

**AIA MACAU RETIREMENT FUND**

**REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31ST DECEMBER 2022**

## AIA MACAU RETIREMENT FUND

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## **AIA MACAU RETIREMENT FUND**

### **MANAGEMENT AND PROFESSIONAL SERVICE DETAILS**

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#### **Management Company**

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

#### **Fund Administrator and Custodian**

Citibank N.A., Hong Kong Branch  
50/F, Champion Tower, 3 Garden Road  
Central, Hong Kong

#### **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 31st December 2022, 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 of financial statements that give a true and fair view in accordance with Financial Reporting Standards issued by the Government of the Macao Special Administrative Region and 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 of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by 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)**

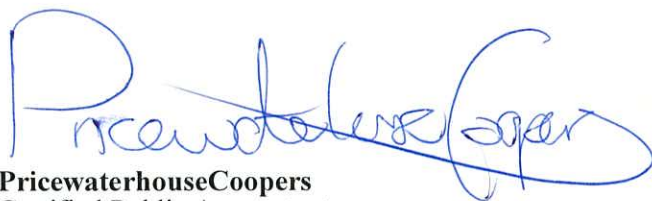
**Opinion**

In our opinion, the financial statements give a true and fair view, of the financial position of the Fund as at 31st December 2022 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 31st December 2022 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 31st December 2022 appropriately.

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



**PricewaterhouseCoopers**  
Certified Public Accountants


Hong Kong, 19th June 2023

# AIA MACAU RETIREMENT FUND

## STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2022

	Note	2022 MOP	2021 MOP
<b>Assets</b>			
<b>Current assets</b>			
Investments	4	7,667,375,175	7,278,977,709
Amounts receivable on subscription		3,731,034	24,761,104
Other receivables		2,370,869	5,469,347
Cash at banks		51,820	51,801
<b>Total assets</b>		<u>7,673,528,898</u>	<u>7,309,259,961</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Amounts payable on redemption		243,276	2,127,558
Accruals and other payables		<u>1,217,915</u>	<u>931,293</u>
<b>Liabilities (excluding net assets attributable to members and employers)</b>		<u>1,461,191</u>	<u>3,058,851</u>
<b>Net assets</b>			
Net assets attributable to members		7,672,067,707	7,306,201,110
Excess return reserve	6	<u>-</u>	<u>-</u>
		<u>7,672,067,707</u>	<u>7,306,201,110</u>
Unit in issue		<u>42,657,194.8077</u>	<u>39,403,522.4411</u>
Unit price		<u>179.85</u>	<u>185.42</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 RETIREMENT FUND

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER 2022

	Note	2022 MOP	2021 MOP
<b>Income</b>			
Change in unrealised losses on investments		(265,079,565)	(33,610,347)
Investment return		42,570,008	70,472,343
Exchange (losses)/gains		(32)	961
<b>Total (losses)/income</b>		<u>(222,509,589)</u>	<u>36,862,957</u>
<b>Expenses</b>			
Investment management fee		1,856,780	2,082,857
Investment related expense		-	11,731
<b>Total expenses</b>		<u>1,856,780</u>	<u>2,094,588</u>
<b>Net (losses)/income</b>		(224,366,369)	34,768,369
Decrease in excess return reserve	6	-	63,890,091
<b>(Decrease)/increase in net assets attributable to members from operations</b>		<u>(224,366,369)</u>	<u>98,658,460</u>

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 2022

	Note	2022 MOP	2021 MOP
Balance at the beginning of the year		<u>7,306,201,110</u>	<u>6,750,787,162</u>
Proceeds on subscription	5	1,173,248,888	1,102,892,761
Payments on redemption	5	<u>(583,015,922)</u>	<u>(646,137,273)</u>
Net subscription		<u>590,232,966</u>	<u>456,755,488</u>
(Decrease)/increase in net assets attributable to members from operations		<u>(224,366,369)</u>	<u>98,658,460</u>
Balance at the end of the year		<u><u>7,672,067,707</u></u>	<u><u>7,306,201,110</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 2022

	2022 MOP	2021 MOP
<b>Cash flows from operating activities</b>		
(Decrease)/increase in net assets attributable to members from	(224,366,369)	98,658,460
Adjustment for:		
Decrease in excess return reserve	-	(63,890,091)
Operating (loss)/profit before working capital changes	(224,366,369)	34,768,369
Net increase in investments	(388,397,466)	(471,870,116)
Net decrease in other receivables	3,098,478	1,315,211
Net increase in accruals and other payables	286,622	442,502
<b>Net cash used in operating activities</b>	<b>(609,378,735)</b>	<b>(435,344,034)</b>
<b>Cash flows from financing activities</b>		
Proceeds on subscription	1,194,278,958	1,080,010,436
Payments on redemption	(584,900,204)	(644,666,401)
<b>Net cash generated from financing activities</b>	<b>609,378,754</b>	<b>435,344,035</b>
<b>Net increase in cash and cash equivalents</b>	<b>19</b>	<b>1</b>
Cash and cash equivalents at the beginning of the year	51,801	51,800
<b>Cash and cash equivalents at the end of the year</b>	<b>51,820</b>	<b>51,801</b>
<b>Analysis of balance of cash and cash equivalents</b>		
Cash at banks	51,820	51,801

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 2022

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### 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 31st December 2022 have been prepared in accordance with the Legal Framework of Private Pension Funds and Financial Reporting Standards (“New MFRSs”) promulgated by the Macao Special Administrative Region under Administrative Regulation No. 44/2020.

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.

#### Standards and amendments to existing standards effective 1st January 2022

Effective from 28 March 2020, Financial Reporting Standards issued by the Government of Macau under Administrative Regulation No. 25/2005 on 9th December 2005 (“MFRS”) were replaced by the New MFRS. The New MFRS is mandatory for adoption from the annual period beginning 1st January 2022. The Fund has adopted the New MFRS in preparing the financial statements for the year ended 31st December 2022.

None of the standards included in the New MFRS has a significant effect on the financial statements of the Fund except the following as set out below:

#### IFRS 9

IFRS 9 ‘Financial Instruments’ became effective for annual periods beginning on or after 1st January 2022. It addresses the classification, measurement and derecognition of financial assets and liabilities.

Classification and measurement of debt assets is driven by the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and the contractual cash flows under the instrument solely represent payments of principal and interest (“SPPI”). A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other debt instruments must be recognised at fair value through profit or loss.

## AIA MACAU RETIREMENT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022

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#### 2 Summary of significant accounting policies (continued)

##### (a) Basis of preparation (continued)

An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income. IFRS 9 also introduces a new expected credit loss (“ECL”) impairment model.

IFRS 9 has been applied retrospectively by the Fund and did not result in a change to the classification or measurement of financial instruments as outlined in note 2(b). The Fund’s investment portfolio continues to be classified as fair value through profit or loss and other financial assets which are held for collection continue to be measured at amortised cost. There was no material impact on adoption from the application of the new impairment model.

There are no other standards, amendments to standards or interpretations that are effective for annual periods beginning on 1st January 2022 that have a material effect on the financial statements of the Fund.

#### New standards and amendments issued but not effective for the financial year beginning 1st January 2022 and not early adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1st January 2022, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

##### (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.

The Fund holds investments of MOP7,667,375,175 (2021: MOP7,278,977,709) which had previously been designated at fair value through profit or loss. On adoption of IFRS 9 the investments are mandatorily classified as fair value through profit or loss.

## **AIA MACAU RETIREMENT FUND**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022**

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#### **2 Summary of significant accounting policies (continued)**

##### **(b) Investments (continued)**

###### **(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.

##### **(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.

## **AIA MACAU RETIREMENT FUND**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022**

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#### **2 Summary of significant accounting policies (continued)**

##### **(d) Translation of foreign currencies (continued)**

###### **(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 (losses)/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 (losses)/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.

