348</u>	<u>423,802</u>
Equity			
Net assets attributable to members		<u>2,375,369,814</u>	<u>2,048,379,155</u>

For and on behalf of AIA International Limited Macau Branch


Mr. Louie Ho
Chief Executive Officer, Macau Branch
Authorised signer of the Management Company

The notes on pages 8 to 19 are an integral part of these financial statements.

AIA MACAU BALANCED FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER 2021

	Note	2021 MOP	2020 MOP
Income			
Net gains on investments	6	30,759,245	183,416,699
Investment return		<u>3,362,047</u>	<u>10,055,376</u>
Total income		<u>34,121,292</u>	<u>193,472,075</u>
Expenses			
Auditor's remuneration		62,400	28,591
Other operating expenses		<u>559,709</u>	<u>155,081</u>
Total expenses		<u>622,109</u>	<u>183,672</u>
Total comprehensive income for the year		<u>33,499,183</u>	<u>193,288,403</u>

The notes on pages 8 to 19 are an integral part of these financial statements.

AIA MACAU BALANCED FUND**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2021**

	Note	2021 MOP	2020 MOP
Balance at the beginning of the year		<u>2,048,379,155</u>	<u>1,570,281,683</u>
Proceeds on subscription	5	470,846,426	389,859,375
Payments on redemption	5	(177,354,950)	(105,050,306)
Net subscription		<u>293,491,476</u>	<u>284,809,069</u>
Total comprehensive income for the year		<u>33,499,183</u>	<u>193,288,403</u>
Balance at the end of the year		<u>2,375,369,814</u>	<u>2,048,379,155</u>

The notes on pages 8 to 19 are an integral part of these financial statements.

AIA MACAU BALANCED FUND

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER 2021

	2021 MOP	2020 MOP
Cash flows from operating activities		
Total comprehensive income for the year	33,499,183	193,288,403
Net increase in investments	(325,312,948)	(477,501,624)
Net increase in amounts receivable on sale of investments	(195,400)	-
Net decrease/(increase) in other receivables	768,953	(2,822)
Net increase in accruals and other payables	272,103	89,304
Net cash used in operating activities	<u>(290,968,109)</u>	<u>(284,126,739)</u>
Cash flows from financing activities		
Proceeds on subscription	467,042,616	394,536,366
Payments on redemption	(176,074,507)	(110,409,627)
Net cash generated from financing activities	<u>290,968,109</u>	<u>284,126,739</u>
Net change in cash and cash equivalents	-	-
Cash and cash equivalents at the beginning of the year	-	-
Cash and cash equivalents at the end of the year	<u>-</u>	<u>-</u>
Analysis of balance of cash and cash equivalents		
Cash at banks	<u>-</u>	<u>-</u>

The notes on pages 8 to 19 are an integral part of these financial statements.

AIA MACAU BALANCED FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

1 The Fund

AIA International Limited Macau Branch (the "Management Company") established AIA Macau Balanced Fund (the "Fund") on 28th November 2002 under the provisions of Article 14 paragraphs 1 and 3 of Decree-Law 6/99/M in accordance with the Management Regulation. The Fund has been approved by the Monetary Authority of Macau. The Fund was set up for the execution of the pension plans relating to early retirement, old age retirement, termination of employment and permanent loss of work capacity or death. The Fund is an investment choice for the participating schemes to invest. An employer can become a participant in the Fund by entering into a Participating Agreement with the Management Company whereby the employer agrees to participate in and contribute to the Fund.

2 Summary of significant 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 Fund for the year ended 31 December 2021 have been prepared in accordance with the Legal Framework of Private Pension Funds and Financial Reporting Standards ("MFRSs") promulgated by the Macao Special Administrative Region under Administrative Regulation No. 25/2005.

The financial statements of the Fund for the year ended 31 December 2020 were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") on which PricewaterhouseCoopers audited in accordance with Hong Kong Standards on Auditing ("HKSAAs") issued by the HKICPA and issued a separate unmodified auditor's report to the Management Company of the Fund dated 29 June 2021. The financial statements of the Fund for the year ended 31 December 2020 were prepared for the Management Company of the Fund for submission to the Monetary Authority of Macao ("AMCM"). The comparative financial statements presented in the Fund's 31 December 2021 financial statements is, in the significant majority, consistent with the Fund's 31 December 2020 audited financial statements prepared in accordance with HKFRSs submitted to AMCM. In 2021, the Management Company adopted MFRSs for the first time to prepare the annual financial statements of the Fund. The adoption of MFRSs during the year did not have a significant effect on the financial position, financial performance and disclosures in the financial statements in current year and prior years.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets held at fair value through profit or loss.

Issued and effective, but not yet adopted Financial Reporting Standards and amendments

Effective from 28 March 2020, Financial Reporting Standards issued by the Government of Macau under Administrative Regulation No. 25/2005 ("MFRS") were replaced by Financial Reporting Standards issued by Directive of Secretaria para a Economia e Financas No. 44/2020 on 17 March 2020 ("New MFRS"). The new MFRS is mandatory for adoption from the annual period beginning 1 January 2022. The Fund has not early adopted the New MFRS in preparing the financial statements. None of the standards included in the New MFRS is expected to have a significant effect on the financial statements.

The Management Company plans to adopt the New MFRSs from the annual reporting period beginning 1 January 2022.

AIA MACAU BALANCED FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

2 Summary of significant accounting policies (continued)

(b) Investments

(i) Classification

The Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. The collection of contractual cash flows is only incidental to achieving the Fund's business model's objective. Consequently, all investments are measured at fair value through profit or loss. The Fund's policy requires the Management Company to evaluate the information about these financial assets on a fair value basis together with other related financial information.

(ii) Recognition, derecognition and measurement

Regular purchases and sales of investments are recognised on the trade date – the date on which the Fund commits to purchase or sell the investment. Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed as incurred in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'Investments' category are presented in the statement of comprehensive income in the period in which they arise.

(iii) Fair value estimation

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 values of the Fund's interests in the underlying investment funds are based on the fair values of the underlying investment funds. The fair values of the underlying investment funds are based on quoted market prices at the close of trading on the reporting date.

(iv) Transfers between levels of the fair value hierarchy

Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting period.

AIA MACAU BALANCED FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

2 Summary of significant accounting policies (continued)

(c) Income and expenses

Investment return is recognised on an accrual basis. Interest income is recognised on a time-proportion basis using the effective interest method. Other income is accounted for on an accrual basis.

Expenses are accounted for on an accrual basis.

(d) Translation of foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of the Fund are measured using the currency of the primary economic environment in which it operates (the “functional currency”). The financial statements are presented in Macau Pataca (“MOP”), which is the functional and presentation currency of the Fund.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rates prevailing at the year end date.

Foreign exchange gains and losses arising from translation are included in the statement of comprehensive income.

Foreign exchange gains and losses relating to financial assets carried at fair value through profit or loss are presented in the statement of comprehensive income within “net gains on investments”.

(e) Redeemable units

The Fund issues redeemable units, which are redeemable at the holder’s option and are classified as equity in accordance with the International Accounting Standard (“IAS”) 32 (Amendment).

Should the redeemable units’ terms or conditions change such that they do not comply with the strict criteria contained in the IAS 32 (Amendment), the redeemable units would be reclassified to a financial liability from the date the instrument ceases to meet the criteria. The financial liability would be measured at the instrument’s fair value at the date of reclassification. Any difference between the carrying value of the equity instrument and fair value of the liability on the date of reclassification would be recognised in equity.

AIA MACAU BALANCED FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

2 Summary of significant accounting policies (continued)

(f) Proceeds and payments on subscription and redemption of units

The net asset value of the Fund is computed on each business day. Prices for subscription and redemptions on each business day are based on the closing valuation of that business day. Proceeds and payments for units subscribed for and redeemed are included in the statement of changes in equity.

(g) Cash and cash equivalents

Cash and cash equivalents comprise bank deposits with maturities at acquisition of three months or less from the date of placement. Bank overdraft, if any, are shown in current liabilities in the statement of financial position.

(h) Other receivables

Other receivables are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Fund shall measure the other receivables at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance.

(i) Interests in structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual arrangements. The underlying investment funds in which the Fund invests are determined as structured entities.

3 Financial risk management

(a) Strategy in using financial instruments

The investment objective of the Fund is to maximise its long-term capital appreciation by investing in one or more pooled retirement funds authorised by the Securities and Futures Commission of Hong Kong that invest in a diversified portfolio of global equities and debt securities.

The Fund may be exposed to market price risk, interest rate risk, credit and custody risk, liquidity risk and currency risk.

The risks and the respective risk management policies employed by the Fund to manage these risks are discussed below.

AIA MACAU BALANCED FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

3 Financial risk management (continued)

(b) Market price risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments in the market.

At 31st December 2021 and 2020, the overall market exposures of the Fund were as follows:

	2021		2020	
	Fair value MOP	% of net assets	Fair value MOP	% of net assets
Guaranteed fund	-	-	633,162,961	30.9
Unit trust	1,078,418,143	45.40	271,725,117	13
Other investment funds	1,293,746,109	54.47	1,141,963,227	55.74
Total investments	2,372,164,252	99.87	2,046,851,305	99.90

The Fund invests in a guaranteed fund and other investment funds. The return from the guaranteed fund is based on a rate declared by the trustee of the guaranteed fund. The rate is a minimum percentage per annum and is reviewed annually by the trustee of the guaranteed fund and adjusted as required based on the market performance of the guaranteed fund, which is subject to market price risk arising from uncertainties about the future prices of underlying investments of the guaranteed fund. Consequently, an increase or decrease of 1%, in absolute terms, in the declared return from the guaranteed fund would result in an increase or decrease of MOP0 (2020: MOP6,331,630) in the Fund's net assets attributable to members.

The net exposure of the investment in the unit trust to market price risk is MOP1,078,418,143 (2020: MOP271,725,117). Consequently, an increase or decrease of 1% in market price across all instruments in the portfolio of the unit trust would result in an increase or decrease of MOP10,784,181 (2020: MOP2,717,251) in the Fund's net assets attributable to members.

Other investment funds are also subject to market price risk arising from uncertainties about their future prices. The market price risk is managed through diversification of the underlying investment portfolio of the investment funds held. Except as disclosed above, refer to note 3(b) and note 4 in the financial statements of AIA Corporate Bond Fund, AIA Growth Fund, AIA Guaranteed Fund and AIA Allianz Growth Fund for the overall market exposures.

The table below summarises the impact on net assets attributable to members as a result of increases/decreases of the key benchmark indices to which other investment funds are exposed. The analysis is based on the assumption that the benchmark indices had increased/decreased by the respective percentage with all other variables held constant and the fair value of the Fund's investments moved according to the historical correlation with the benchmark indices.

	Change in market index	Impact on the net asset value	
	% +/-	2021 MOP	2020 MOP
Benchmark indices (Note 1)	5	70,013,374	60,294,610

AIA MACAU BALANCED FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

3 Financial risk management (continued)

(b) Market price risk (continued)

At 31st December 2021 and 2020, the benchmark indices used are the same as those used for the underlying investment funds and the composition is based on the weighted investment holding of the Fund and compose of the following indices:

	2021	2020
Note 1: FTSE World Government Bond Index, 25% HK\$ hedged	2.1%	2.1%
FTSE World Government Bond Index, 35% HK\$ hedged	4.9%	4.9%
FTSE All World Asia Pacific ex Japan and Hong Kong Index (Total)	12.0%	12.0%
FTSE All World Europe Index (Total)	5.4%	5.4%
FTSE All World North America Index (Total)	5.4%	5.4%
FTSE MPF Europe (Total)	12.6%	12.6%
FTSE MPF Hong Kong Index (Total)	30.0%	30.0%
FTSE MPF Japan (Total)	8.4%	8.4%
FTSE MPF USA (Total)	12.6%	12.6%
FTSE World Japan Index (Total)	3.6%	3.6%
MPFA Prescribed Savings Rate	3.0%	3.0%

The Management Company has used its view of what would be a reasonable shift in each key market to estimate the change for use in the market sensitivity above.

Disclosures above are shown in absolute terms, changes and impacts could be positive or negative. Change in benchmark indices percentage are revised annually depending on the Management Company's current view of market volatility and other relevant factors.

(c) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The majority of the Fund's financial assets and liabilities are non-interest bearing; as a result, the Fund is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash and cash equivalents are invested at short-term market interest rates. The Fund did not have any bank balances at 31st December 2021 and 2020 and is therefore not exposed to interest rate risk on bank balance.

(d) Credit and custody risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due.

Certain transactions entered into by the Fund may expose it to risks associated with counterparties not able to fulfill their obligations. To mitigate this risk, the Fund only buys and sells through brokers who have been approved as an acceptable counterparty according to the Management Company's internal counterparty credit review procedures.

AIA MACAU BALANCED FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

3 Financial risk management (continued)

(d) Credit and custody risk (continued)

The Fund's financial assets which are potentially subject to concentrations of credit risk consist principally of bank deposits and assets held with the custodian.

The table below summarises the assets placed with the custodian which individually exceeds 1% of net assets:

	MOP	Credit rating	Source of credit rating
At 31st December 2021			
<u>Custodian</u>			
Citibank N.A.	2,372,164,252	A+	S&P
At 31st December 2020			
<u>Custodian</u>			
Citibank N.A.	2,046,851,305	A+	S&P

The maximum exposure to credit risk is represented by the carrying amount of the financial assets as shown in the statement of financial position.

None of the assets is impaired nor past due but not impaired.

The Fund measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. The Management Company considers both historical analysis and forward looking information in determining any expected credit loss. At 31st December 2021 and 2020, amounts receivable on subscription and other receivables are due to be settled within 1 week. The Management Company considers the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Fund.

(e) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in settling its liabilities, including a redemption request.

The Fund is exposed to daily cash redemptions of the units in the Fund. The Fund invests in investment funds that are considered to be readily realisable.

AIA MACAU BALANCED FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

3 Financial risk management (continued)

(e) Liquidity risk (continued)

The table below analyses the Fund's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	Less than 8 days MOP	8 days to 12 months MOP
At 31st December 2021		
Amounts payable on redemption	1,503,552	-
Accruals and other payables	-	472,796
	<u>1,503,552</u>	<u>472,796</u>
At 31st December 2020		
Amounts payable on redemption	223,109	-
Accruals and other payables	-	200,693
	<u>223,109</u>	<u>200,693</u>

Units are redeemable on demand at the members' option. However, the Management Company has the final and conclusive right to restrict the total number of units redeemed under any participating scheme on any valuation day to 10% of the total units issued. No individual member held more than 10% of the Fund's net assets at 31st December 2021 and 2020.

The Fund manages its liquidity risk by investing predominantly in investments that it expects to be able to liquidate within 1 month or less. The following table illustrates the expected liquidity of assets held:

	Less than 1 month MOP
At 31st December 2021	
Total assets	<u>2,377,346,162</u>
At 31st December 2020	
Total assets	<u>2,048,802,957</u>

(f) Currency risk

The majority of assets and liabilities of the Fund are denominated in currencies other than Macau Pataca, the functional currency.

Currency risk, as defined in International Financial Reporting Standards ("IFRS") 7, arises as the value of future transactions, recognised monetary assets and liabilities fluctuate due to changes in foreign exchange rates. IFRS 7 considers the foreign exchange exposure relating to non-monetary assets and liabilities to be a component of market price risk not currency risk and this is in note 3(b). However, management monitors the exposure on all foreign currency denominated assets and liabilities.

AIA MACAU BALANCED FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

3 Financial risk management (continued)

(f) Currency risk (continued)

The table below provides analysis between monetary and non-monetary items to meet the requirements of IFRS 7:

	2021		2020	
	Monetary MOP	Non-monetary MOP	Monetary MOP	Non-monetary MOP
Hong Kong dollars	-	1,465,384,551	768,953	1,245,752,986
United States dollars	-	906,779,701	-	801,098,318

The table below summarises the impact on net assets attributable to members as a result of increases/decreases of key exchange rates on the exposures tabled above. The analysis is based on the assumption that the exchange rates had increased/decreased by 5% (2020: 5%) with all other variables held constant.

	2021		2020	
	Impact Monetary MOP	Impact Non-monetary MOP	Impact Monetary MOP	Impact Non-monetary MOP
Hong Kong dollars		73,269,228	38,448	62,287,649
United States dollars		45,338,985	-	40,054,916

(g) Fair value estimation

IFRS 13 requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

AIA MACAU BALANCED FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

3 Financial risk management (continued)

(g) Fair value estimation (continued)

The determination of what constitutes “observable” requires significant judgement by the Management Company. The Fund considers observable data to be such market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table analyses within the fair value hierarchy the Fund’s financial assets (by class) measured at fair value at 31st December 2021 and 2020:

	Level 2 MOP	Total balance MOP
At 31st December 2021		
Assets		
Investment funds	2,372,164,252	2,372,164,252
At 31st December 2020		
Assets		
Investment funds	2,046,851,305	2,046,851,305

The investment funds held by the Fund are not traded in active markets and are valued based on quoted market prices supported by observable inputs, and are therefore classified within level 2.

The other financial assets and liabilities held by the Fund are carried at amortised cost. The carrying amounts are a reasonable approximation of their fair value.

There has been no transfer between levels for the year ended 31st December 2021 and 2020.

(h) Capital risk management

The capital of the Fund is represented by the units in the Fund, and shown as net assets attributable to members in the statement of financial position. The amount of net assets attributable to members can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of members. Subscriptions and redemptions of units during the year are shown in the statement of changes in equity. The Fund’s objective when managing capital is to safeguard the Fund’s ability to continue as a going concern in order to provide investment returns to members. In order to achieve the investment objectives, the Fund endeavours to invest its capital in accordance with the investment policies as outlined in note 3(a), whilst maintaining sufficient liquidity to meet redemption requests. Such liquidity is augmented by the holding of liquid investments. The Management Company monitors capital on the basis of the value of net assets attributable to members.

AIA MACAU BALANCED FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

4 Investments

	2021	2020
<u>Investment funds</u>	<u>MOP</u>	<u>MOP</u>
AIA Corporate Bond Fund ¹	1,078,418,143	271,725,117
AIA Growth Fund ¹	906,779,701	801,098,319
AIA Guaranteed Fund ¹	-	633,162,961
AIA Allianz Growth Fund ¹	386,966,408	340,864,908
	<u>2,372,164,252</u>	<u>2,046,851,305</u>

¹The trustee of AIA Corporate Bond Fund, AIA Growth Fund, AIA Guaranteed Fund and AIA Allianz Growth Fund, AIA Company (Trustee) Limited, is an associate of the Management Company of the Fund.

The maximum exposure to loss from these investment funds is equal to their total carrying amounts which represent 99.87% (2020: 99.90%) of net assets attributable to members.

The overall market exposure for the underlying investment funds at 31st December 2021 and 2020 were as follows:

	% of investments of the underlying funds	
	2021	2020
Debt securities	45	44
Investment funds - investing mainly in equities with balance in bonds and cash	55	56
	<u>100</u>	<u>100</u>

	% of investments of the underlying Fund	
	2021	2020
Europe	14	11
Hong Kong	33	60
Japan	9	7
United States	16	10
Other Asia	27	10
Global	1	2
	<u>100</u>	<u>100</u>

AIA MACAU BALANCED FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

5 Units in issue

	2021 Units	2020 Units
Balance at the beginning of the year	7,690,554	6,517,584
Units issued	1,715,897	1,609,877
Units redeemed	(645,452)	(436,907)
Balance at the end of the year	8,760,999	7,690,554
	MOP	MOP
Net assets attributable to members per unit	271.13	266.35

6 Net gains on investments

	2021 MOP	2020 MOP
Unrealised (losses)/gains on investments	(5,730,286)	159,701,546
Realised gains on sales of investments	36,489,531	23,715,153
Net gains on investments	30,759,245	183,416,699

7 Transactions with related-parties

Except as disclosed in note 4, the Fund had no material related-party transactions and balances during the year.

All transactions were entered into in the ordinary course of business and on normal commercial terms.

8 Taxation

The Fund is established under Decree-Law 6/99/M and hence is exempted from Macao complementary tax.

9 Approval of financial statements

The financial statements were approved by the Management Company on 8th July 2022.

AIA MACAU GROWTH FUND
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST DECEMBER 2021

AIA MACAU GROWTH FUND

CONTENTS	Pages
Management and professional service details	1
Independent auditor's report	2 to 3
Statement of financial position	4
Statement of comprehensive income	5
Statement of changes in equity	6
Statement of cash flows	7
Notes to the financial statements	8 to 20

AIA MACAU GROWTH FUND

MANAGEMENT AND PROFESSIONAL SERVICE DETAILS

Management Company

AIA International Limited Macau Branch
1903, AIA Tower
251A-301 Avenida Comercial de Macau
Macau

Auditor

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

AIA MACAU GROWTH FUND

INDEPENDENT AUDITOR'S REPORT TO THE MANAGEMENT COMPANY OF AIA MACAU GROWTH FUND

We have audited the financial statements of AIA Macau Growth Fund (the “Fund”) set out on pages 4 to 20, which comprise the statement of financial position as at 31 December 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and explanatory notes.

Management Company's responsibility for the financial statements

The Management Company is responsible for the preparation and the true and fair presentation of the financial statements in accordance with Financial Reporting Standards issued by the Government of the Macao Special Administrative Region and in compliance with the Legal Framework of Private Pension Funds under Decree-Law no. 6/99/M on February 8 as amended by Law no. 10/2001. This responsibility includes designing, implementing and maintaining appropriate internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable; and keeping proper and accurate accounting records.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on the audit work we have performed and in accordance with Notice no. 011/2021-AMCM issued by the Autoridade Monetária de Macau (“AMCM”), 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 the audit in accordance with General Auditing Standards (“GASs”) issued by the Government of the Macao Special Administrative Region. Those standards require that the auditor complies with relevant ethical requirements and plans and performs the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit includes performing appropriate audit procedures to obtain audit evidence supporting the amounts and disclosures in the financial statements. The procedures are selected according to the auditor's professional 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 and true and fair presentation of the financial statements 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 the Management Company, 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.

AIA MACAU GROWTH FUND

INDEPENDENT AUDITOR'S REPORT TO THE MANAGEMENT COMPANY OF AIA MACAU GROWTH FUND (CONTINUED)

Audit opinion

In our opinion, the financial statements give a true and fair view, in all material respects, of the financial position of the Fund as at 31 December 2021 and of its operating results 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 has been properly prepared in accordance with the relevant provisions of the Legal Framework of Private Pension Funds. The accounting policies used in the preparation of the financial statements for the year ended 31 December 2021 are consistent with those used in the preceding year.

Report on Notice No. 011/2021-AMCM

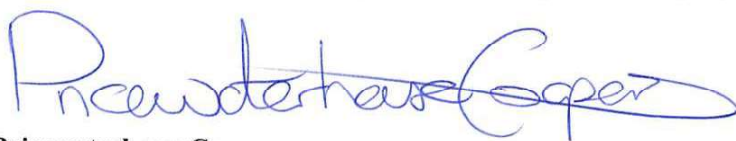
In our opinion, the accounting books of the Fund record the activities of the Fund for the year ended 31 December 2021 appropriately.

The Management Company has provided us with the information and explanations required for the audit of the financial statements of the Fund.

Other Matters

The comparative financial statements prepared in accordance with MFRSs as at 31 December 2020, and for the year ended 31 December 2020 have not been audited in accordance with GASS

As set out in Note 2 to these financial statements, the financial statements of the Fund for the year ended 31 December 2020 were prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") on which we audited in accordance with Hong Kong Standards on Auditing issued by the HKICPA and issued a separate unmodified auditor's report to the Management Company of the Fund dated 29 June 2021.

A handwritten signature in blue ink, appearing to read 'PricewaterhouseCoopers', is written over a horizontal line.

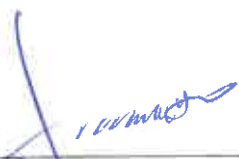
PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 8 July 2022

AIA MACAU GROWTH FUND**STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2021**

	Note	2021 MOP	2020 MOP
Assets			
Current assets			
Investments	4	3,489,785,379	2,944,685,459
Amounts receivable on subscription		1,523,609	730,292
Amounts receivable on sale of investments		248,423	-
Other receivables		-	730,971
Total assets		<u>3,491,557,411</u>	<u>2,946,146,722</u>
Liabilities			
Current liabilities			
Amounts payable on redemption		2,174,289	319,347
Accruals and other payables		678,183	259,078
Total liabilities		<u>2,852,472</u>	<u>578,425</u>
Equity			
Net assets attributable to members		<u>3,488,704,939</u>	<u>2,945,568,297</u>

For and on behalf of AIA International Limited Macau Branch


Mr. Louie Ho
Chief Executive Officer, Macau Branch
Authorised signer of the Management Company

The notes on pages 8 to 20 are an integral part of these financial statements.

AIA MACAU GROWTH FUND**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2021**

		2021	2020
	Note	MOP	MOP
Income			
Net gains on investments	6	63,101,440	324,564,163
Investment return		3,252,146	9,534,903
Total income		<u>66,353,586</u>	<u>334,099,066</u>
Expenses			
Auditor's remuneration		88,662	40,692
Other operating expenses		<u>833,373</u>	<u>285,006</u>
Total expenses		<u>922,035</u>	<u>325,698</u>
Total comprehensive income for the year		<u>65,431,551</u>	<u>333,773,368</u>

The notes on pages 8 to 20 are an integral part of these financial statements.

AIA MACAU GROWTH FUND

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2021

	Note	2021 MOP	2020 MOP
Balance at the beginning of the year		<u>2,945,568,297</u>	<u>2,284,153,565</u>
Proceeds on subscription	5	696,275,685	495,477,426
Payments on redemption	5	(218,570,594)	(167,836,062)
Net subscription		<u>477,705,091</u>	<u>327,641,364</u>
Total comprehensive income for the year		<u>65,431,551</u>	<u>333,773,368</u>
Balance at the end of the year		<u>3,488,704,939</u>	<u>2,945,568,297</u>

The notes on pages 8 to 20 are an integral part of these financial statements.

AIA MACAU GROWTH FUND**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER 2021**

	2021 MOP	2020 MOP
Cash flows from operating activities		
Total comprehensive income for the year	65,431,551	333,773,368
Net increase in investments	(545,099,921)	(657,466,035)
Net increase in amount receivable on sales of investments	(248,423)	-
Net decrease in other receivables	730,971	11,207
Net increase in accruals and other payables	419,105	138,092
	<u> </u>	<u> </u>
Net cash used in operating activities	<u>..(478,766,717)</u>	<u>..(323,543,368)</u>
Cash flows from financing activities		
Proceeds on subscription	695,482,368	498,552,547
Payments on redemption	<u>(216,715,651)</u>	<u>(175,009,179)</u>
Net cash generated from financing activities	<u>478,766,717</u>	<u>323,543,368</u>
Net change in cash and cash equivalents	-	-
Cash and cash equivalents at the beginning of the year	<u>-</u>	<u>-</u>
Cash and cash equivalents at the end of the year	<u>-</u>	<u>-</u>
Analysis of balance of cash and cash equivalents		
Cash at banks	<u>-</u>	<u>-</u>

The notes on pages 8 to 20 are an integral part of these financial statements.

AIA MACAU GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

1 The Fund

AIA International Limited Macau Branch (the “Management Company”) established AIA Macau Growth Fund (the “Fund”) on 28th November 2002 under the provisions of Article 14 paragraphs 1 and 3 of Decree- Law 6/99/M in accordance with the Management Regulation. The Fund has been approved by the Monetary Authority of Macau. The Fund was set up for the execution of the pension plans relating to early retirement, old age retirement, termination of employment and permanent loss of work capacity or death. The Fund is an investment choice for the participating schemes to invest. An employer can become a participant in the Fund by entering into a Participating Agreement with the Management Company whereby the employer agrees to participate in and contribute to the Fund.