##### **(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.

## AIA MACAU RETIREMENT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022

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#### 2 Summary of significant accounting policies (continued)

##### (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.

##### (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 2022 and 2021, the overall market exposures of the Fund were as follows:

	<b>2022</b>		<b>2021</b>	
	<b>Fair value</b>	<b>% of net</b>	<b>Fair value</b>	<b>% of net</b>
	<b>MOP</b>	<b>assets</b>	<b>MOP</b>	<b>assets</b>
		<b>attributable</b>		<b>attributable</b>
		<b>to members</b>		<b>to members</b>
				<b>and employers</b>
Guaranteed fund	1,690,110,099	22.03	4,273,055,606	58.49
Unit trust	<u>5,977,265,076</u>	<u>77.91</u>	<u>3,005,922,103</u>	<u>41.14</u>
Total investments	<u>7,667,375,175</u>	<u>99.94</u>	<u>7,278,977,709</u>	<u>99.63</u>

## AIA MACAU RETIREMENT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022

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#### 3 Financial risk management (continued)

##### (b) Market price risk (continued)

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. The Trustee considers that any reasonable possible shift in the guaranteed rate of return will not have material impact on the Scheme's net assets attributable to members and have therefore not provided a sensitivity analysis in respect of potential movements in the guaranteed rate of return.

The net exposure of the investment in the unit trust to market price risk is MOP5,977,265,076 (2021: MOP3,005,922,103). Consequently, an increase or decrease of 3% in market price across all instruments in the portfolio of the unit trust would result in an increase or decrease of MOP179,317,952 (2021: MOP90,177,663) in the Fund's net assets.

##### (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 MOP51,820 at 31st December 2022 (2021: MOP51,801) and is therefore exposed to minimal 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 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.

## AIA MACAU RETIREMENT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022

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#### 3 Financial risk management (continued)

##### (d) Credit and custody risk (continued)

The table below summarises the assets placed with the custodian:

	MOP	Credit rating	Source of credit rating
<b>At 31st December 2022</b>			
<u>Bank and custodian</u>			
Citibank N.A.	<u>7,667,426,995</u>	<u>A+</u>	<u>S&amp;P</u>
<b>At 31st December 2021</b>			
Citibank N.A.	<u>7,279,029,510</u>	<u>A+</u>	<u>S&amp;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 2022 and 2021, 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.

##### (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.



# AIA MACAU RETIREMENT FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022

### 3 Financial risk management (continued)

#### (e) Liquidity risk (continued)

	Less than 8 days MOP	8 days to 12 months MOP
<b>At 31st December 2022</b>		
Amounts payable on redemption	243,276	-
Accruals and other payables	-	1,217,915
Net assets attributable to members	<u>7,672,067,707</u>	<u>-</u>
	<u>7,672,310,983</u>	<u>1,217,915</u>
<b>At 31st December 2021</b>		
Amounts payable on redemption	2,127,558	-
Accruals and other payables	-	931,293
Net assets attributable to members	<u>7,306,201,110</u>	<u>-</u>
	<u>7,308,328,668</u>	<u>931,293</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 2022 and 2021.

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
<b>At 31st December 2022</b>	
Total assets	<u>7,673,528,898</u>
<b>At 31st December 2021</b>	
Total assets	<u>7,309,259,961</u>

## AIA MACAU RETIREMENT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022

#### 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:

	2022		2021	
	Monetary MOP	Non-monetary MOP	Monetary MOP	Non-monetary MOP
Hong Kong dollars	2,195,459	7,667,426,995	4,969,733	7,279,029,510

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% (2021: 5%) with all other variables held constant.

	2022		2021	
	Impact Monetary MOP	Impact Non-monetary MOP	Impact Monetary MOP	Impact Non-monetary MOP
Hong Kong dollars	109,773	383,371,350	248,487	363,951,476

## AIA MACAU RETIREMENT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022

#### 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 net assets attributable to members of the Fund’s financial assets (by class) measured at fair value at 31st December 2022 and 2021:

	Level 2 MOP	Total balance MOP
<b>At 31st December 2022</b>		
<b>Assets</b>		
Investment funds	<u>7,667,375,175</u>	<u>7,667,375,175</u>
<b>At 31st December 2021</b>		
<b>Assets</b>		
Investment funds	<u>7,278,977,709</u>	<u>7,278,977,709</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 2022 and 2021.

## AIA MACAU RETIREMENT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022

#### 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

	2022 MOP	2021 MOP
<b><u>Investment funds</u></b>		
AIA Guaranteed Fund <sup>1</sup>	1,690,110,099	4,273,055,606
AIA Corporate Bond Fund <sup>1</sup>	4,176,457,637	1,382,073,083
AIA Government Bond Fund <sup>1</sup>	1,800,807,439	1,623,849,020
	<u>7,667,375,175</u>	<u>7,278,977,709</u>

<sup>1</sup> The trustee of AIA Guaranteed 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 99.94% (2021: 99.63%) of net assets attributable to members.

The overall market exposure for the underlying investment funds at 31st December 2022 and 2021 were as follows:

	% of investments of the underlying funds	
	2022	2021
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 2022

### 4 Investments (continued)

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

	% of investments of the Underlying Fund	
	2022	2021
Abu Dhabi	3	-
Australia	5	6
Bermuda	-	2
British Virgin Islands	-	3
Canada	2	3
Cayman Islands	-	12
Chile	-	1
China	8	2
France	1	2
Germany	1	1
Hong Kong	40	8
Japan	3	11
Luxembourg	3	4
Malaysia	1	3
New Zealand	2	1
Poland	-	1
Qatar	4	1
Saudi Arabia	1	1
Singapore	4	3
South Korea	9	14
United Arab Emirates	3	7
United Kingdom	5	5
United States	5	5
Other	-	4
	<u>100</u>	<u>100</u>

## AIA MACAU RETIREMENT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022

#### 5 Units in issue

	2022	2021
<u>Members</u>	Units	Units
Number of units attributable to members in issue		
Balance at the beginning of the year	39,403,522	36,935,970
Units issued	6,466,296	5,960,173
Units redeemed	<u>(3,212,624)</u>	<u>(3,492,621)</u>
Balance at the end of the year	<u>42,657,194</u>	<u>39,403,522</u>
	<b>MOP</b>	<b>MOP</b>
Net assets attributable to members per unit	<u>179.85</u>	<u>185.42</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.

#### 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.

Excess return reserve represents the excess of accumulated return allocated to the units attributable to members over the accumulated actual return. No change in the excess return reserve is recognised in the statement of comprehensive income for the year ended 31st December 2022 (2021: MOP63,890,091).

#### 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 19th June 2023.

**AIA MACAU CAPITAL STABLE FUND  
REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31ST DECEMBER 2022**

## AIA MACAU CAPITAL STABLE FUND

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Management and professional service details	1
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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 21



## **AIA MACAU CAPITAL STABLE FUND**

### **MANAGEMENT AND PROFESSIONAL SERVICE DETAILS**

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#### **Management Company**

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

#### **Fund Administrator and Custodian**

Citibank N.A., Hong Kong Branch  
50/F, Champion Tower, 3 Garden Road  
Central, Hong Kong

#### **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 21, which comprise the statement of financial position as at 31st December 2022, 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 of financial statements that give a true and fair view in accordance with Financial Reporting Standards issued by the Government of the Macao Special Administrative Region and 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 of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by 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)**

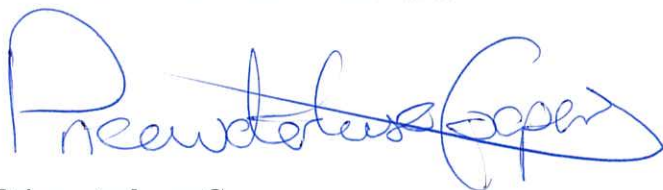
**Opinion**

In our opinion, the financial statements give a true and fair view, of the financial position of the Fund as at 31st December 2022 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 31st December 2022 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 31st December 2022 appropriately.