2 Summary of significant 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 Fund for the year ended 31 December 2021 have been prepared in accordance with the Legal Framework of Private Pension Funds and Financial Reporting Standards (“MFRSs”) promulgated by the Macao Special Administrative Region under Administrative Regulation No. 25/2005.

The financial statements of the Fund for the year ended 31 December 2020 were prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) on which PricewaterhouseCoopers audited in accordance with Hong Kong Standards on Auditing (“HKSAAs”) issued by the HKICPA and issued a separate unmodified auditor's report to the Management Company of the Fund dated 29 June 2021. The financial statements of the Fund for the year ended 31 December 2020 were prepared for the Management Company of the Fund for submission to the Monetary Authority of Macao (“AMCM”). The comparative financial statements presented in the Fund's 31 December 2021 financial statements is, in the significant majority, consistent with the Fund's 31 December 2020 audited financial statements prepared in accordance with HKFRSs submitted to AMCM. In 2021, the Management Company adopted MFRSs for the first time to prepare the annual financial statements of the Fund. The adoption of MFRSs during the year did not have a significant effect on the financial position, financial performance and disclosures in the financial statements in current year and prior years.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets held at fair value through profit or loss.

Issued and effective, but not yet adopted Financial Reporting Standards and amendments

Effective from 28 March 2020, Financial Reporting Standards issued by the Government of Macau under Administrative Regulation No. 25/2005 (“MFRS”) were replaced by Financial Reporting Standards issued by Directive of Secretaria para a Economia e Financas No. 44/2020 on 17 March 2020 (“New MFRS”). The new MFRS is mandatory for adoption from the annual period beginning 1 January 2022. The Fund has not early adopted the New MFRS in preparing the financial statements. None of the standards included in the New MFRS is expected to have a significant effect on the financial statements.

The Management Company plans to adopt the New MFRSs from the annual reporting period beginning 1 January 2022.

AIA MACAU GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

2 Summary of significant accounting policies (continued)

(b) Investments

(i) Classification

The Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. The collection of contractual cash flows is only incidental to achieving the Fund's business model's objective. Consequently, all investments are measured at fair value through profit or loss. The Fund's policy requires the Management Company to evaluate the information about these financial assets on a fair value basis together with other related financial information.

(ii) Recognition, derecognition and measurement

Regular purchases and sales of investments are recognised on the trade date – the date on which the Fund commits to purchase or sell the investment. Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed as incurred in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'Investments' category are presented in the statement of comprehensive income in the period in which they arise.

(iii) Fair value estimation

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 values of the Fund's interests in the underlying investment funds are based on the fair values of the underlying investment funds. The fair values of the underlying investment funds are based on quoted market prices at the close of trading on the reporting date.

(iv) Transfers between levels of the fair value hierarchy

Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting period.

AIA MACAU GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

2 Summary of significant accounting policies (continued)

(c) Income and expenses

Declared investment return is recognised on an accrual basis. Interest income is recognised on a time-proportion basis using the effective interest method. Other income is accounted for on an accrual basis.

Expenses are accounted for on an accrual basis.

(d) Translation of foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of the Fund are measured using the currency of the primary economic environment in which it operates (the “functional currency”). The financial statements are presented in Macau Pataca (“MOP”), which is the functional and presentation currency of the Fund.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rates prevailing at the year end date.

Foreign exchange gains and losses arising from translation are included in the statement of comprehensive income.

Foreign exchange gains and losses relating to financial assets carried at fair value through profit or loss are presented in the statement of comprehensive income within “net gains on investments”.

(e) Redeemable units

The Fund issues redeemable units, which are redeemable at the holder’s option and are classified as equity in accordance with the International Accounting Standard (“IAS”) 32 (Amendment).

Should the redeemable units’ terms or conditions change such that they do not comply with the strict criteria contained in the IAS 32 (Amendment), the redeemable units would be reclassified to a financial liability from the date the instrument ceases to meet the criteria. The financial liability would be measured at the instrument’s fair value at the date of reclassification. Any difference between the carrying value of the equity instrument and fair value of the liability on the date of reclassification would be recognised in equity.

AIA MACAU GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

2 Summary of significant accounting policies (continued)

(f) Proceeds and payments on subscription and redemption of units

The net asset value of the Fund is computed on each business day. Prices for subscriptions and redemptions on each business day are based on the closing valuation of that business day. Proceeds and payments for units subscribed for and redeemed are included in the statement of changes in equity.

(g) Cash and cash equivalents

Cash and cash equivalents comprise bank deposits with maturities at acquisition of three months or less from the date of placement. Bank overdraft, if any, are shown in current liabilities in the statement of financial position.

(h) Other receivables

Other receivables are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Fund shall measure the other receivables at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance.

(i) Interests in structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual arrangements. The underlying investment funds in which the Fund invests are determined as structured entities.

3 Financial risk management

(a) Strategy in using financial instruments

The investment objective of the Fund is to maximise its long-term capital appreciation by investing in one or more pooled retirement funds authorised by the Securities and Futures Commission of Hong Kong that invest in a diversified portfolio of global equities and debt securities.

The Fund may be exposed to market price risk, interest rate risk, credit and custody risk, liquidity risk and currency risk.

The risks and the respective risk management policies employed by the Fund to manage these risks are discussed below.

AIA MACAU GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

3 Financial risk management (continued)

(b) Market price risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments in the market.

At 31st December 2021 and 2020, the overall market exposures of the Fund were as follows:

	2021		2020	
	Fair value MOP	% of net assets	Fair value MOP	% of net assets
Guaranteed fund	-	-	603,088,377	20.47
Unit trust	1,060,955,141	30.41	260,632,691	8.85
Other investment funds	2,428,830,238	69.62	2,080,964,391	70.65
Total investments	3,489,785,379	100.03	2,944,685,459	99.97

The Fund invests in a guaranteed fund and other investment funds. The return from the guaranteed fund is based on a rate declared by the trustee of the guaranteed fund. The rate is a minimum percentage per annum and is reviewed annually by the trustee of the guaranteed fund and adjusted as required based on the market performance of the guaranteed fund, which is subject to market price risk arising from uncertainties about the future prices of underlying investments of the guaranteed fund. Consequently, an increase or decrease of 1%, in absolute terms, in the declared return from the guaranteed fund would result in an increase or decrease of MOP0 (2020: MOP6,030,884) in the Fund's net assets attributable to members.

The net exposure of the investment in the unit trust to market price risk is MOP1,060,955,141 (2020: MOP260,632,691). Consequently, an increase or decrease of 1% in market price across all instruments in the portfolio of the unit trust would result in an increase or decrease of MOP10,609,551 (2020: MOP2,606,327) in the Fund's net assets attributable to members.

Other investment funds are also subject to market price risk arising from uncertainties about their future prices. The market price risk is managed through diversification of the underlying investment portfolio of the investment funds held. Except as disclosed above, refer to note 3(b) and note 4 in the financial statements of AIA Corporate Bond Fund, AIA Growth Fund, AIA Guaranteed Fund and AIA Allianz Growth Fund for the overall market exposures.

The table below summarises the impact on the net assets attributable to members as a result of increases/decreases of the key benchmark indices to which other investment funds are exposed. The analysis is based on the assumption that the benchmark indices had increased/decreased by the respective percentage with all other variables held constant and the fair value of the Fund's investments moved according to the historical correlation with the benchmark indices.

AIA MACAU GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

3 Financial risk management (continued)

(b) Market price risk (continued)

	Change in market index	Impact on the net asset value	
		2021	2020
	%	MOP	MOP
	+/-		
Benchmark indices (Note 1)	5	131,440,456	109,872,987

As at 31st December 2021 and 2020, the benchmark indices used are same as those used for the underlying investment funds and the composition is based on the weighted investment holding of the Fund and compose of the following indices:

		2021	2020
Note 1:	FTSE World Government Bond Index, 25% HK\$ hedged	2.1%	2.1%
	FTSE World Government Bond Index, 35% HK\$ hedged	4.9%	4.9%
	FTSE All World Asia Pacific ex Japan and Hong Kong Index (Total)	12.0%	12.0%
	FTSE All World Europe Index (Total)	5.4%	5.4%
	FTSE All World North America Index (Total)	5.4%	5.4%
	FTSE MPF Europe (Total)	12.6%	12.6%
	FTSE MPF Hong Kong Index (Total)	30.0%	30.0%
	FTSE MPF Japan (Total)	8.4%	8.4%
	FTSE MPF USA (Total)	12.6%	12.6%
	FTSE World Japan Index (Total)	3.6%	3.6%
	MPFA Prescribed Savings Rate	3.0%	3.0%

The Management Company has used its view of what would be a reasonable shift in each key market to estimate the change for use in the market sensitivity above.

Disclosures above are shown in absolute terms, change and impacts could be positive or negative. Change in benchmark indices percentage is revised annually depending on the Management Company's current view of market volatility and other relevant factors.

AIA MACAU GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

3 Financial risk management (continued)

(c) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The majority of the Fund's financial assets and liabilities are non-interest bearing; as a result, the Fund is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash and cash equivalents are invested at short-term market interest rates. The Fund had zero bank balances as at 31st December 2021 and 2020 and is therefore not exposed to interest rate risk on these bank balances.

(d) Credit and custody risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due.

Certain transactions entered into by the Fund may expose it to risks associated with counterparties not able to fulfill their obligations. To mitigate this risk, the Fund only buys and sells through brokers who have been approved as an acceptable counterparty according to the Management Company's internal counterparty credit review procedures.

The Fund's financial assets which are potentially subject to concentrations of credit risk consist principally of bank deposits and assets held with the custodian.

The table below summarises the assets placed with the custodian which individually exceeds 1% of net assets:

	MOP	Credit rating	Source of credit
At 31st December 2021			
<u>Custodian</u>			
Citibank N.A.	<u>3,489,785,379</u>	<u>A+</u>	<u>S&P</u>
At 31st December 2020			
<u>Custodian</u>			
Citibank N.A.	<u>2,944,685,459</u>	<u>A+</u>	<u>S&P</u>

The maximum exposure to credit risk is represented by the carrying amount of the financial assets as shown in the statement of financial position.

None of the assets is impaired nor past due but not impaired.

The Fund measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. The Management Company considers both historical analysis and forward looking information in determining any expected credit loss. At 31st December 2021 and 2020, amounts receivable on subscription and other receivables are due to be settled within 1 week. The Management Company considers the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Fund.

AIA MACAU GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

3 Financial risk management (continued)

(e) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in settling its liabilities, including a redemption request.

The Fund is exposed to daily cash redemptions of the units in the Fund. The Fund invests in investment funds that are considered to be readily realisable.

The table below analyses the Fund's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	Less than 8 days MOP	8 days to 12 months MOP
At 31st December 2021		
Amounts payable on redemption	2,174,289	-
Accruals and other payables	-	678,183
	<u>2,174,289.00</u>	<u>678,183.00</u>
At 31st December 2020		
Amounts payable on redemption	319,347	-
Accruals and other payables	-	259,078
	<u>319,347</u>	<u>259,078</u>

Units are redeemed on demand at the members' option. However, the Management Company has the final and conclusive right to restrict the total number of units redeemed under any participating scheme on any valuation day to 10% of the total units issued. No individual member held more than 10% of the Fund's net assets at 31st December 2021 and 2020.

The Fund manages its liquidity risk by investing predominantly in investments that it expects to be able to liquidate within 1 month or less. The following table illustrates the expected liquidity of assets held:

	Less than 1 month MOP
At 31st December 2021	
Total assets	<u>3,491,557,411</u>
At 31st December 2020	
Total assets	<u>2,946,146,722</u>

AIA MACAU GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

3 Financial risk management (continued)

(f) Currency risk

The majority of assets and liabilities of the Fund are denominated in currencies other than Macau Pataca, the functional currency.

Currency risk, as defined in International Financial Reporting Standards (“IFRS”) 7, arises as the value of future transactions, recognised monetary assets and liabilities fluctuate due to changes in foreign exchange rates. IFRS 7 considers the foreign exchange exposure relating to non-monetary assets and liabilities to be a component of market price risk not currency risk and this is in note 3(b). However, management monitors the exposure on all foreign currency denominated assets and liabilities.

The table below provides analysis between monetary and non-monetary items to meet the requirements of IFRS 7:

	2021		2020	
	Monetary MOP	Non-monetary MOP	Monetary MOP	Non-monetary MOP
Hong Kong dollars	-	1,787,430,230	730,971	1,484,866,692
United States dollars	-	1,702,355,149	-	1,459,818,767

The table below summarises the impact on net assets attributable to members as a result of increases/decreases of key exchange rates on the exposures tabled above. The analysis is based on the assumption that the exchange rates had increased/decreased by 5% (2020: 5%) with all other variables held constant.

	2021		2020	
	Impact Monetary MOP	Impact Non-monetary MOP	Impact Monetary MOP	Impact Non-monetary MOP
Hong Kong dollars	-	89,371,512	36,549	74,243,335
United States dollars	-	85,117,757	-	72,990,938

(g) Fair value estimation

IFRS 13 requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

AIA MACAU GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

3 Financial risk management (continued)

(g) Fair value estimation (continued)

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes “observable” requires significant judgement by the Management Company. The Fund considers observable data to be such market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table analyses within the fair value hierarchy the Fund’s financial assets (by class) measured at fair value at 31st December 2021 and 2020:

	Level 2 MOP	Total Balance MOP
At 31st December 2021		
Assets		
Investment funds	3,489,785,379	3,489,785,379
At 31st December 2020		
Assets		
Investment funds	2,944,685,459	2,944,685,459

The investment funds held by the Fund are not traded in active markets and are valued based on quoted market prices supported by observable inputs, and are therefore classified within level 2.

The other financial assets and liabilities held by the Fund are carried at amortised cost. The carrying amounts are a reasonable approximation of their fair value.

There has been no transfer between levels for the year ended 31st December 2021 and 2020.

AIA MACAU GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

3 Financial risk management (continued)

(h) Capital risk management

The capital of the Fund is represented by the units in the Fund, and shown as net assets attributable to members in the statement of financial position. The amount of net assets attributable to members can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of members. Subscriptions and redemptions of units during the year are shown in the statement of changes in equity. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide investment returns to members. In order to achieve the investment objectives, the Fund endeavors to invest its capital in accordance with the investment policies as outlined in note 3(a), whilst maintaining sufficient liquidity to meet redemption requests. Such liquidity is augmented by the holding of liquid investments. The Management Company monitors capital on the basis of the value of net assets attributable to members.

4 Investments

	2021 MOP	2020 MOP
<u>Investment funds</u>		
AIA Growth Fund ¹	1,702,355,149	1,459,818,767
AIA Allianz Growth Fund ¹	726,475,089	621,145,624
AIA Guaranteed Fund ¹	-	603,088,377
AIA Corporate Bond Fund ¹	1,060,955,141	260,632,691
	<u>3,489,785,379</u>	<u>2,944,685,459</u>

¹ The trustee of AIA Corporate Bond Fund, AIA Growth Fund, AIA Guaranteed Fund and AIA Allianz Growth Fund, AIA Company (Trustee) Limited, is an associate of the Management Company of the Fund.

The maximum exposure to loss from these investment funds is equal to their total carrying amounts which represents 100.03% (2020: 99.97%) of net assets attributable to members.

AIA MACAU GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

4 Investments (continued)

The overall market exposure for the underlying funds as at 31st December 2021 and 2020 were as follows:

	% of investments of the underlying Fund	
	2021	2020
Debt securities	30	29
Investment funds - investing mainly in equities with balance in bonds and cash	70	71
	<u>100.00</u>	<u>100</u>

	% of investments of the underlying Fund	
	2021	2020
Europe	16	13
Hong Kong	33	50
Japan	10	9
North America	19	13
Other Asia	21	13
Global	1	2
	<u>100</u>	<u>100</u>

5 Units in issue

	2021	2020
	Units	Units
Balance at the beginning of the year	8,636,764	7,553,668
Units issued	1,965,398	1,643,277
Units redeemed	<u>(617,603)</u>	<u>(560,181)</u>
Balance at the end of the year	<u>9,984,559</u>	<u>8,636,764</u>
	MOP	MOP
Net assets attributable to members per unit	<u>349.41</u>	<u>341.05</u>

AIA MACAU GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

6 Net gains on investments

	2021 MOP	2020 MOP
Change in unrealised gains on investments	12,459,325	287,581,943
Realised gains on sales of investments	50,642,115	36,982,220
Net gains on investments	63,101,440	324,564,163

7 Transactions with related-parties

Except as disclosed in note 4, the Fund had no material related-party transactions and balances during the year.

All transactions were entered into in the ordinary course of business and on normal commercial terms.

8 Taxation

The Fund is established under Decree-Law 6/99/M and hence is exempted from Macao complementary tax.

9 Approval of financial statements

The financial statements were approved by the Management Company on 8th July 2022.

AIA MACAU MANAGER'S CHOICE FUND
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST DECEMBER 2021

AIA MACAU MANAGER'S CHOICE FUND

CONTENTS	Pages
Management and professional service details	1
Independent auditor's report	2 to 3
Statement of financial position	4
Statement of comprehensive income	5
Statement of changes in equity	6
Statement of cash flows	7
Notes to the financial statements	8 to 19

AIA MACAU MANAGER'S CHOICE FUND

MANAGEMENT AND PROFESSIONAL SERVICE DETAILS

Management Company

AIA International Limited Macau Branch
1903, AIA Tower
251A-301 Avenida Comercial de Macau
Macau

Auditor

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

INDEPENDENT AUDITOR'S REPORT TO THE MANAGEMENT COMPANY OF AIA MACAU MANAGER'S CHOICE FUND

We have audited the financial statements of AIA Macau Manager's Choice Fund (the "Fund") set out on pages 4 to 19, which comprise the statement of financial position as at 31 December 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and explanatory notes.

Management Company's responsibility for the financial statements

The Management Company is responsible for the preparation and the true and fair presentation of the financial statements in accordance with Financial Reporting Standards issued by the Government of the Macao Special Administrative Region and in compliance with the Legal Framework of Private Pension Funds under Decree-Law no. 6/99/M on February 8 as amended by Law no. 10/2001. This responsibility includes designing, implementing and maintaining appropriate internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable; and keeping proper and accurate accounting records.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on the audit work we have performed and in accordance with Notice no. 011/2021-AMCM issued by the Autoridade Monetaria de Macau ("AMCM"), 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 the audit in accordance with General Auditing Standards ("GASs") issued by the Government of the Macao Special Administrative Region. Those standards require that the auditor complies with relevant ethical requirements and plans and performs the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit includes performing appropriate audit procedures to obtain audit evidence supporting the amounts and disclosures in the financial statements. The procedures are selected according to the auditor's professional 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 and true and fair presentation of the financial statements 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 the Management Company, 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
TO THE MANAGEMENT COMPANY OF AIA MACAU MANAGER'S CHOICE FUND
(CONTINUED)**

Audit opinion

In our opinion, the financial statements give a true and fair view, in all material respects, of the financial position of the Fund as at 31 December 2021 and of its operating results 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 has been properly prepared in accordance with the relevant provisions of the Legal Framework of Private Pension Funds. The accounting policies used in the preparation of the financial statements for the year ended 31 December 2021 are consistent with those used in the preceding year.

Report on Notice No. 011/2021-AMCM

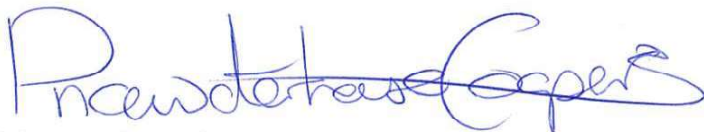
In our opinion, the accounting books of the Fund record the activities of the Fund for the year ended 31 December 2021 appropriately.

The Management Company has provided us with the information and explanations required for the audit of the financial statements of the Fund.

Other Matters

The comparative financial statements prepared in accordance with MFRSs as at 31 December 2020, and for the year ended 31 December 2020 have not been audited in accordance with GASs

As set out in Note 2 to these financial statements, the financial statements of the Fund for the year ended 31 December 2020 were prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") on which we audited in accordance with Hong Kong Standards on Auditing issued by the HKICPA and issued a separate unmodified auditor's report to the Management Company of the Fund dated 29 June 2021.

A handwritten signature in blue ink, appearing to read "PricewaterhouseCoopers", is written over a faint, larger version of the same text.

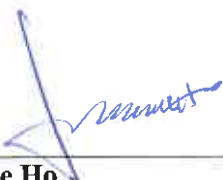
PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 8 July 2022

AIA MACAU MANAGER'S CHOICE FUND**STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2021**

	Note	2021 MOP	2020 MOP
Assets			
Current assets			
Investments	4	513,909,150	395,047,105
Amounts receivable on subscription		298,344	321,103
Other receivables		189,511	152,824
		<u>514,397,005</u>	<u>395,521,032</u>
Total assets		<u>514,397,005</u>	<u>395,521,032</u>
Liabilities			
Current liabilities			
Amounts payable on redemption		130,376	129,657
Accruals and other payables		108,810	89,576
		<u>239,186</u>	<u>219,233</u>
Total liabilities		<u>239,186</u>	<u>219,233</u>
Equity			
Net assets attributable to members		<u>514,157,819</u>	<u>395,301,799</u>

For and on behalf of AIA International Limited Macau Branch


Mr. Louie Ho
Chief Executive Officer, Macau Branch
Authorised signer of the Management Company

The notes on pages 8 to 19 are an integral part of these financial statements.

AIA MACAU MANAGER'S CHOICE FUND**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2021**

	Note	2021 MOP	2020 MOP
Income			
Net gains on investments	6	7,779,321	29,015,789
Investment return		<u>2,076,532</u>	<u>1,271,130</u>
Total income		<u>9,855,853</u>	<u>30,286,919</u>
Expenses			
Auditor's remuneration		10,906	65,590
Other operating expenses		<u>85,189</u>	<u>5,872</u>
Total expenses		<u>96,095</u>	<u>71,462</u>
Total comprehensive income for the year		<u>9,759,758</u>	<u>30,215,457</u>

The notes on pages 8 to 19 are an integral part of these financial statements.

AIA MACAU MANAGER'S CHOICE FUND**STATEMENT OF CHANGES IN EQUITY
FOR YEAR ENDED 31ST DECEMBER 2021**

	Note	2021 MOP	2020 MOP
Balance at the beginning of the year		<u>395,301,799</u>	<u>261,211,224</u>
Proceeds on subscription	5	152,739,835	131,031,468
Payments on redemption	5	(43,643,573)	(27,156,350)
Net subscription		<u>109,096,262</u>	<u>103,875,118</u>
Total comprehensive income for the year		<u>9,759,758</u>	<u>30,215,457</u>
Balance at the end of the year		<u><u>514,157,819</u></u>	<u><u>395,301,799</u></u>

The notes on pages 8 to 19 are an integral part of these financial statements.

AIA MACAU MANAGER'S CHOICE FUND

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER 2021

	2021 MOP	2020 MOP
Cash flows from operating activities		
Total comprehensive income for the year	9,759,758	30,215,457
Net increase in investments	(118,862,045)	(134,336,469)
Net (increase)/decrease in other receivables	(36,687)	28,381
Net increase in accruals and other payables	19,234	67,148
Net cash used in operating activities	<u>(109,119,740)</u>	<u>(104,025,483)</u>
Cash flows from financing activities		
Proceeds on subscription	152,762,594	131,278,225
Payments on redemption	(43,642,854)	(27,252,742)
Net cash generated from financing activities	<u>109,119,740</u>	<u>104,025,483</u>
Net change in cash and cash equivalents	-	-
Cash and cash equivalents at the beginning of the year	-	-
Cash and cash equivalents at the end of the year	<u>-</u>	<u>-</u>
Analysis of balance of cash and cash equivalents		
Cash at banks	<u>-</u>	<u>-</u>

The notes on pages 8 to 19 are an integral part of these financial statements.

AIA MACAU MANAGER'S CHOICE FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

1 The Fund

AIA International Limited Macau Branch (the "Management Company") established AIA Macau Manager's Choice Fund (the "Fund") on 9th January 2014 under the provisions of Article 14 paragraphs 1 and 3 of Decree-Law 6/99/M in accordance with the Management Regulation. The Fund has been approved by the Monetary Authority of Macau. The Fund was set up for the execution of the pension plans relating to early retirement, old age retirement, termination of employment and permanent loss of work capacity or death. The Fund is an investment choice for the participating schemes to invest. An employer can become a participant in the Fund by entering into a Participating Agreement with the Management Company whereby the employer agrees to participate in and contribute to the Fund.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the 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 Fund for the year ended 31 December 2021 have been prepared in accordance with the Legal Framework of Private Pension Funds and Financial Reporting Standards ("MFRSs") promulgated by the Macao Special Administrative Region under Administrative Regulation No. 25/2005.

The financial statements of the Fund for the year ended 31 December 2020 were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") on which PricewaterhouseCoopers audited in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA and issued a separate unmodified auditor's report to the Management Company of the Fund dated 29 June 2021. The financial statements of the Fund for the year ended 31 December 2020 were prepared for the Management Company of the Fund for submission to the Monetary Authority of Macao ("AMCM"). The comparative financial statements presented in the Fund's 31 December 2021 financial statements is, in the significant majority, consistent with the Fund's 31 December 2020 audited financial statements prepared in accordance with HKFRSs submitted to AMCM. In 2021, the Management Company adopted MFRSs for the first time to prepare the annual financial statements of the Fund. The adoption of MFRSs during the year did not have a significant effect on the financial position, financial performance and disclosures in the financial statements in current year and prior years.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets held at fair value through profit or loss.

Issued and effective, but not yet adopted Financial Reporting Standards and amendments

Effective from 28 March 2020, Financial Reporting Standards issued by the Government of Macau under Administrative Regulation No. 25/2005 ("MFRS") were replaced by Financial Reporting Standards issued by Directive of Secretaria para a Economia e Financas No. 44/2020 on 17 March 2020 ("New MFRS"). The new MFRS is mandatory for adoption from the annual period beginning 1 January 2022. The Fund has not early adopted the New MFRS in preparing the financial statements. None of the standards included in the New MFRS is expected to have a significant effect on the financial statements.

AIA MACAU MANAGER'S CHOICE FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

The Management Company plans to adopt the New MFRSs from the annual reporting period beginning 1 January 2022.

(b) Investments

(i) Classification

The Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. The collection of contractual cash flows is only incidental to achieving the Fund's business model's objective. Consequently, all investments are measured at fair value through profit or loss. The Fund's policy requires the Management Company to evaluate the information about these financial assets on a fair value basis together with other related financial information.

(ii) Recognition, derecognition and measurement

Regular purchases and sales of investments are recognised on the trade date – the date on which the Fund commits to purchase or sell the investment. Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed as incurred in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'Investments' category are presented in the statement of comprehensive income in the period in which they arise.

(iii) Fair value estimation

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 values of the Fund's interests in the underlying investment funds are based on the fair values of the underlying investment funds. The fair values of the underlying investment funds are based on quoted market prices at the close of trading on the reporting date.

(iv) Transfers between levels of the fair value hierarchy

Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting period.

AIA MACAU MANAGER'S CHOICE FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

2 Summary of significant accounting policies (continued)

(c) Income and expenses

Investment return is recognised on an accrual basis. Interest income is recognised on a time-proportion basis using the effective interest method. Other income is accounted for on an accrual basis.

Expenses are accounted for on an accrual basis.

(d) Translation of foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rates prevailing at the year end date.

Foreign exchange gains and losses arising from translation are included in the statement of comprehensive income.

Foreign exchange gains and losses relating to financial assets carried at fair value through profit or loss are presented in the statement of comprehensive income within "net gains on investments".

(e) Redeemable units

The Fund issues redeemable units, which are redeemable at the holder's option and are classified as equity in accordance with International Accounting Standard ("IAS") 32 (Amendment).

Should the redeemable units' terms or conditions change such that they do not comply with the strict criteria contained in IAS 32 (Amendment), the redeemable units would be reclassified to a financial liability from the date the instrument ceases to meet the criteria. The financial liability would be measured at the instrument's fair value at the date of reclassification. Any difference between the carrying amount of the equity instrument and fair value of the liability on the date of reclassification would be recognised in equity.