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



**PricewaterhouseCoopers**  
Certified Public Accountants

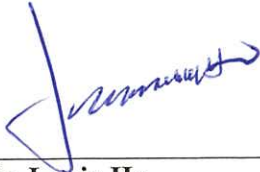
Hong Kong, 19th June 2023

# AIA MACAU CAPITAL STABLE FUND

## STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2022

	Note	2022 MOP	2021 MOP
<b>Assets</b>			
<b>Current assets</b>			
Investments	4	1,460,772,172	1,437,355,327
Amounts receivable on subscription		836,727	2,805,190
Amounts receivable on sale of investments		-	151,373
Other receivables		189,527	-
Cash at banks		4	-
<b>Total assets</b>		<u>1,461,798,430</u>	<u>1,440,311,890</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Amounts payable on redemption		462,984	1,062,662
Accruals and other payables		<u>290,004</u>	<u>383,641</u>
<b>Total liabilities</b>		<u>752,988</u>	<u>1,446,303</u>
<b>Equity</b>			
Net assets attributable to members		<u>1,461,045,442</u>	<u>1,438,865,587</u>
Unit in issue		<u>7,529,867.4925</u>	<u>6,719,902.7969</u>
Unit price		<u>194.03</u>	<u>214.12</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 21 are an integral part of these financial statements.

**AIA MACAU CAPITAL STABLE FUND**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31ST DECEMBER 2022**

	Note	2022 MOP	2021 MOP
<b>Income</b>			
Change in unrealised (losses)/gains on investments		(65,628,977)	24,306,674
Realised loss on sale of investments		(72,547,044)	(17,520,339)
Investment return		-	3,069,864
Interest income		4	-
<b>Total (losses)/income</b>		<u>(138,176,017)</u>	<u>9,856,199</u>
<b>Expenses</b>			
Investment management fee		<u>136,492</u>	<u>468,352</u>
<b>Total expenses</b>		<u>136,492</u>	<u>468,352</u>
<b>Total comprehensive (loss)/ income for the year</b>		<u><u>(138,312,509)</u></u>	<u><u>9,387,847</u></u>

The notes on pages 8 to 21 are an integral part of these financial statements.

**AIA MACAU CAPITAL STABLE FUND****STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31ST DECEMBER 2022**

	Note	2022 MOP	2021 MOP
Balance at the beginning of the year		<u>1,438,865,587</u>	<u>1,307,288,552</u>
Proceeds on subscription	5	293,135,418	298,647,885
Payments on redemption	5	<u>(132,643,054)</u>	<u>(176,458,697)</u>
Net subscription		<u>160,492,364</u>	<u>122,189,188</u>
Total comprehensive (loss)/ income for the year		<u>(138,312,509)</u>	9,387,847
Balance at the end of the year		<u><u>1,461,045,442</u></u>	<u><u>1,438,865,587</u></u>

The notes on pages 8 to 21 are an integral part of these financial statements.

# AIA MACAU CAPITAL STABLE FUND

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER 2022

	2022 MOP	2021 MOP
<b>Cash flows from operating activities</b>		
Total comprehensive (loss)/income for the year	(138,312,509)	9,387,847
Adjustment for:		
Interest income	(4)	-
Operating (loss)/income before working capital changes	(138,312,513)	9,387,847
Net increase in investments	(23,416,845)	(130,317,404)
Net decrease/(increase) in amount receivable on sales of investment	151,373	(151,373)
Net (increase)/decrease in other receivables	(189,527)	746,171
Net (decrease)/increase in accruals and other payables	(93,637)	243,865
Cash generated from operations		
Interest income received	4	-
<b>Net cash used in operating activities</b>	<u>(161,861,145)</u>	<u>(120,090,894)</u>
<b>Cash flows from financing activities</b>		
Proceeds on subscription	295,103,881	296,161,345
Payments on redemption	(133,242,732)	(176,070,451)
<b>Net cash generated from financing activities</b>	<u>161,861,149</u>	<u>120,090,894</u>
<b>Net increase in cash and cash equivalents</b>	4	-
Cash and cash equivalents at the beginning of the year	-	-
<b>Cash and cash equivalents at the end of the year</b>	<u>4</u>	<u>-</u>

The notes on pages 8 to 21 are an integral part of these financial statements.

# AIA MACAU CAPITAL STABLE FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022

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### 1 The Fund

AIA International Limited Macau Branch (the “Management Company”) established AIA Macau Capital Stable 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 31st December 2022 have been prepared in accordance with the Legal Framework of Private Pension Funds and Financial Reporting Standards (“New MFRSs”) promulgated by the Macao Special Administrative Region under Administrative Regulation No. 44/2020.

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.

#### Standards and amendments to existing standards effective 1st January 2022

Effective from 28 March 2020, Financial Reporting Standards issued by the Government of Macau under Administrative Regulation No. 25/2005 on 9th December 2005 (“MFRS”) were replaced by the New MFRS. The New MFRS is mandatory for adoption from the annual period beginning 1st January 2022. The Fund has adopted the New MFRS in preparing the financial statements for the year ended 31st December 2022.

None of the standards included in the New MFRS has a significant effect on the financial statements of the Fund except the following as set out below:

#### IFRS 9

IFRS 9 ‘Financial Instruments’ became effective for annual periods beginning on or after 1st January 2022. It addresses the classification, measurement and derecognition of financial assets and liabilities.

Classification and measurement of debt assets is driven by the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and the contractual cash flows under the instrument solely represent payments of principal and interest (“SPPI”). A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other debt instruments must be recognised at fair value through profit or loss.



## AIA MACAU CAPITAL STABLE FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022

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#### 2 Summary of significant accounting policies (continued)

##### (a) Basis of preparation (continued)

An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income. IFRS 9 also introduces a new expected credit loss ("ECL") impairment model.

IFRS 9 has been applied retrospectively by the Fund and did not result in a change to the classification or measurement of financial instruments as outlined in note 2(b). The Fund's investment portfolio continues to be classified as fair value through profit or loss and other financial assets which are held for collection continue to be measured at amortised cost. There was no material impact on adoption from the application of the new impairment model.

There are no other standards, amendments to standards or interpretations that are effective for annual periods beginning on 1st January 2022 that have a material effect on the financial statements of the Fund.

##### New standards and amendments issued but not effective for the financial year beginning 1st January 2022 and not early adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1st January 2022, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

##### (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.

The Fund holds investments of MOP1,460,772,172 (2021: MOP1,437,355,327) which had previously been designated at fair value through profit or loss. On adoption of IFRS 9 the investments are mandatorily classified as fair value through profit or loss.

## AIA MACAU CAPITAL STABLE FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022

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#### **2 Summary of significant accounting policies (continued)**

##### **(b) Investments (continued)**

###### **(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.

##### **(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.

## **AIA MACAU CAPITAL STABLE FUND**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022**

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#### **2 Summary of significant accounting policies (continued)**

##### **(d) Translation of foreign currencies (continued)**

###### **(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) 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.

##### **(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.

## **AIA MACAU CAPITAL STABLE FUND**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022**

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#### **2 Summary of significant accounting policies (continued)**

##### **(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 once 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 2022

### 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 2022 and 2021, the overall market exposures of the Fund were as follows:

	2022		2021	
	Fair value MOP	% of net assets	Fair value MOP	% of net assets
Unit trust	979,973,498	67.07	968,989,979	67.34
Other investment funds	480,798,674	32.91	468,365,348	32.55
Total investments	1,460,772,172	99.98	1,437,355,327	99.89

The net exposure of the investment in the unit trust to market price risk is MOP979,973,498 (2021: MOP968,989,979). 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 MOP9,799,735 (2021: MOP9,689,890) 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.

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	
		2022 MOP	2021 MOP
	% +/-		
Benchmark indices (Note 1)	5	22,660,587	25,345,353

## AIA MACAU CAPITAL STABLE FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022

---

#### 3 Financial risk management (continued)

##### (b) Market price risk (continued)

As at 31st December 2022 and 2021, 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:

	2022	2021
Note 1: FTSE World Government Bond Index, 25% HK\$ hedged	0%	2.1%
FTSE World Government Bond Index, 35% HK\$ hedged	0%	4.9%
FTSE All World Asia Pacific ex Japan and Hong Kong Index (Total)	0%	12.0%
FTSE All World Europe Index (Total)	0%	5.4%
FTSE All World North America Index (Total)	0%	5.4%
FTSE MPF Europe (Total)	0%	12.6%
FTSE MPF Hong Kong Index (Total)	0%	30.0%
FTSE MPF Japan (Total)	0%	8.4%
FTSE MPF USA (Total)	0%	12.6%
FTSE World Japan Index (Total)	0%	3.6%
MPFA Prescribed Savings Rate	0%	3.0%
Towers Watson MPF Benchmark (Equity > 80%)	100%	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 had bank balances of MOP4 at 31st December 2022 (2021: NIL) and is therefore exposed to minimal interest rate risk on these bank balances.

## AIA MACAU CAPITAL STABLE FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022

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#### 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 bank and custodian which individually exceed 1% of net assets:

	MOP	Credit rating	Source of credit rating
<b>At 31st December 2022</b>			
<u>Bank and custodian</u>			
Citibank N.A.	<u>1,460,772,176</u>	<u>A+</u>	<u>S&amp;P</u>
<b>At 31st December 2021</b>			
<u>Custodian</u>			
Citibank N.A.	<u>1,437,355,327</u>	<u>A+</u>	<u>S&amp;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 2022 and 2021, 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 CAPITAL STABLE FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022

### 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
<b>At 31st December 2022</b>		
Amounts payable on redemption	462,984	-
Accruals and other payables	-	290,004
	<u>462,984</u>	<u>290,004</u>
<b>At 31st December 2021</b>		
Amounts payable on redemption	1,062,662	-
Accruals and other payables	-	383,641
	<u>1,062,662</u>	<u>383,641</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 2022 and 2021.

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
<b>At 31st December 2022</b>	
Total assets	<u>1,461,798,430</u>
<b>At 31st December 2021</b>	
Total assets	<u>1,440,311,890</u>



## AIA MACAU CAPITAL STABLE FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022

#### 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:

	2022		2021	
	Monetary MOP	Non-monetary MOP	Monetary MOP	Non-monetary MOP
Hong Kong dollars	-	979,973,502	-	1,109,008,679
United States dollar	-	480,798,674	-	328,346,649

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% (2021: 5%) with all other variables held constant.

	2022		2021	
	Impact Monetary MOP	Impact Non-monetary MOP	Impact Monetary MOP	Impact Non-monetary MOP
Hong Kong dollars	-	48,998,675	-	55,450,434
United States dollar	-	24,039,934	-	16,417,332

# AIA MACAU CAPITAL STABLE FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022

### 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 net assets attributable to members of the Fund’s financial assets (by class) measured at fair value at 31st December 2022 and 2021:

	Level 2 MOP	Total balance MOP
<b>At 31st December 2022</b>		
<b>Assets</b>		
Investment funds	<u>1,460,772,172</u>	<u>1,460,772,172</u>
<b>At 31st December 2021</b>		
<b>Assets</b>		
Investment funds	<u>1,437,355,327</u>	<u>1,437,355,327</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 2022 and 2021.

# AIA MACAU CAPITAL STABLE FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022

### 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

	2022 MOP	2021 MOP
<b><u>Investment funds</u></b>		
AIA Corporate Bond Fund <sup>1</sup>	979,973,498	968,989,979
AIA Growth Fund <sup>1</sup>	480,798,674	328,346,649
AIA Allianz Growth Fund <sup>1</sup>	-	140,018,699
	<u>1,460,772,172</u>	<u>1,437,355,327</u>

<sup>1</sup> The trustee of AIA Corporate Bond Fund, AIA Growth Fund and AIA Allianz Growth Fund 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 99.98% (2021: 99.90%) of net assets attributable to members.

The overall market exposure for the underlying investment funds at 31st December 2022 and 2021 were as follows:

	% of investments of the underlying funds	
	2022	2021
Debt securities	67%	67%
Investment funds - investing mainly in equities with balance in bonds and cash	33%	33%
	<u>100%</u>	<u>100%</u>

# AIA MACAU CAPITAL STABLE FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022

### 4 Investments (continued)

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

	% of investments of the Underlying Fund	
	2022	2021
Europe	12	10
Hong Kong	41	36
Japan	6	6
North America	11	12
Other Asia	30	35
Other	-	1
	<u>100</u>	<u>100</u>

### 5 Units in issue

	2022	2021
	Units	Units
Balance at the beginning of the year	6,719,902	6,154,552
Units issued	1,481,623	1,380,134
Units redeemed	<u>(671,658)</u>	<u>(814,784)</u>
Balance at the end of the year	<u>7,529,867</u>	<u>6,719,902</u>

	MOP	MOP
Net assets attributable to members per unit	<u>194.03</u>	<u>214.12</u>

## **AIA MACAU CAPITAL STABLE FUND**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022**

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#### **6 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.

#### **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 19th June 2023.

**AIA MACAU BALANCED FUND**

**REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31ST DECEMBER 2022**

## AIA MACAU BALANCED FUND

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Statement of changes in equity	6
Statement of cash flows	7
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## **AIA MACAU BALANCED FUND**

### **MANAGEMENT AND PROFESSIONAL SERVICE DETAILS**

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#### **Management Company**

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

#### **Fund Administrator and Custodian**

Citibank N.A., Hong Kong Branch  
50/F, Champion Tower, 3 Garden Road  
Central, Hong Kong

#### **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 21, which comprise the statement of financial position as at 31st December 2022, 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 of financial statements that give a true and fair view in accordance with Financial Reporting Standards issued by the Government of the Macao Special Administrative Region and 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 of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by 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)**

#### **Opinion**

In our opinion, the financial statements give a true and fair view, of the financial position of the Fund as at 31st December 2022 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 31st December 2022 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 31st December 2022 appropriately.

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



**PricewaterhouseCoopers**  
Certified Public Accountants


Hong Kong, 19th June 2023

# AIA MACAU BALANCED FUND

## STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2022

	Note	2022 MOP	2021 MOP
<b>Assets</b>			
<b>Current assets</b>			
Investments	4	2,316,597,480	2,372,164,252
Amounts receivable on subscription		957,445	4,986,510
Amounts receivable on sale of investments		-	195,400
Other receivables		273,244	-
Cash at banks		7	-
<b>Total assets</b>		<u>2,317,828,176</u>	<u>2,377,346,162</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Amounts payable on redemption		115,292	1,503,552
Accruals and other payables		<u>380,948</u>	<u>472,796</u>
<b>Total liabilities</b>		<u>496,240</u>	<u>1,976,348</u>
<b>Equity</b>			
Net assets attributable to members		<u>2,317,331,936</u>	<u>2,375,369,814</u>
Unit in issue		<u>9,676,403.1054</u>	<u>8,760,999.4911</u>
Unit price		<u>239.48</u>	<u>271.13</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 21 are an integral part of these financial statements.