(f) Proceeds and payments on subscription and redemption of units

The net asset value of the Fund is computed on each business day. Prices for subscriptions and redemptions on each business day are based on the closing valuation of that business day. Proceeds and payments for units subscribed for and redeemed are included in the statement of changes in equity.

AIA MACAU MANAGER'S CHOICE FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

2 Summary of significant accounting policies (continued)

(g) Cash and cash equivalents

Cash and cash equivalents comprise bank deposits with maturities at acquisition of three months or less from the date of placement. Bank overdrafts, if any, are shown in current liabilities in the statement of financial position.

(h) Other receivables

Other receivables are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Fund shall measure the other receivables at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance.

(i) Interests in structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual arrangements. The underlying investment funds in which the Fund invests are determined as structured entities.

3 Financial risk management

(a) Strategy in using financial instruments

The investment objective of the Fund is to maximise its long-term capital appreciation through investing in one or more pooled retirement funds authorised by the Securities and Futures Commission of Hong Kong that invest in a diversified portfolio of global equities and debt securities.

The Fund may be exposed to market price risk, interest rate risk, credit and custody risk, liquidity risk and currency risk.

The risks and the respective risk management policies employed by the Fund to manage these risks are discussed below.

AIA MACAU MANAGER'S CHOICE FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

3 Financial risk management (continued)

(b) Market price risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments in the market.

At 31st December 2021 and 2020, the overall market exposures of the Fund were as follows:

	2021		2020	
	Fair value	% of net	Fair value	% of net
	MOP	assets	MOP	assets
Guaranteed fund	153,584,962	29.87	116,088,407	29.37
Other investment fund	360,324,188	70.08	278,958,698	70.57
Total investments	513,909,150	99.95	395,047,105	99.94

The Fund invests in a guaranteed fund and another investment fund. The return from the guaranteed fund is based on a rate declared by the trustee of the guaranteed fund. The rate is a minimum percentage per annum and is reviewed annually by the trustee of the guaranteed fund and adjusted as required based on the market performance of the guaranteed fund, which is subject to market price risk arising from uncertainties about the future prices of underlying investments of the guaranteed fund. Consequently, an increase or decrease of 1%, in absolute terms, in the declared return from the guaranteed fund would result in an increase or decrease of MOP1,535,850 (2020: MOP1,160,884) in the Fund's net assets attributable to members.

Other investment funds are also subject to market price risk arising from uncertainties about its future prices. The market price risk is managed through diversification of the underlying investment portfolio of the investment fund held. Except as disclosed above, refer to note 3(b) and note 4 in the financial statements of AIA International US\$ Deposit Administration Fund and AIA Manager's Choice Fund for the overall market exposures.

The table below summarises the impact on net assets attributable to members as a result of increases/decreases of the volatility of the Fund. The analysis is based on the assumption that the volatility had increased/decreased by the respective percentage with all other variables held constant and the fair value of the Fund's investments moved according to the historical correlation with the volatility.

	2021		2020	
	%	MOP	%	MOP
	+/-		+/-	
Volatility	10.10	32,494,775	16.95	46,918,236

Volatility is calculated based on the investment fund's monthly returns for the last 12 months.

The Management Company has used its view of what would be a reasonable shift in each key market to estimate the change for use in the market sensitivity above.

Disclosures above are shown in absolute terms, changes and impacts could be positive or negative. Changes in volatility percentage are revised annually depending on the Management Company's current view of market volatility and other relevant factors.

AIA MACAU MANAGER'S CHOICE FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

3 Financial risk management (continued)

(c) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The majority of the Fund's financial assets and liabilities are non-interest bearing; as a result, the Fund is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash and cash equivalents are invested at short-term market interest rates. The Fund did not have any bank balances at 31st December 2021 and 2020 and is therefore not exposed to interest rate risk on bank balance.

(d) Credit and custody risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due.

Certain transactions entered into by the Fund may expose it to risks associated with counterparties not able to fulfil their obligations. To mitigate this risk, the Fund only buys and sells through brokers who have been approved as an acceptable counterparty according to the Management Company's internal counterparty credit review procedures.

The Fund's financial assets which are potentially subject to concentrations of credit risk consist principally of assets held with the custodian.

The table below summarises the assets placed with the custodian which individually exceeds 1% of net assets:

	MOP	Credit rating	Source of credit rating
At 31st December 2021			
<u>Custodian</u>			
Citibank N.A	513,909,150	A+	S&P
At 31st December 2020			
<u>Custodian</u>			
Citibank N.A	395,047,105	A+	S&P

The maximum exposure to credit risk is represented by the carrying amount of the financial assets as shown in the statement of financial position.

None of the assets is impaired nor past due but not impaired.

The Fund measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. The Management Company considers both historical analysis and forward looking information in determining any expected credit loss. At 31st December 2021 and 2020, amounts receivable on subscription and other receivables are due to be settled within 1 week. Management Company considers the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Fund.

AIA MACAU MANAGER'S CHOICE FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

3 Financial risk management (continued)

(e) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in settling its liabilities, including a redemption request.

The Fund is exposed to daily cash redemptions of the units in the Fund. The Fund invests in investment funds that are considered to be readily realisable.

The table below analyses the Fund's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	Less than 8 days MOP	8 days to 12 months MOP
At 31st December 2021		
Amounts payable on redemption	130,376	-
Accruals and other payables	-	108,810
	<u>130,376</u>	<u>108,810</u>
At 31st December 2020		
Amounts payable on redemption	129,657	-
Accruals and other payables	-	89,576
	<u>129,657</u>	<u>89,576</u>

Units are redeemable on demand at the members' option. However, the Management Company has the final and conclusive right to restrict the total number of units redeemed under any participating scheme on any valuation day to 10% of the total units issued. No individual member held more than 10% of the Fund's net assets at 31st December 2021 and 2020.

The Fund manages its liquidity risk by investing predominantly in investments that it expects to be able to liquidate within 1 month or less. The following table illustrates the expected liquidity of assets held:

	Less than 1 month MOP
At 31st December 2021	
Total assets	<u>514,397,005</u>
At 31st December 2020	
Total assets	<u>395,521,032</u>

AIA MACAU MANAGER'S CHOICE FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

3 Financial risk management (continued)

(f) Currency risk

The majority of assets and liabilities of the Fund are denominated in currencies other than Macau Pataca, the functional currency.

Currency risk, as defined in International Financial Reporting Standards ("IFRS") 7, arises as the value of future transactions, recognised monetary assets and liabilities fluctuate due to changes in foreign exchange rates. IFRS 7 considers the foreign exchange exposure relating to non-monetary assets and liabilities to be a component of market price risk not currency risk and this is disclosed in note 3(b). However, management monitors the exposure on all foreign currency denominated assets and liabilities.

The table below provides analysis between monetary and non-monetary items to meet the requirements of IFRS 7:

	2021		2020	
	Monetary MOP	Non-monetary MOP	Monetary MOP	Non-monetary MOP
Hong Kong dollars	189,511	360,324,188	152,824	278,958,698
United States dollars	-	153,584,962	-	116,088,407

The table below summarises the impact on net assets attributable to members as a result of increases/decreases of key exchange rates on the exposures tabled above. The analysis is based on the assumption that the exchange rates had increased/decreased by 5% (2020: 5%) with all other variables held constant.

	2021		2020	
	Impact Monetary MOP	Impact Non-monetary MOP	Impact Monetary MOP	Impact Non-monetary MOP
Hong Kong dollars	9,476	18,016,209	7,641	13,947,935
United States dollars	-	7,679,248	-	5,804,420

AIA MACAU MANAGER'S CHOICE FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

3 Financial risk management (continued)

(g) Fair value estimation

IFRS 13 requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes "observable" requires significant judgement by the Management Company. The Fund considers observable data to be such market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table analyses within the fair value hierarchy the Fund's financial assets (by class) measured at fair value at 31st December 2021 and 2020:

	Level 2 MOP	Total balance MOP
At 31st December 2021		
Assets		
Investment funds	513,909,150	513,909,150
At 31st December 2020		
Assets		
Investment funds	395,047,105	395,047,105

The investment funds held by the Fund are not traded in active markets and are valued based on quoted market prices supported by observable inputs, and are therefore classified within level 2.

The other financial assets and liabilities held by the Fund are carried at amortised cost. The carrying amounts are a reasonable approximation of their fair value.

There has been no transfer between levels for the year ended 31st December 2021 and 2020.

AIA MACAU MANAGER'S CHOICE FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

3 Financial risk management (continued)

(h) Capital risk management

The capital of the Fund is represented by the units in the Fund, and shown as net assets attributable to members in the statement of financial position. The amount of net assets attributable to members can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of members. Subscriptions and redemptions of units during the year are shown in the statement of changes in equity. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide investment returns to members. In order to achieve the investment objectives, the Fund endeavours to invest its capital in accordance with the investment policies as outlined in note 3(a), whilst maintaining sufficient liquidity to meet redemption requests. Such liquidity is augmented by the holding of liquid investments. The Management Company monitors capital on the basis of the value of net assets attributable to members.

4 Investments

	2021 MOP	2020 MOP
<u>Investment funds</u>		
AIA International US\$ Deposit Administration Fund ¹	153,584,962	116,088,407
AIA Manager's Choice Fund ²	<u>360,324,188</u>	<u>278,958,698</u>
	<u>513,909,150</u>	<u>395,047,105</u>

¹ The insurer of AIA International US\$ Deposit Administration Fund, AIA International Limited, is the head office of the Management Company of the Fund.

² The trustee of AIA Manager's Choice Fund, and AIA Company (Trustee) Limited, is an associate of the Management Company of the Fund.

The maximum exposure to loss from these investment funds is equal to their total carrying amounts which represent 99.95% (2020: 99.94%) of net assets attributable to members.

AIA MACAU MANAGER'S CHOICE FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

4 Investments (continued)

The overall market exposure for the underlying investment funds at 31st December 2021 and 2020 were as follows:

	% of investments of the underlying funds	
	2021	2020
Debt securities	30	29
Investment funds - investing mainly in equities with balance in bonds and cash	70	71
	100	100

	% of investments of the underlying funds	
	2021	2020
Europe	22	12
Hong Kong	22	46
Japan	11	8
North America	25	11
Other Asia	20	13
Global	-	10
	100	100

5 Units in issue

	2021 Units	2020 Units
Balance at the beginning of the year	3,041,718	2,171,151
Units issued	1,137,020	1,103,568
Units redeemed	(325,060)	(233,001)
Balance at the end of the year	3,853,678	3,041,718
	MOP	MOP
Net assets attributable to members per unit	133.42	129.96

AIA MACAU MANAGER'S CHOICE FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

6 Net gains on investments

	2021 MOP	2020 MOP
Unrealised gains on investments	3,294,936	28,062,183
Realised gain on sales of investments	<u>4,484,385</u>	<u>953,606</u>
Net gains on investments	<u><u>7,779,321</u></u>	<u><u>29,015,789</u></u>

7 Transactions with related-parties

Except as disclosed in note 4, the Fund had no material related-party transactions and balances during the year.

All transactions were entered into in the ordinary course of business and on normal commercial terms.

8 Taxation

The Fund established under Decree-Law 6/99/M and hence is exempted from Macao complementary tax.

9 Approval of financial statements

The financial statements were approved by the Management Company on 8th July 2022.

AIA MACAU HONG KONG EQUITY FUND
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST DECEMBER 2021

AIA MACAU HONG KONG EQUITY FUND

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Statement of cash flows	7
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AIA MACAU HONG KONG EQUITY FUND

MANAGEMENT AND PROFESSIONAL SERVICE DETAILS

Management Company

AIA International Limited Macau Branch
1903, AIA Tower
251A-301 Avenida Comercial de Macau
Macau

Auditor

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

INDEPENDENT AUDITOR'S REPORT TO THE MANAGEMENT COMPANY OF AIA MACAU HONG KONG EQUITY FUND

We have audited the financial statements of AIA Macau Hong Kong Equity Fund (the "Fund") set out on pages 4 to 19, which comprise the statement of financial position as at 31 December 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and explanatory notes.

Management Company's responsibility for the financial statements

The Management Company is responsible for the preparation and the true and fair presentation of the financial statements in accordance with Financial Reporting Standards issued by the Government of the Macao Special Administrative Region and in compliance with the Legal Framework of Private Pension Funds under Decree-Law no. 6/99/M on February 8 as amended by Law no. 10/2001. This responsibility includes designing, implementing and maintaining appropriate internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable; and keeping proper and accurate accounting records.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on the audit work we have performed and in accordance with Notice no. 011/2021-AMCM issued by the Autoridade Monetaria de Macau ("AMCM"), 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 the audit in accordance with General Auditing Standards ("GASs") issued by the Government of the Macao Special Administrative Region. Those standards require that the auditor complies with relevant ethical requirements and plans and performs the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit includes performing appropriate audit procedures to obtain audit evidence supporting the amounts and disclosures in the financial statements. The procedures are selected according to the auditor's professional 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 and true and fair presentation of the financial statements 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 the Management Company, 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
TO THE MANAGEMENT COMPANY OF AIA MACAU HONG KONG EQUITY FUND
(CONTINUED)**

Audit opinion

In our opinion, the financial statements give a true and fair view, in all material respects, of the financial position of the Fund as at 31 December 2021 and of its operating results 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 has been properly prepared in accordance with the relevant provisions of the Legal Framework of Private Pension Funds. The accounting policies used in the preparation of the financial statements for the year ended 31 December 2021 are consistent with those used in the preceding year.

Report on Notice No. 011/2021-AMCM

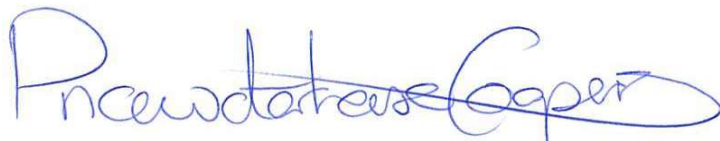
In our opinion, the accounting books of the Fund record the activities of the Fund for the year ended 31 December 2021 appropriately.

The Management Company has provided us with the information and explanations required for the audit of the financial statements of the Fund.

Other Matters

The comparative financial statements prepared in accordance with MFRSs as at 31 December 2020, and for the year ended 31 December 2020 have not been audited in accordance with GASs

As set out in Note 2 to these financial statements, the financial statements of the Fund for the year ended 31 December 2020 were prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") on which we audited in accordance with Hong Kong Standards on Auditing issued by the HKICPA and issued a separate unmodified auditor's report to the Management Company of the Fund dated 29 June 2021.

A handwritten signature in blue ink, appearing to read 'PricewaterhouseCoopers', is written over a faint, larger version of the same text.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 8 July 2022

AIA MACAU HONG KONG EQUITY FUND**STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2021**

	Note	2021 MOP	2020 MOP
Assets			
Current assets			
Investments	4	111,620,818	36,572,376
Amounts receivable on subscription		336,760	389,903
Other receivables		48,363	14,581
		<u>112,005,941</u>	<u>36,976,860</u>
Total assets		<u>112,005,941</u>	<u>36,976,860</u>
Liabilities			
Current liabilities			
Amounts payable on redemption		89,466	-
Accruals and other payables		4,765	1,779
Total liabilities		<u>94,231</u>	<u>1,779</u>
Equity			
Net assets attributable to members		<u>111,911,710</u>	<u>36,975,081</u>

For and on behalf of AIA International Limited Macau Branch


Mr. Louie Ho
Chief Executive Officer, Macau Branch
Authorised signer of the Management Company

The notes on pages 8 to 19 are an integral part of these financial statements.

AIA MACAU HONG KONG EQUITY FUND**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2021**

	Note	2021 MOP	2020 MOP
Income			
Net (losses)/gains on investments	6	(8,478,594)	3,706,456
Investment return		381,880	82,284
Total income		<u>(8,096,714)</u>	<u>3,788,740</u>
Expenses			
Auditor's remuneration		991	160
Other operating expenses		8,411	2,037
Total expenses		<u>9,402</u>	<u>2,197</u>
Total comprehensive income for the year		<u>(8,106,116)</u>	<u>3,786,543</u>

The notes on pages 8 to 19 are an integral part of these financial statements.

AIA MACAU HONG KONG EQUITY FUND

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2021

	Note	2021 MOP	2020 MOP
Balance at the beginning of the year		36,975,081	6,486,467
Proceeds on subscription	5	104,827,212	35,561,322
Payments on redemption	5	(21,784,467)	(8,859,251)
Net subscription		83,042,745	26,702,071
Total comprehensive income for the year		(8,106,116)	3,786,543
Balance at the end of the year		111,911,710	36,975,081

The notes on pages 8 to 19 are an integral part of these financial statements.

AIA MACAU HONG KONG EQUITY FUND

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER 2021

	2021 MOP	2020 MOP
Cash flows from operating activities		
Total comprehensive income for the year	(8,106,116)	3,786,543
Net increase in investments	(75,048,442)	(30,172,471)
Net increase in other receivables	(33,782)	(12,383)
Net increase in accruals and other payables	2,986	1,576
Net cash used in operating activities	<u>(83,185,354)</u>	<u>(26,396,735)</u>
Cash flows from financing activities		
Proceeds on subscription	104,880,355	35,255,986
Payments on redemption	(21,695,001)	(8,859,251)
Net cash generated from financing activities	<u>83,185,354</u>	<u>26,396,735</u>
Net change in cash and cash equivalents	-	-
Cash and cash equivalents at the beginning of the year	-	-
Cash and cash equivalents at the end of the year	<u>-</u>	<u>-</u>
Analysis of balance of cash and cash equivalents		
Cash at banks	-	-

The notes on pages 8 to 19 are an integral part of these financial statements.

AIA MACAU HONG KONG EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

1 The Fund

AIA International Limited Macau Branch (the “Management Company”) established AIA Macau Hong Kong Equity Fund (the “Fund”) on 4th April 2019 under the provisions of Article 14 paragraphs 1 and 3 of Decree-Law 6/99/M in accordance with the Management Regulation. The Fund has been approved by the Monetary Authority of Macau. The Fund was set up for the execution of the pension plans relating to early retirement, old age retirement, termination of employment and permanent loss of work capacity or death. The Fund is an investment choice for the participating schemes to invest. An employer can become a participant in the Fund by entering into a Participating Agreement with the Management Company whereby the employer agrees to participate in and contribute to the Fund.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the 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 Fund for the year ended 31 December 2021 have been prepared in accordance with the Legal Framework of Private Pension Funds and Financial Reporting Standards (“MFRSs”) promulgated by the Macao Special Administrative Region under Administrative Regulation No. 25/2005.

The financial statements of the Fund for the year ended 31 December 2020 were prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) on which PricewaterhouseCoopers audited in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA and issued a separate unmodified auditor's report to the Management Company of the Fund dated 29 June 2021. The financial statements of the Fund for the year ended 31 December 2020 were prepared for the Management Company of the Fund for submission to the Monetary Authority of Macao (“AMCM”). The comparative financial statements presented in the Fund's 31 December 2021 financial statements is, in the significant majority, consistent with the Fund's 31 December 2020 audited financial statements prepared in accordance with HKFRSs submitted to AMCM. In 2021, the Management Company adopted MFRSs for the first time to prepare the annual financial statements of the Fund. The adoption of MFRSs during the year did not have a significant effect on the financial position, financial performance and disclosures in the financial statements in current year and prior years.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets held at fair value through profit or loss.

Issued and effective, but not yet adopted Financial Reporting Standards and amendments

Effective from 28 March 2020, Financial Reporting Standards issued by the Government of Macau under Administrative Regulation No. 25/2005 (“MFRS”) were replaced by Financial Reporting Standards issued by Directive of Secretaria para a Economia e Financas No. 44/2020 on 17 March 2020 (“New MFRS”). The new MFRS is mandatory for adoption from the annual period beginning 1 January 2022. The Fund has not early adopted the New MFRS in preparing the financial statements. None of the standards included in the New MFRS is expected to have a significant effect on the financial statements.

AIA MACAU HONG KONG EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

2 Summary of significant accounting policies (continued)

(a) Basis of preparation

The Management Company plans to adopt the New MFRSs from the annual reporting period beginning 1 January 2022.

(b) Investments

(i) Classification

The Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. The collection of contractual cash flows is only incidental to achieving the Fund's business model's objective. Consequently, all investments are measured at fair value through profit or loss. The Fund's policy requires the Management Company to evaluate the information about these financial assets on a fair value basis together with other related financial information.

(ii) Recognition, derecognition and measurement

Regular purchases and sales of investments are recognised on the trade date – the date on which the Fund commits to purchase or sell the investment. Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed as incurred in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'Investments' category are presented in the statement of comprehensive income in the period in which they arise.

(iii) Fair value estimation

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 values of the Fund's interests in the underlying investment funds are based on the fair values of the underlying investment funds. The fair values of the underlying investment funds are based on quoted market prices at the close of trading on the reporting date.

(iv) Transfers between levels of the fair value hierarchy

Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting period.

AIA MACAU HONG KONG EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

2 Summary of significant accounting policies (continued)

(c) Income and expenses

Investment return is recognised on an accrual basis. Interest income is recognised on a time-proportion basis using the effective interest method. Other income is accounted for on an accrual basis.

Expenses are accounted for on an accrual basis.

(d) Translation of foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of the Fund are measured using the currency of the primary economic environment in which it operates (the “functional currency”). The financial statements are presented in Macau Pataca (“MOP”), which is the functional and presentation currency of the Fund.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rates prevailing at the year end date.

Foreign exchange gains and losses arising from translation are included in the statement of comprehensive income.

Foreign exchange gains and losses relating to financial assets carried at fair value through profit or loss are presented in the statement of comprehensive income within “net gains on investments”.

(e) Redeemable units

The Fund issues redeemable units, which are redeemable at the holder’s option and are classified as equity in accordance with International Accounting Standard (“IAS”) 32 (Amendment).

Should the redeemable units’ terms or conditions change such that they do not comply with the strict criteria contained in IAS 32 (Amendment), the redeemable units would be reclassified to a financial liability from the date the instrument ceases to meet the criteria. The financial liability would be measured at the instrument’s fair value at the date of reclassification. Any difference between the carrying amount of the equity instrument and fair value of the liability on the date of reclassification would be recognised in equity.

(f) Proceeds and payments on subscription and redemption of units

The net asset value of the Fund is computed on each business day. Prices for subscriptions and redemptions on each business day are based on the closing valuation of that business day. Proceeds and payments for units subscribed for and redeemed are included in the statement of changes in equity.

AIA MACAU HONG KONG EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

2 Summary of significant accounting policies (continued)

(g) Cash and cash equivalents

Cash and cash equivalents comprise bank deposits with maturities at acquisition of three months or less from the date of placement. Bank overdrafts, if any, are shown in current liabilities in the statement of financial position.

(h) Other receivables

Other receivables are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Fund shall measure the other receivables at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance.

(i) Interests in structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual arrangements. The underlying investment funds in which the Fund invests are determined as structured entities.

3 Financial risk management

(a) Strategy in using financial instruments

The investment objective of the Fund is to maximise its long-term capital appreciation through investing in one or more pooled retirement funds authorised by the Securities and Futures Commission of Hong Kong that invest in a diversified portfolio of global equities and debt securities.

The Fund may be exposed to market price risk, interest rate risk, credit and custody risk, liquidity risk and currency risk.

The risks and the respective risk management policies employed by the Fund to manage these risks are discussed below.

AIA MACAU HONG KONG EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

3 Financial risk management (continued)

(b) Market price risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments in the market.

At 31st December 2021 and 2020, the overall market exposures of the Fund were as follows:

	2021		2020	
	Fair value	% of net	Fair value	% of net
	MOP	assets	MOP	assets
Guaranteed fund	38,882,638	34.74	12,572,145	34.00
Other investment fund	72,738,180	65.00	24,000,231	64.91
Total investments	111,620,818	99.74	36,572,376	98.91

The Fund invests in a guaranteed fund and another investment fund. The return from the guaranteed fund is based on a rate declared by the trustee of the guaranteed fund. The rate is a minimum percentage per annum and is reviewed annually by the trustee of the guaranteed fund and adjusted as required based on the market performance of the guaranteed fund, which is subject to market price risk arising from uncertainties about the future prices of underlying investments of the guaranteed fund. Consequently, an increase or decrease of 1%, in absolute terms, in the declared return from the guaranteed fund would result in an increase or decrease of MOP388,826 (2020: MOP125,721) in the Fund's net assets attributable to members.

Another investment fund is also subject to market price risk arising from uncertainties about its future prices. The market price risk is managed through diversification of the underlying investment portfolio of the investment fund held. Except as disclosed above, refer to note 3(b) and note 4 in the financial statements of the AIA International US\$ Deposit Administration Fund and the AIA Hong Kong Equity Fund for the overall market exposures.

The table below summarises the impact on net assets attributable to members as a result of increases/decreases of the volatility of the Fund. The analysis is based on the assumption that the volatility had increased/decreased by the respective percentage with all other variables held constant and the fair value of the Fund's investments moved according to the historical correlation with the volatility.

	Change in volatility	Impact on the net asset value	Change in volatility	Impact on the net asset value
		2021		2020
	%	MOP	%	MOP
	+/-		+/-	
Volatility	4.40	13,590,135	4.70	4,272,781

Volatility is calculated based on the investment fund's monthly returns for the last 12 months.

AIA MACAU HONG KONG EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

3 Financial risk management (continued)

(b) Market price risk (continued)

The Management Company has used its view of what would be a reasonable shift in each key market to estimate the change for use in the market sensitivity above.

Disclosures above are shown in absolute terms, changes and impacts could be positive or negative. Changes in volatility percentage are revised annually depending on the Management Company's current view of market volatility and other relevant factors.

(c) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The majority of the Fund's financial assets and liabilities are non-interest bearing; as a result, the Fund is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash and cash equivalents are invested at short-term market interest rates. The Fund did not have any bank balances at 31st December 2021 and 2020 and is therefore not exposed to interest rate risk on bank balance.

(d) Credit and custody risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due.

Certain transactions entered into by the Fund may expose it to risks associated with counterparties not able to fulfil their obligations. To mitigate this risk, the Fund only buys and sells through brokers who have been approved as an acceptable counterparty according to the Management Company's internal counterparty credit review procedures.

The Fund's financial assets which are potentially subject to concentrations of credit risk consist principally of assets held with the custodian.

The table below summarises the assets placed with the custodian which individually exceeds 1% of net assets:

	MOP	Credit rating	Source of credit rating
At 31st December 2021			
<u>Custodian</u>			
Citibank N.A	<u>111,620,818</u>	<u>A+</u>	<u>S&P</u>
At 31st December 2020			
<u>Custodian</u>			
Citibank N.A	<u>36,572,376</u>	<u>A+</u>	<u>S&P</u>

The maximum exposure to credit risk is represented by the carrying amount of the financial assets as shown in the statement of financial position.

None of the assets is impaired nor past due but not impaired.

AIA MACAU HONG KONG EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

3 Financial risk management (continued)

(d) Credit and custody risk (continued)

The Fund measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. The Management Company considers both historical analysis and forward looking information in determining any expected credit loss. At 31st December 2021 and 2020, amounts receivable on subscription and other receivables are due to be settled within 1 week. Management Company considers the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Fund.

(e) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in settling its liabilities, including a redemption request.

The Fund is exposed to daily cash redemptions of the units in the Fund. The Fund invests in investment funds that are considered to be readily realisable.

The table below analyses the Fund's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	8 days to 12 months MOP
At 31st December 2021	
Accruals and other payables	4,765
	<u>4,765</u>
At 31st December 2020	
Accruals and other payables	1,779
	<u>1,779</u>

Units are redeemable on demand at the members' option. However, the Management Company has the final and conclusive right to restrict the total number of units redeemed under any participating scheme on any valuation day to 10% of the total units issued. No individual member held more than 10% of the Fund's net assets at 31st December 2021 and 2020.