**AIA MACAU BALANCED FUND****STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31ST DECEMBER 2022**

	Note	2022 MOP	2021 MOP
<b>Income</b>			
Change in unrealised losses on investments		(299,530,421)	(5,730,286)
Realised gain on sale of investments		16,466,932	36,489,531
Investment return		-	3,362,047
Interest income		7	-
<b>Total (losses)/income</b>		<u>(283,063,482)</u>	<u>34,121,292</u>
<b>Expenses</b>			
Investment management fee		262,718	605,294
Investment related expense		-	16,815
<b>Total expenses</b>		<u>262,718</u>	<u>622,109</u>
<b>Total comprehensive (loss)/income for the year</b>		<u><u>(283,326,200)</u></u>	<u><u>33,499,183</u></u>

The notes on pages 8 to 21 are an integral part of these financial statements.

# AIA MACAU BALANCED FUND

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2022

	Note	2022 MOP	2021 MOP
Balance at the beginning of the year		<u>2,375,369,814</u>	<u>2,048,379,155</u>
Proceeds on subscription	5	387,662,482	470,846,426
Payments on redemption	5	<u>(162,374,160)</u>	<u>(177,354,950)</u>
Net subscription		<u>225,288,322</u>	<u>293,491,476</u>
Total comprehensive (loss)/income for the year		(283,326,200)	33,499,183
Balance at the end of the year		<u><u>2,317,331,936</u></u>	<u><u>2,375,369,814</u></u>

The notes on pages 8 to 21 are an integral part of these financial statements.

**AIA MACAU BALANCED FUND****STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31ST DECEMBER 2022**

	<b>2022 MOP</b>	<b>2021 MOP</b>
<b>Cash flows from operating activities</b>		
Total comprehensive (loss)/income for the year	(283,326,200)	33,499,183
Adjustment for:		
Interest on bank balances	(7)	-
Operating (loss)/income before working capital changes	(283,326,207)	33,499,183
Net decrease/(increase) in investments	55,566,772	(325,312,948)
Net decrease/(increase) in amount receivable on sales of investments	195,400	(195,400)
Net (increase)/decrease in other receivables	(273,244)	768,953
Net (decrease)/increase in accruals and other payables	(91,848)	272,103
Cash generated from operations		
Interest income received	7	-
<b>Net cash used in operating activities</b>	<b>(227,929,120)</b>	<b>(290,968,109)</b>
<b>Cash flows from financing activities</b>		
Proceeds on subscription	391,691,547	467,042,616
Payments on redemption	(163,762,420)	(176,074,507)
<b>Net cash generated from financing activities</b>	<b>227,929,127</b>	<b>290,968,109</b>
<b>Net increase in cash and cash equivalents</b>	<b>7</b>	<b>-</b>
Cash and cash equivalents at the beginning of the year	-	-
<b>Cash and cash equivalents at the end of the year</b>	<b>7</b>	<b>-</b>

The notes on pages 8 to 21 are an integral part of these financial statements.

# AIA MACAU BALANCED FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022

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### 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 31st December 2022 have been prepared in accordance with the Legal Framework of Private Pension Funds and Financial Reporting Standards (“New MFRSs”) promulgated by the Macao Special Administrative Region under Administrative Regulation No. 44/2020.

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.

#### Standards and amendments to existing standards effective 1st January 2022

Effective from 28 March 2020, Financial Reporting Standards issued by the Government of Macau under Administrative Regulation No. 25/2005 on 9th December 2005 (“MFRS”) were replaced by the New MFRS. The New MFRS is mandatory for adoption from the annual period beginning 1st January 2022. The Fund has adopted the New MFRS in preparing the financial statements for the year ended 31st December 2022.

None of the standards included in the New MFRS has a significant effect on the financial statements of the Fund except the following as set out below:

#### IFRS 9

IFRS 9 ‘Financial Instruments’ became effective for annual periods beginning on or after 1st January 2022. It addresses the classification, measurement and derecognition of financial assets and liabilities.

Classification and measurement of debt assets is driven by the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and the contractual cash flows under the instrument solely represent payments of principal and interest (“SPPI”). A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other debt instruments must be recognised at fair value through profit or loss.

## AIA MACAU BALANCED FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022

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#### 2 Summary of significant accounting policies (continued)

##### (a) Basis of preparation (continued)

An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income. IFRS 9 also introduces a new expected credit loss ("ECL") impairment model.

IFRS 9 has been applied retrospectively by the Fund and did not result in a change to the classification or measurement of financial instruments as outlined in note 2(b). The Fund's investment portfolio continues to be classified as fair value through profit or loss and other financial assets which are held for collection continue to be measured at amortised cost. There was no material impact on adoption from the application of the new impairment model.

There are no other standards, amendments to standards or interpretations that are effective for annual periods beginning on 1st January 2022 that have a material effect on the financial statements of the Fund.

#### New standards and amendments issued but not effective for the financial year beginning 1st January 2022 and not early adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1st January 2022, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

##### (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.

The Fund holds investments of MOP2,316,597,480 (2021: MOP2,372,164,252) which had previously been designated at fair value through profit or loss. On adoption of IFRS 9 the investments are mandatorily classified as fair value through profit or loss.



## AIA MACAU BALANCED FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022

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#### **2 Summary of significant accounting policies (continued)**

##### **(b) Investments (continued)**

###### **(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.

##### **(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.

## **AIA MACAU BALANCED FUND**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022**

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#### **2 Summary of significant accounting policies (continued)**

##### **(d) Translation of foreign currencies (continued)**

###### **(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) 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.

##### **(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.

## **AIA MACAU BALANCED FUND**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022**

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#### **2 Summary of significant accounting policies (continued)**

##### **(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.

##### **(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.

# AIA MACAU BALANCED FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022

### 3 Financial risk management (continued)

#### (b) Market price risk (continued)

At 31st December 2022 and 2021, the overall market exposures of the Fund were as follows:

	2022		2021	
	Fair value MOP	% of net assets attributable to members	Fair value MOP	% of net assets attributable to members and employers
Unit trust	1,044,664,141	45.08	1,078,418,143	45.40
Other investment funds	1,271,933,339	54.89	1,293,746,109	54.47
Total investments	2,316,597,480	99.97	2,372,164,252	99.87

The Fund invests in a unit trust and other investment funds. The net exposure of the investment in the unit trust to market price risk is MOP1,044,664,141 (2021: MOP1,078,418,143). 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 MOP10,446,641 (2021: MOP10,784,181) 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.

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	
		2022 MOP	2021 MOP
	% +/-		
Benchmark indices (Note 1)	5	59,947,661	70,013,374

## AIA MACAU BALANCED FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022

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#### 3 Financial risk management (continued)

##### (b) Market price risk (continued)

At 31st December 2022 and 2021, 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:

	2022	2021
Note 1: FTSE World Government Bond Index, 25% HK\$ hedged	0%	2.1%
FTSE World Government Bond Index, 35% HK\$ hedged	0%	4.9%
FTSE All World Asia Pacific ex Japan and Hong Kong Index (Total)	0%	12.0%
FTSE All World Europe Index (Total)	0%	5.4%
FTSE All World North America Index (Total)	0%	5.4%
FTSE MPF Europe (Total)	0%	12.6%
FTSE MPF Hong Kong Index (Total)	0%	30.0%
FTSE MPF Japan (Total)	0%	8.4%
FTSE MPF USA (Total)	0%	12.6%
FTSE World Japan Index (Total)	0%	3.6%
MPFA Prescribed Savings Rate	0%	3.0%
Towers Watson MPF Benchmark (Equity > 80%)	100%	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 had bank balances of MOP7 at 31st December 2022 (2021: NIL) and is therefore exposed to minimal interest rate risk on these bank balances.