The Fund manages its liquidity risk by investing predominantly in investments that it expects to be able to liquidate within 1 month or less. The following table illustrates the expected liquidity of assets held:

AIA MACAU HONG KONG EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

3 Financial risk management (continued)

(e) Liquidity risk (continued)

	Less than 1 month MOP
At 31st December 2021	
Total assets	112,005,941
At 31st December 2020	
Total assets	36,976,860

(f) Currency risk

The majority of assets and liabilities of the Fund are denominated in currencies other than Macau Pataca, the functional currency.

Currency risk, as defined in International Financial Reporting Standards (“IFRS”) 7, arises as the value of future transactions, recognised monetary assets and liabilities fluctuate due to changes in foreign exchange rates. IFRS 7 considers the foreign exchange exposure relating to non-monetary assets and liabilities to be a component of market price risk not currency risk and this is disclosed in note 3(b). However, management monitors the exposure on all foreign currency denominated assets and liabilities.

The table below provides analysis between monetary and non-monetary items to meet the requirements of IFRS 7:

	2021		2020	
	Monetary MOP	Non-monetary MOP	Monetary MOP	Non-monetary MOP
Hong Kong dollars	48,363	72,738,180	14,581	24,000,231
United States dollars	-	38,882,638	-	12,572,145

The table below summarises the impact on net assets attributable to members as a result of increases/decreases of key exchange rates on the exposures tabled above. The analysis is based on the assumption that the exchange rates had increased/decreased by 5% with all other variables held constant.

	2021		2020	
	Impact Monetary MOP	Impact Non-monetary MOP	Impact Monetary MOP	Impact Non-monetary MOP
Hong Kong dollars	2,418	3,636,909	729	1,200,012
United States dollars	-	1,944,132	-	628,607

AIA MACAU HONG KONG EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

3 Financial risk management (continued)

(g) Fair value estimation

IFRS 13 requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes “observable” requires significant judgement by the Management Company. The Fund considers observable data to be such market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table analyses within the fair value hierarchy the Fund’s financial assets (by class) measured at fair value at 31st December 2021 and 2020:

	Level 2 MOP	Total balance MOP
At 31st December 2021		
Assets		
Investment funds	111,620,818	111,620,818
At 31st December 2020		
Assets		
Investment funds	36,572,376	36,572,376

The investment funds held by the Fund are not traded in active markets and are valued based on quoted market prices supported by observable inputs, and are therefore classified within level 2.

The other financial assets and liabilities held by the Fund are carried at amortised cost. The carrying amounts are a reasonable approximation of their fair value.

There has been no transfer between levels for the year ended 31st December 2021 and 2020.

AIA MACAU HONG KONG EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

3 Financial risk management (continued)

(h) Capital risk management

The capital of the Fund is represented by the units in the Fund, and shown as net assets attributable to members in the statement of financial position. The amount of net assets attributable to members can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of members. Subscriptions and redemptions of units during the year are shown in the statement of changes in equity. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide investment returns to members. In order to achieve the investment objectives, the Fund endeavours to invest its capital in accordance with the investment policies as outlined in note 3(a), whilst maintaining sufficient liquidity to meet redemption requests. Such liquidity is augmented by the holding of liquid investments. The Management Company monitors capital on the basis of the value of net assets attributable to members.

4 Investments

	2021 MOP	2020 MOP
<u>Investment funds</u>		
AIA International US\$ Deposit Administration Fund ¹	38,882,638	12,572,145
AIA Hong Kong Equity Fund ²	72,738,180	24,000,231
	<u>111,620,818</u>	<u>36,572,376</u>

¹The insurer of AIA International US\$ Deposit Administration Fund, AIA International Limited, is the head office of the Management Company of the Fund.

² The trustee of AIA Hong Kong Equity Fund, AIA Company (Trustee) Limited, is an associate of the Management Company of the Fund.

The maximum exposure to loss from these investment funds is equal to their total carrying amounts which represents 99.74% (2020: 98.91%) of net assets attributable to members.

AIA MACAU HONG KONG EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

4 Investments (continued)

The overall market exposure for the underlying investment funds as at 31st December 2021 and 2020 were as follows:

	% of investments of the underlying funds	
	2021	2020
Debt securities	35	34
Investment funds - investing mainly in equities with balance in bonds and cash	65	66
	100	100

	% of investments of the underlying funds	
	2021	2020
Europe	9	2
Hong Kong	69	97
Japan	3	-
North America	3	-
Other Asia	16	1
	100	100

5 Units in issue

	2021	2020
	Units	Units
Balance at the beginning of the year	317,792	63,631
Units issued	897,702	340,436
Units redeemed	(186,705)	(86,275)
Balance at the end of the year	1,028,789	317,792
	MOP	MOP
Net assets attributable to members per unit	108.78	116.35

AIA MACAU HONG KONG EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

6 Net gains on investments

	2021 MOP	2020 MOP
Unrealised (losses)/gains on investments	(8,880,934)	3,392,521
Realised gain on sales of investments	<u>402,340</u>	<u>313,935</u>
Net (losses)/gains on investments	<u>(8,478,594)</u>	<u>3,706,456</u>

7 Transactions with related-parties

Except as disclosed in note 4, the Fund had no material related-party transactions and balances during the year.

All transactions were entered into in the ordinary course of business and on normal commercial terms.

8 Taxation

The Fund is established under Decree-Law 6/99/M and hence is exempted from Macao complementary tax.

9 Approval of financial statements

The financial statements were approved by the Management Company on 8th July 2022.

AIA MACAU AMERICAN EQUITY FUND
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST DECEMBER 2021

AIA MACAU AMERICAN EQUITY FUND

CONTENTS	Pages
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Statement of changes in equity	6
Statement of cash flows	7
Notes to the financial statements	8 to 19

AIA MACAU AMERICAN EQUITY FUND

MANAGEMENT AND PROFESSIONAL SERVICE DETAILS

Management Company

AIA International Limited Macau Branch
1903, AIA Tower
251A-301 Avenida Comercial de Macau
Macau

Auditor

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

INDEPENDENT AUDITOR'S REPORT TO THE MANAGEMENT COMPANY OF AIA MACAU AMERICAN EQUITY FUND

We have audited the financial statements of AIA Macau American Equity Fund (the "Fund") set out on pages 4 to 19, which comprise the statement of financial position as at 31 December 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and explanatory notes.

Management Company's responsibility for the financial statements

The Management Company is responsible for the preparation and the true and fair presentation of the financial statements in accordance with Financial Reporting Standards issued by the Government of the Macao Special Administrative Region and in compliance with the Legal Framework of Private Pension Funds under Decree-Law no. 6/99/M on February 8 as amended by Law no. 10/2001. This responsibility includes designing, implementing and maintaining appropriate internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable; and keeping proper and accurate accounting records.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on the audit work we have performed and in accordance with Notice no. 011/2021-AMCM issued by the Autoridade Monetaria de Macau ("AMCM"), 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 the audit in accordance with General Auditing Standards ("GASs") issued by the Government of the Macao Special Administrative Region. Those standards require that the auditor complies with relevant ethical requirements and plans and performs the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit includes performing appropriate audit procedures to obtain audit evidence supporting the amounts and disclosures in the financial statements. The procedures are selected according to the auditor's professional 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 and true and fair presentation of the financial statements 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 the Management Company, 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
TO THE MANAGEMENT COMPANY OF AIA MACAU AMERICAN EQUITY FUND
(CONTINUED)**

Audit opinion

In our opinion, the financial statements give a true and fair view, in all material respects, of the financial position of the Fund as at 31 December 2021 and of its operating results 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 has been properly prepared in accordance with the relevant provisions of the Legal Framework of Private Pension Funds. The accounting policies used in the preparation of the financial statements for the year ended 31 December 2021 are consistent with those used in the preceding year.

Report on Notice No. 011/2021-AMCM

In our opinion, the accounting books of the Fund record the activities of the Fund for the year ended 31 December 2021 appropriately.

The Management Company has provided us with the information and explanations required for the audit of the financial statements of the Fund.

Other Matters

The comparative financial statements prepared in accordance with MFRSs as at 31 December 2020, and for the year ended 31 December 2020 have not been audited in accordance with GASs

As set out in Note 2 to these financial statements, the financial statements of the Fund for the year ended 31 December 2020 were prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") on which we audited in accordance with Hong Kong Standards on Auditing issued by the HKICPA and issued a separate unmodified auditor's report to the Management Company of the Fund dated 29 June 2021.

A handwritten signature in blue ink, appearing to read 'PricewaterhouseCoopers', is written over the printed name of the firm.

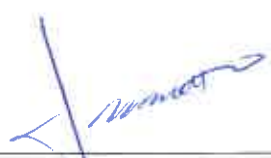
PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 8 July 2022

AIA MACAU AMERICAN EQUITY FUND**STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2021**

	Note	2021 MOP	2020 MOP
Assets			
Current assets			
Investments	4	172,148,304	54,467,774
Amounts receivable on subscription		478,620	292,114
Other receivables		71,595	44,753
		<u>172,698,519</u>	<u>54,804,641</u>
Total assets		<u>172,698,519</u>	<u>54,804,641</u>
Liabilities			
Current liabilities			
Amounts payable on redemption		856,487	6,573
Accruals and other payables		17,220	26,955
Total liabilities		<u>873,707</u>	<u>33,528</u>
Equity			
Net assets attributable to members		<u>171,824,812</u>	<u>54,771,113</u>

For and on behalf of AIA International Limited Macau Branch


Mr. Louie Ho
Chief Executive Officer, Macau Branch
Authorised signer of the Management Company

The notes on pages 8 to 19 are an integral part of these financial statements.

AIA MACAU AMERICAN EQUITY FUND**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED AS AT 31ST DECEMBER 2021**

		2021	2020
	Note	MOP	MOP
Income			
Net gains on investments	6	15,824,920	6,028,299
Investment return		572,249	138,062
Other income		-	21,808
Total income		<u>16,397,169</u>	<u>6,188,169</u>
Expenses			
Auditor's remuneration		1,984	241
Other operating expenses		<u>22,632</u>	<u>4,128</u>
Total expenses		<u>24,616</u>	<u>4,369</u>
Total comprehensive income for the year		<u>16,372,553</u>	<u>6,183,800</u>

The notes on pages 8 to 19 are an integral part of these financial statements.

AIA MACAU AMERICAN EQUITY FUND**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED AS AT 31ST DECEMBER 2021**

	Note	2021 MOP	2020 MOP
Balance at the beginning of the year		54,771,113	10,051,511
Proceeds on subscription	5	124,027,611	48,645,775
Payments on redemption	5	(23,346,465)	(10,109,973)
Net subscription		100,681,146	38,535,802
Total comprehensive income for the year		16,372,553	6,183,800
Balance at the end of the year		171,824,812	54,771,113

The notes on pages 8 to 19 are an integral part of these financial statements.

AIA MACAU AMERICAN EQUITY FUND

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED AS AT 31ST DECEMBER 2021

	2021 MOP	2020 MOP
Cash flows from operating activities		
Total comprehensive income for the year	16,372,553	6,183,800
Net increase in investments	(117,680,530)	(44,478,444)
Net increase in other receivables	(26,842)	(33,798)
Net (decrease)/increase in accruals and other payables	(9,735)	26,233
Net cash used in operating activities	<u>(101,344,554)</u>	<u>(38,302,209)</u>
Cash flows from financing activities		
Proceeds on subscription	123,841,105	48,405,609
Payments on redemption	(22,496,551)	(10,103,400)
Net cash generated from financing activities	<u>101,344,554</u>	<u>38,302,209</u>
Net change in cash and cash equivalents	-	-
Cash and cash equivalents at the beginning of the year	-	-
Cash and cash equivalents at the end of the year	<u>-</u>	<u>-</u>
Analysis of balance of cash and cash equivalents		
Cash at banks	-	-

The notes on pages 8 to 19 are an integral part of these financial statements.

AIA MACAU AMERICAN EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AS AT 31ST DECEMBER 2021

1 The Fund

AIA International Limited Macau Branch (the “Management Company”) established AIA Macau American Equity Fund (the “Fund”) on 4th April 2019 under the provisions of Article 14 paragraphs 1 and 3 of Decree-Law 6/99/M in accordance with the Management Regulation. The Fund has been approved by the Monetary Authority of Macau. The Fund was set up for the execution of the pension plans relating to early retirement, old age retirement, termination of employment and permanent loss of work capacity or death. The Fund is an investment choice for the participating schemes to invest. An employer can become a participant in the Fund by entering into a Participating Agreement with the Management Company whereby the employer agrees to participate in and contribute to the Fund.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the 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 Fund for the year ended 31 December 2021 have been prepared in accordance with the Legal Framework of Private Pension Funds and Financial Reporting Standards (“MFRSs”) promulgated by the Macao Special Administrative Region under Administrative Regulation No. 25/2005.

The financial statements of the Fund for the year ended 31 December 2020 were prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) on which PricewaterhouseCoopers audited in accordance with Hong Kong Standards on Auditing (“HKSAs”) issued by the HKICPA and issued a separate unmodified auditor’s report to the Management Company of the Fund dated 29 June 2021. The financial statements of the Fund for the year ended 31 December 2020 were prepared for the Management Company of the Fund for submission to the Monetary Authority of Macao (“AMCM”). The comparative financial statements presented in the Fund’s 31 December 2021 financial statements is, in the significant majority, consistent with the Fund’s 31 December 2020 audited financial statements prepared in accordance with HKFRSs submitted to AMCM. In 2021, the Management Company adopted MFRSs for the first time to prepare the annual financial statements of the Fund. The adoption of MFRSs during the year did not have a significant effect on the financial position, financial performance and disclosures in the financial statements in current year and prior years.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets held at fair value through profit or loss.

Issued and effective, but not yet adopted Financial Reporting Standards and amendments

Effective from 28 March 2020, Financial Reporting Standards issued by the Government of Macau under Administrative Regulation No. 25/2005 (“MFRS”) were replaced by Financial Reporting Standards issued by Directive of Secretaria para a Economia e Financas No. 44/2020 on 17 March 2020 (“New MFRS”). The new MFRS is mandatory for adoption from the annual period beginning 1 January 2022. The Fund has not early adopted the New MFRS in preparing the financial statements. None of the standards included in the New MFRS is expected to have a significant effect on the financial statements.