## AIA MACAU BALANCED FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022

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#### 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 which individually exceed 1% of net assets:

	MOP	Credit rating	Source of credit rating
<b>At 31st December 2022</b>			
<u>Bank and custodian</u>			
Citibank N.A.	<u>2,316,597,480</u>	<u>A+</u>	<u>S&amp;P</u>
<b>At 31st December 2021</b>			
Citibank N.A.	<u>2,372,164,252</u>	<u>A+</u>	<u>S&amp;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 2022 and 2021, 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 BALANCED FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022

### 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
<b>At 31st December 2022</b>		
Amounts payable on redemption	115,292	-
Accruals and other payables	-	380,948
	<u>115,292</u>	<u>380,948</u>
<b>At 31st December 2021</b>		
Amounts payable on redemption	1,503,552	-
Accruals and other payables	-	472,796
	<u>1,503,552</u>	<u>472,796</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 2022 and 2021.

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
<b>At 31st December 2022</b>	
Total assets	<u>2,317,828,176</u>
<b>At 31st December 2021</b>	
Total assets	<u>2,377,346,162</u>

## AIA MACAU BALANCED FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022

#### 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:

	2022		2021	
	Monetary MOP	Non-monetary MOP	Monetary MOP	Non-monetary MOP
Hong Kong dollars	-	1,044,664,148	-	1,465,384,551
United States dollar	-	1,271,933,339	-	906,779,701

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% (2021: 5%) with all other variables held constant.

	2022		2021	
	Impact Monetary MOP	Impact Non-monetary MOP	Impact Monetary MOP	Impact Non-monetary MOP
Hong Kong dollars	-	52,233,207	-	73,269,228
United States dollar	-	63,596,667	-	45,338,985

##### (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 BALANCED FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022

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#### 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 2022 and 2021:

	Level 2 MOP	Total balance MOP
<b>At 31st December 2022</b>		
<b>Assets</b>		
Investment funds	<u>2,316,597,480</u>	<u>2,316,597,480</u>
<b>At 31st December 2021</b>		
<b>Assets</b>		
Investment funds	<u>2,372,164,252</u>	<u>2,372,164,252</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 2022 and 2021.

# AIA MACAU BALANCED FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022

### 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

	2022 MOP	2021 MOP
<b><u>Investment funds</u></b>		
AIA Corporate Bond Fund <sup>1</sup>	1,044,664,141	1,078,418,143
AIA Growth Fund	1,271,933,339	906,779,701
AIA Allianz Growth Fund	-	386,966,408
	<u>2,316,597,480</u>	<u>2,372,164,252</u>

<sup>1</sup> The trustee of AIA Corporate Bond Fund, AIA Growth Fund and AIA Allianz Growth Fund, 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 99.97% (2021: 99.87%) of net assets attributable to members.

The overall market exposure for the underlying investment funds at 31st December 2022 and 2021 were as follows:

	% of investments of the underlying funds	
	2022	2021
Debt securities	45%	45%
Investment funds - investing mainly in equities with balance in bonds and cash	55%	55%
	<u>100%</u>	<u>100%</u>

# AIA MACAU BALANCED FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022

### 4 Investments (continued)

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

	% of investments of the Underlying Fund	
	2022	2021
Europe	15	14
Hong Kong	38	33
Japan	8	9
United States	15	16
Other Asia	24	27
Other	-	1
	<u>100</u>	<u>100</u>

### 5 Units in issue

	2022 Units	2021 Units
Balance at the beginning of the year	8,760,999	7,690,554
Units issued	1,579,691	1,715,897
Units redeemed	<u>(664,287)</u>	<u>(645,452)</u>
Balance at the end of the year	<u>9,676,403</u>	<u>8,760,999</u>
	<b>MOP</b>	<b>MOP</b>
Net assets attributable to members per unit	<u>239.48</u>	<u>271.13</u>

## **AIA MACAU BALANCED FUND**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022**

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#### **6 Transactions with related-parties**

Except as disclosed in notes 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.

#### **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 19th June 2023.

**AIA MACAU GROWTH FUND**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31ST DECEMBER 2022**

## AIA MACAU GROWTH FUND

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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 21

## **AIA MACAU GROWTH FUND**

### **MANAGEMENT AND PROFESSIONAL SERVICE DETAILS**

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#### **Management Company**

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

#### **Fund Administrator and Custodian**

Citibank N.A., Hong Kong Branch  
50/F, Champion Tower, 3 Garden Road  
Central, Hong Kong

#### **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 21, which comprise the statement of financial position as at 31st December 2022, 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 of financial statements that give a true and fair view in accordance with Financial Reporting Standards issued by the Government of the Macao Special Administrative Region and 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 of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by 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)**

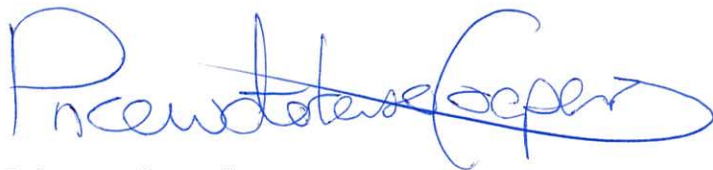
#### **Opinion**

In our opinion, the financial statements give a true and fair view, of the financial position of the Fund as at 31st December 2022 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 31st December 2022 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 31st December 2022 appropriately.

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



**PricewaterhouseCoopers**  
Certified Public Accountants


Hong Kong, 19th June 2023

# AIA MACAU GROWTH FUND

## STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2022

	Note	2022 MOP	2021 MOP
<b>Assets</b>			
<b>Current assets</b>			
Investments	4	3,323,217,338	3,489,785,379
Amounts receivable on subscription		3,683,176	1,523,609
Amounts receivable on sale of investments		-	248,423
Other receivables		12,381	-
Cash at banks		10	-
<b>Total assets</b>		<u>3,326,912,905</u>	<u>3,491,557,411</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Amounts payable on redemption		114,811	2,174,289
Accruals and other payables		490,188	678,183
<b>Total liabilities</b>		<u>604,999</u>	<u>2,852,472</u>
<b>Equity</b>			
Net assets attributable to members		<u>3,326,307,906</u>	<u>3,488,704,939</u>
Unit in issue		<u>10,972,035.0490</u>	<u>9,984,559.5137</u>
Unit price		<u>303.16</u>	<u>349.41</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 21 are an integral part of these financial statements.

**AIA MACAU GROWTH FUND****STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31ST DECEMBER 2022**

	Note	2022 MOP	2021 MOP
<b>Income</b>			
Change in unrealised (losses)/gains on investments		(518,925,725)	12,459,325
Realised gain on sale of investments		47,415,171	50,642,115
Investment return		-	3,252,146
Interest income		9	-
<b>Total (losses)/income</b>		<u>(471,510,545)</u>	<u>66,353,586</u>
<b>Expenses</b>			
Investment management fee		<u>694,432</u>	<u>922,035</u>
<b>Total expenses</b>		<u>694,432</u>	<u>922,035</u>
<b>Total comprehensive (loss)/income for the year</b>		<u><u>(472,204,977)</u></u>	<u><u>65,431,551</u></u>

The notes on pages 8 to 21 are an integral part of these financial statements.

# AIA MACAU GROWTH FUND

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2022

	Note	2022 MOP	2021 MOP
Balance at the beginning of the year		<u>3,488,704,939</u>	<u>2,945,568,297</u>
Proceeds on subscription	5	539,951,211	696,275,685
Payments on redemption	5	<u>(230,143,267)</u>	<u>(218,570,594)</u>
Net subscription		<u>309,807,944</u>	<u>477,705,091</u>
Total comprehensive (loss)/income for the year		<u>(472,204,977)</u>	<u>65,431,551</u>
Balance at the end of the year		<u><u>3,326,307,906</u></u>	<u><u>3,488,704,939</u></u>

The notes on pages 8 to 21 are an integral part of these financial statements.

# AIA MACAU GROWTH FUND

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER 2022

	2022 MOP	2021 MOP
<b>Cash flows from operating activities</b>		
Total comprehensive (loss)/income for the year	(472,204,977)	65,431,551
Adjustment for:		
Interest on bank balances	(9)	-
Operating (loss)/income before working capital changes	(472,204,986)	65,431,551
Net decrease/(increase) in investments	166,568,041	(545,099,921)
Net decrease/(increase) in amount receivable on sales of investments	248,423	(248,423)
Net (increase)/decrease in other receivables	(12,381)	730,971
Net (decrease)/increase in accruals and other payables	(187,995)	419,105
Cash generated from operations		
Interest income received	9	-
<b>Net cash used in operating activities</b>	<b>(305,588,889)</b>	<b>(478,766,717)</b>
<b>Cash flows from financing activities</b>		
Proceeds on subscription	537,791,644	695,482,368
Payments on redemption	(232,202,745)	(216,715,651)
<b>Net cash generated from financing activities</b>	<b>305,588,899</b>	<b>478,766,717</b>
<b>Net increase in cash and cash equivalents</b>	<b>10</b>	<b>-</b>
Cash and cash equivalents at the beginning of the year	-	-
<b>Cash and cash equivalents at the end of the year</b>	<b>10</b>	<b>-</b>

The notes on pages 8 to 21 are an integral part of these financial statements.

# AIA MACAU GROWTH FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022

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### 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 31st December 2022 have been prepared in accordance with the Legal Framework of Private Pension Funds and Financial Reporting Standards (“New MFRSs”) promulgated by the Macao Special Administrative Region under Administrative Regulation No. 44/2020.

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.

#### Standards and amendments to existing standards effective 1st January 2022

Effective from 28 March 2020, Financial Reporting Standards issued by the Government of Macau under Administrative Regulation No. 25/2005 on 9th December 2005 (“MFRS”) were replaced by the New MFRS. The New MFRS is mandatory for adoption from the annual period beginning 1st January 2022. The Fund has adopted the New MFRS in preparing the financial statements for the year ended 31st December 2022.

None of the standards included in the New MFRS has a significant effect on the financial statements of the Fund except the following as set out below:

#### IFRS 9

IFRS 9 ‘Financial Instruments’ became effective for annual periods beginning on or after 1st January 2022. It addresses the classification, measurement and derecognition of financial assets and liabilities.

Classification and measurement of debt assets is driven by the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and the contractual cash flows under the instrument solely represent payments of principal and interest (“SPPI”). A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other debt instruments must be recognised at fair value through profit or loss.

## AIA MACAU GROWTH FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022

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#### 2 Summary of significant accounting policies (continued)

##### (a) Basis of preparation (continued)

An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income. IFRS 9 also introduces a new expected credit loss ("ECL") impairment model.

IFRS 9 has been applied retrospectively by the Fund and did not result in a change to the classification or measurement of financial instruments as outlined in note 2(b). The Fund's investment portfolio continues to be classified as fair value through profit or loss and other financial assets which are held for collection continue to be measured at amortised cost. There was no material impact on adoption from the application of the new impairment model.

There are no other standards, amendments to standards or interpretations that are effective for annual periods beginning on 1st January 2022 that have a material effect on the financial statements of the Fund.

##### New standards and amendments issued but not effective for the financial year beginning 1st January 2022 and not early adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1st January 2022, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

##### (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.

The Fund holds investments of MOP3,323,217,338 (2021: MOP3,489,785,379) which had previously been designated at fair value through profit or loss. On adoption of IFRS 9 the investments are mandatorily classified as fair value through profit or loss.

## AIA MACAU GROWTH FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022

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#### **2 Summary of significant accounting policies (continued)**

##### **(b) Investments (continued)**

###### **(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.

##### **(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 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.



## AIA MACAU GROWTH FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022

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#### **2 Summary of significant accounting policies (continued)**

##### **(d) Translation of foreign currencies (continued)**

###### **(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) 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.

##### **(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.

## **AIA MACAU GROWTH FUND**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022**

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#### **2 Summary of significant accounting policies (continued)**

##### **(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.

##### **(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.

# AIA MACAU GROWTH FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022

### 3 Financial risk management (continued)

#### (b) Market price risk (continued)

At 31st December 2022 and 2021, the overall market exposures of the Fund were as follows:

	2022		2021	
	Fair value MOP	% of net assets	Fair value MOP	% of net assets
Unit trust	999,608,586	30.05	1,060,955,141	30.41
Other investment funds	2,323,608,752	69.86	2,428,830,238	69.62
Total investments	3,323,217,338	99.91	3,489,785,379	100.03

The Fund invests in a unit trust and other investment funds. The net exposure of the investment in the unit trust to market price risk is MOP999,608,586 (2021: MOP1,060,955,141). 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 MOP9,996,086 (2021: MOP10,609,551) 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.

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	
		2022 MOP	2021 MOP
	% +/-		
Benchmark indices (Note 1)	5	109,514,317	131,440,456

## AIA MACAU GROWTH FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022

#### 3 Financial risk management (continued)

##### (b) Market price risk (continued)

As at 31st December 2022 and 2021, 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:

	2022	2021
Note 1: FTSE World Government Bond Index, 25% HK\$ hedged	0%	2.1%
FTSE World Government Bond Index, 35% HK\$ hedged	0%	4.9%
FTSE All World Asia Pacific ex Japan and Hong Kong Index (Total)	0%	12.0%
FTSE All World Europe Index (Total)	0%	5.4%
FTSE All World North America Index (Total)	0%	5.4%
FTSE MPF Europe (Total)	0%	12.6%
FTSE MPF Hong Kong Index (Total)	0%	30.0%
FTSE MPF Japan (Total)	0%	8.4%
FTSE MPF USA (Total)	0%	12.6%
FTSE World Japan Index (Total)	0%	3.6%
MPFA Prescribed Savings Rate	0%	3.0%
Towers Watson MPF Benchmark (Equity > 80%)	100%	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 had bank balances of MOP10 as at 31st December 2022 (2021: NIL) and is therefore exposed to minimal 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 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.

## AIA MACAU GROWTH FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022

#### 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
<b>At 31st December 2022</b>			
<u>Bank and custodian</u>			
Citibank N.A.	<u>3,323,217,338</u>	<u>A+</u>	<u>S&amp;P</u>
<b>At 31st December 2021</b>			
Citibank N.A.	<u>3,489,785,379</u>	<u>A+</u>	<u>S&amp;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 2022 and 2021, 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.

##### (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.

# AIA MACAU GROWTH FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022

### 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
<b>At 31st December 2022</b>		
Amounts payable on redemption	114,811	-
Accruals and other payables	-	490,188
	<u>114,811</u>	<u>490,188</u>
<b>At 31st December 2021</b>		
Amounts payable on redemption	2,174,289	-
Accruals and other payables	-	678,183
	<u>2,174,289</u>	<u>678,183</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 2022 and 2021.

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
<b>At 31st December 2022</b>	
Total assets	<u>3,326,912,905</u>
<b>At 31st December 2021</b>	
Total assets	<u>3,491,557,411</u>

## AIA MACAU GROWTH FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022

#### 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:

	2022		2021	
	Monetary MOP	Non-monetary MOP	Monetary MOP	Non-monetary MOP
Hong Kong dollars	-	999,608,596	-	1,787,430,230
United States dollar	-	2,323,608,752	-	1,702,355,149

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% (2021: 5%) with all other variables held constant.