AIA MACAU AMERICAN EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AS AT 31ST DECEMBER 2021

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

The Management Company plans to adopt the New MFRSs from the annual reporting period beginning 1 January 2022.

(b) Investments

(i) Classification

The Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. The collection of contractual cash flows is only incidental to achieving the Fund's business model's objective. Consequently, all investments are measured at fair value through profit or loss. The Fund's policy requires the Management Company to evaluate the information about these financial assets on a fair value basis together with other related financial information.

(ii) Recognition, derecognition and measurement

Regular purchases and sales of investments are recognised on the trade date – the date on which the Fund commits to purchase or sell the investment. Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed as incurred in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'Investments' category are presented in the statement of comprehensive income in the period in which they arise.

(iii) Fair value estimation

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 values of the Fund's interests in the underlying investment funds are based on the fair values of the underlying investment funds. The fair values of the underlying investment funds are based on quoted market prices at the close of trading on the reporting date.

(iv) Transfers between levels of the fair value hierarchy

Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting period.

AIA MACAU AMERICAN EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AS AT 31ST DECEMBER 2021

2 Summary of significant accounting policies (continued)

(c) Income and expenses

Investment return is recognised on an accrual basis. Interest income is recognised on a time-proportion basis using the effective interest method. Other income is accounted for on an accrual basis.

Expenses are accounted for on an accrual basis.

(d) Translation of foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of the Fund are measured using the currency of the primary economic environment in which it operates (the “functional currency”). The financial statements are presented in Macau Pataca (“MOP”), which is the functional and presentation currency of the Fund.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rates prevailing at the year end date.

Foreign exchange gains and losses arising from translation are included in the statement of comprehensive income.

Foreign exchange gains and losses relating to financial assets carried at fair value through profit or loss are presented in the statement of comprehensive income within “net gains on investments”.

(e) Redeemable units

The Fund issues redeemable units, which are redeemable at the holder’s option and are classified as equity in accordance with International Accounting Standard (“IAS”) 32 (Amendment).

Should the redeemable units’ terms or conditions change such that they do not comply with the strict criteria contained in IAS 32 (Amendment), the redeemable units would be reclassified to a financial liability from the date the instrument ceases to meet the criteria. The financial liability would be measured at the instrument’s fair value at the date of reclassification. Any difference between the carrying amount of the equity instrument and fair value of the liability on the date of reclassification would be recognised in equity.

(f) Proceeds and payments on subscription and redemption of units

The net asset value of the Fund is computed on each business day. Prices for subscriptions and redemptions on each business day are based on the closing valuation of that business day. Proceeds and payments for units subscribed for and redeemed are included in the statement of changes in equity.

AIA MACAU AMERICAN EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AS AT 31ST DECEMBER 2021

2 Summary of significant accounting policies (continued)

(g) Cash and cash equivalents

Cash and cash equivalents comprise bank deposits with maturities at acquisition of three months or less from the date of placement. Bank overdrafts, if any, are shown in current liabilities in the statement of financial position.

(h) Other receivables

Other receivables are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Fund shall measure the other receivables at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance.

(i) Interests in structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual arrangements. The underlying investment funds in which the Fund invests are determined as structured entities.

3 Financial risk management

(a) Strategy in using financial instruments

The investment objective of the Fund is to maximise its long-term capital appreciation through investing in one or more pooled retirement funds authorised by the Securities and Futures Commission of Hong Kong that invest in a diversified portfolio of global equities and debt securities.

The Fund may be exposed to market price risk, interest rate risk, credit and custody risk, liquidity risk and currency risk.

The risks and the respective risk management policies employed by the Fund to manage these risks are discussed below.

AIA MACAU AMERICAN EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AS AT 31ST DECEMBER 2021

3 Financial risk management (continued)

(b) Market price risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments in the market.

At 31st December 2021 and 2020, the overall market exposures of the Fund were as follows:

	2021		2020	
	Fair value	% of net	Fair value	% of net
	MOP	assets	MOP	assets
Guaranteed fund	58,933,289	34.30	18,630,620	34.02
Other investment fund	113,215,015	65.89	35,837,154	65.43
Total investments	172,148,304	100.19	54,467,774	99.45

The Fund invests in a guaranteed fund and another investment fund. The return from the guaranteed fund is based on a rate declared by the trustee of the guaranteed fund. The rate is a minimum percentage per annum and is reviewed annually by the trustee of the guaranteed fund and adjusted as required based on the market performance of the guaranteed fund, which is subject to market price risk arising from uncertainties about the future prices of underlying investments of the guaranteed fund. Consequently, an increase or decrease of 1%, in absolute terms, in the declared return from the guaranteed fund would result in an increase or decrease of MOP589,333 (2020: MOP186,306) in the Fund's net assets attributable to members.

Another investment fund is subject to market price risk arising from uncertainties about its future prices. The market price risk is managed through diversification of the underlying investment portfolio of the investment fund held. Except as disclosed above, refer to note 3(b) and note 4 in the financial statements of the AIA International US\$ Deposit Administration Fund and the AIA American Equity Fund for the overall market exposures.

The table below summarises the impact on net assets attributable to members as a result of increases/decreases of the volatility of the Fund. The analysis is based on the assumption that the volatility had increased/decreased by the respective percentage with all other variables held constant and the fair value of the Fund's investments moved according to the historical correlation with the volatility.

	Change in volatility	Impact on the net asset value	Change in volatility	Impact on the net asset value
	%	2021 MOP	%	2020 MOP
	+/-		+/-	
Volatility	5.15	1,722,395	5.30	711,468

Volatility is calculated based on the investment fund's monthly returns for the last 12 months.

The Management Company has used its view of what would be a reasonable shift in each key market to estimate the change for use in the market sensitivity above.

Disclosures above are shown in absolute terms, changes and impacts could be positive or negative. Changes in volatility percentage are revised annually depending on the Management Company's current view of market volatility and other relevant factors.

AIA MACAU AMERICAN EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AS AT 31ST DECEMBER 2021

3 Financial risk management (continued)

(c) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The majority of the Fund's financial assets and liabilities are non-interest bearing; as a result, the Fund is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash and cash equivalents are invested at short-term market interest rates. The Fund did not have any bank balances at 31st December 2021 and 2020 and is therefore not exposed to interest rate risk on bank balance.

(d) Credit and custody risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due.

Certain transactions entered into by the Fund may expose it to risks associated with counterparties not able to fulfil their obligations. To mitigate this risk, the Fund only buys and sells through brokers who have been approved as an acceptable counterparty according to the Management Company's internal counterparty credit review procedures.

The Fund's financial assets which are potentially subject to concentrations of credit risk consist principally of assets held with the custodian.

The table below summarises the assets placed with the custodian which individually exceeds 1% of net assets:

	MOP	Credit rating	Source of credit rating
At 31st December 2021			
<u>Custodian</u>			
Citibank N.A.	172,148,304	A+	S&P
At 31st December 2020			
<u>Custodian</u>			
Citibank N.A.	54,467,774	A+	S&P

The maximum exposure to credit risk is represented by the carrying amount of the financial assets as shown in the statement of financial position.

None of the assets is impaired nor past due but not impaired.

The Fund measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. The Management Company considers both historical analysis and forward looking information in determining any expected credit loss. At 31st December 2021 and 2020, amounts receivable on subscription and other receivables are due to be settled within 1 week. Management Company considers the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Fund.

AIA MACAU AMERICAN EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AS AT 31ST DECEMBER 2021

3 Financial risk management (continued)

(e) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in settling its liabilities, including a redemption request.

The Fund is exposed to daily cash redemptions of the units in the Fund. The Fund invests in investment funds that are considered to be readily realisable.

The table below analyses the Fund's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	Less than 8 days MOP	8 days to 12 months MOP
At 31st December 2021		
Amounts payable on redemption	856,487	-
Accruals and other payables	-	17,220
	<u>856,487</u>	<u>17,220</u>
	Less than 8 days MOP	8 days to 12 months MOP
At 31st December 2020		
Amounts payable on redemption	6,573	-
Accruals and other payables	-	26,955
	<u>6,573</u>	<u>26,955</u>

Units are redeemable on demand at the members' option. However, the Management Company has the final and conclusive right to restrict the total number of units redeemed under any participating scheme on any valuation day to 10% of the total units issued. As at 31st December 2021, there was no individual member holding more than 10% of the Fund's net assets (2020: 1 individual member).

The Fund manages its liquidity risk by investing predominantly in investments that it expects to be able to liquidate within 1 month or less. The following table illustrates the expected liquidity of assets held:

	Less than 1 month MOP
At 31st December 2021	
Total assets	<u>172,698,519</u>
At 31st December 2020	
Total assets	<u>54,804,641</u>

AIA MACAU AMERICAN EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AS AT 31ST DECEMBER 2021

3 Financial risk management (continued)

(f) Currency risk

The majority of assets and liabilities of the Fund are denominated in currencies other than Macau Pataca, the functional currency.

Currency risk, as defined in International Financial Reporting Standards (“IFRS”) 7, arises as the value of future transactions, recognised monetary assets and liabilities fluctuate due to changes in foreign exchange rates. IFRS 7 considers the foreign exchange exposure relating to non-monetary assets and liabilities to be a component of market price risk not currency risk and this is disclosed in note 3(b). However, management monitors the exposure on all foreign currency denominated assets and liabilities.

The table below provides analysis between monetary and non-monetary items to meet the requirements of IFRS 7:

	2021		2020	
	Monetary MOP	Non-monetary MOP	Monetary MOP	Non-monetary MOP
Hong Kong dollars	71,595	-	44,753	-
United States dollars	-	172,148,304	-	54,467,774

The table below summarises the impact on net assets attributable to members as a result of increases/decreases of key exchange rates on the exposures tabled above. The analysis is based on the assumption that the exchange rates had increased/decreased by 5% with all other variables held constant.

	2021		2020	
	Impact Monetary MOP	Impact Non-Monetary MOP	Impact Monetary MOP	Impact Non - Monetary MOP
Hong Kong dollars	3,580	-	2,238	-
United States dollars	-	8,607,415	-	2,723,389

AIA MACAU AMERICAN EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AS AT 31ST DECEMBER 2021

3 Financial risk management (continued)

(g) Fair value estimation

IFRS 13 requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes “observable” requires significant judgement by the Management Company. The Fund considers observable data to be such market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table analyses within the fair value hierarchy the Fund’s financial assets (by class) measured at fair value at 31st December 2021 and 2020:

	Level 2	Total balance
	MOP	MOP
At 31st December 2021		
Assets		
Investment funds	<u>172,148,304</u>	<u>172,148,304</u>
At 31st December 2020		
Assets		
Investment funds	<u>54,467,774</u>	<u>54,467,774</u>

The investment funds held by the Fund are not traded in active markets and are valued based on quoted market prices supported by observable inputs, and are therefore classified within level 2.

The other financial assets and liabilities held by the Fund are carried at amortised cost. The carrying amounts are a reasonable approximation of their fair value.

There has been no transfer between levels for the year ended 31st December 2021 and 2020.

AIA MACAU AMERICAN EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AS AT 31ST DECEMBER 2021

3 Financial risk management (continued)

(h) Capital risk management

The capital of the Fund is represented by the units in the Fund, and shown as net assets attributable to members in the statement of financial position. The amount of net assets attributable to members can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of members. Subscriptions and redemptions of units during the year are shown in the statement of changes in equity. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide investment returns to members. In order to achieve the investment objectives, the Fund endeavours to invest its capital in accordance with the investment policies as outlined in note 3(a), whilst maintaining sufficient liquidity to meet redemption requests. Such liquidity is augmented by the holding of liquid investments. The Management Company monitors capital on the basis of the value of net assets attributable to members.

4 Investments

	2021 MOP	2020 MOP
<u>Investment funds</u>		
AIA International US\$ Deposit Administration Fund ¹	58,933,289	18,630,620
AIA American Equity Fund ²	113,215,015	35,837,154
	<u>172,148,304</u>	<u>54,467,774</u>

¹The insurer of AIA International US\$ Deposit Administration Fund, AIA International Limited, is the head office of the Management Company of the Fund.

² The trustee of AIA American Equity Fund, AIA Company (Trustee) Limited, is an associate of the Management Company of the Fund.

The maximum exposure to loss from these investment funds is equal to their total carrying amounts which represent 100.19% (2020: 99.45%) of net assets attributable to members.

AIA MACAU AMERICAN EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AS AT 31ST DECEMBER 2021

4 Investments (continued)

The overall market exposure for the underlying investment funds as at 31st December 2021 and 2020 were as follows:

	% of investments of the underlying funds	
	2021	2020
Debt securities	34	34
Investment funds - investing mainly in equities with balance in bonds and cash	66	66
	100	100

	% of investments of the underlying funds	
	2021	2020
Europe	7	-
Hong Kong	8	33
Japan	3	-
North America	67	67
Other Asia	15	-
	100	100

5 Units in issue

	2021 Units	2020 Units
Balance at the beginning of the year	451,870	95,393
Units issued	932,258	452,941
Units redeemed	(175,966)	(96,464)
Balance at the end of the year	1,208,162	451,870
	MOP	MOP
Net assets attributable to members per unit	142.22	121.21

6 Net gains on investments

	2021 MOP	2020 MOP
Unrealised gains on investments	14,228,576	5,737,868
Realised gain on sales of investments	1,596,344	290,431
Net gains on investments	15,824,920	6,028,299

AIA MACAU AMERICAN EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AS AT 31ST DECEMBER 2021

7 Transactions with related-parties

Except as disclosed in note 4, the Fund had no material related-party transactions and balances during the year.

All transactions were entered into in the ordinary course of business and on normal commercial terms.

8 Taxation

The Fund is established under Decree-Law 6/99/M and hence is exempted from Macao complementary tax.

9 Approval of financial statements

The financial statements were approved by the Management Company on 8th July 2022.