	2022		2021	
	Impact Monetary MOP	Impact Non-monetary MOP	Impact Monetary MOP	Impact Non-monetary MOP
Hong Kong dollars	-	49,980,430	-	89,371,512
United States dollar	-	116,180,438	-	85,117,757

## AIA MACAU GROWTH FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022

#### 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 2022 and 2021:

	Level 2 MOP	Total balance MOP
<b>At 31st December 2022</b>		
<b>Assets</b>		
Investment funds	<u>3,323,217,338</u>	<u>3,323,217,338</u>
<b>At 31st December 2021</b>		
<b>Assets</b>		
Investment funds	<u>3,489,785,379</u>	<u>3,489,785,379</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 2022 and 2021.



## AIA MACAU GROWTH FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022

#### 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

	2022 MOP	2021 MOP
<b><u>Investment funds</u></b>		
AIA Corporate Bond Fund <sup>1</sup>	999,608,586	1,060,955,141
AIA Growth Fund <sup>1</sup>	2,323,608,752	1,702,355,149
AIA Allianz Growth Fund <sup>1</sup>	-	726,475,089
	<u>3,323,217,338</u>	<u>3,489,785,379</u>

<sup>1</sup> The trustee of AIA Corporate Bond Fund, AIA Growth Fund and AIA Allianz Growth Fund, 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 99.91% (2021: 100.03%) of net assets attributable to members.

The overall market exposure for the underlying investment funds as at 31st December 2022 and 2021 were as follows:

	% of investments of the underlying funds	
	2022	2021
Debt securities	30	30
Investment funds - investing mainly in equities with balance in bonds and cash	70	70
	<u>100</u>	<u>100</u>

# AIA MACAU GROWTH FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022

### 4 Investments (continued)

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

	% of investments of the Underlying Fund	
	2022	2021
Europe	17	16
Hong Kong	37	33
Japan	9	10
North America	17	19
Other Asia	20	21
Other	-	1
	<u>100</u>	<u>100</u>

### 5 Units in issue

	2022 Units	2021 Units
Number of units attributable to members in issue		
Balance at the beginning of the year	9,984,559	8,636,764
Units issued	1,733,477	1,965,398
Units redeemed	<u>(746,001)</u>	<u>(617,603)</u>
Balance at the end of the year	<u>10,972,035</u>	<u>9,984,559</u>
	<b>MOP</b>	<b>MOP</b>
Net assets attributable to members per unit	<u>303.16</u>	<u>349.41</u>

## **AIA MACAU GROWTH FUND**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022**

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#### **6 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.

#### **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 19th June 2023.

**AIA MACAU MANAGER'S CHOICE FUND  
REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31ST DECEMBER 2022**

## AIA MACAU MANAGER'S CHOICE FUND

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## **AIA MACAU MANAGER'S CHOICE FUND**

### **MANAGEMENT AND PROFESSIONAL SERVICE DETAILS**

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#### **Management Company**

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

#### **Fund Administrator and Custodian**

Citibank N.A., Hong Kong Branch  
50/F, Champion Tower, 3 Garden Road  
Central, Hong Kong

#### **Auditor**

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

# **AIA MACAU MANAGER'S CHOICE FUND**

## **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 20, which comprise the statement of financial position as at 31st December 2022, 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 of financial statements that give a true and fair view in accordance with Financial Reporting Standards issued by the Government of the Macao Special Administrative Region and 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 of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by 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 MANAGER'S CHOICE FUND**

### **INDEPENDENT AUDITOR'S REPORT**

#### **TO THE MANAGEMENT COMPANY OF AIA MACAU MANAGER'S CHOICE FUND (CONTINUED)**

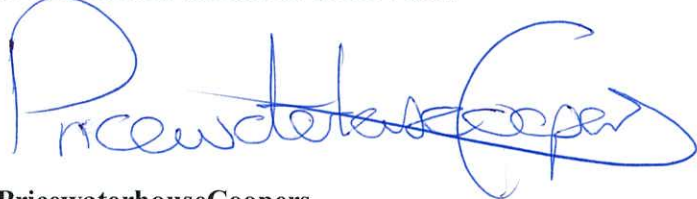
#### **Opinion**

In our opinion, the financial statements give a true and fair view, of the financial position of the Fund as at 31st December 2022 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 31st December 2022 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 31st December 2022 appropriately.

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



**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 19th June 2023



# AIA MACAU MANAGER'S CHOICE FUND

## STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2022

	Note	2022 MOP	2021 MOP
<b>Assets</b>			
<b>Current assets</b>			
Investments	4	547,449,192	513,909,150
Amounts receivable on subscription		937,813	298,344
Other receivables		203,192	189,511
<b>Total assets</b>		<u>548,590,197</u>	<u>514,397,005</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Amounts payable on redemption		69,897	130,376
Accruals and other payables		35,033	108,810
<b>Total liabilities</b>		<u>104,930</u>	<u>239,186</u>
<b>Equity</b>			
Net assets attributable to members		<u>548,485,267</u>	<u>514,157,819</u>
Unit in issue		<u>4,621,490.2052</u>	<u>3,853,678.7519</u>
Unit price		<u>118.68</u>	<u>133.42</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 MANAGER'S CHOICE FUND****STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31ST DECEMBER 2022**

	Note	2022 MOP	2021 MOP
<b>Income</b>			
Change in unrealised (losses)/gains on investments		(61,374,181)	3,294,936
Realised (losses)/gains on sale of investments		(512,340)	4,484,385
Investment return		2,298,459	2,076,532
<b>Total (loss)/income</b>		<u>(59,588,062)</u>	<u>9,855,853</u>
<b>Expenses</b>			
Investment management fee		33,122	96,095
<b>Total expenses</b>		<u>33,122</u>	<u>96,095</u>
<b>Total comprehensive (loss)/income for the year</b>		<u><u>(59,621,184)</u></u>	<u><u>9,759,758</u></u>

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

**AIA MACAU MANAGER'S CHOICE FUND****STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31ST DECEMBER 2022**

	Note	2022 MOP	2021 MOP
Balance at the beginning of the year		514,157,819	395,301,799
Proceeds on subscription	5	133,241,054	152,739,835
Payments on redemption	5	(39,292,422)	(43,643,573)
Net subscription		93,948,632	109,096,262
Total comprehensive (loss)/income for the year		(59,621,184)	9,759,758
Balance at the end of the year		548,485,267	514,157,819

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

**AIA MACAU MANAGER'S CHOICE FUND****STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31ST DECEMBER 2022**

	<b>2022</b>	<b>2021</b>
	<b>MOP</b>	<b>MOP</b>
<b>Cash flows from operating activities</b>		
Total comprehensive (loss)/income for the year	(59,621,184)	9,759,758
Net increase in investments	(33,540,042)	(118,862,045)
Net increase in other receivables	(13,681)	(36,687)
Net (decrease)/increase in accruals and other payables	<u>(73,777)</u>	<u>19,234</u>
<b>Net cash used in operating activities</b>	<u>(93,248,684)</u>	<u>(109,119,740)</u>
<b>Cash flows from financing activities</b>		
Proceeds on subscription	132,601,585	152,762,594
Payments on redemption	<u>(39,352,901)</u>	<u>(43,642,854)</u>
<b>Net cash generated from financing activities</b>	<u>93,248,684</u>	<u>109,119,740</u>
<b>Net increase in cash and cash equivalents</b>	-	-
Cash and cash equivalents at the beginning of the year	<u>-</u>	<u>-</u>
<b>Cash and cash equivalents at the end of the year</b>	<u>-</u>	<u>-</u>

The notes on pages 8 to 20 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 2022

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### 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 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 31st December 2022 have been prepared in accordance with the Legal Framework of Private Pension Funds and Financial Reporting Standards ("New MFRSs") promulgated by the Macao Special Administrative Region under Administrative Regulation No. 44/2020.

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.

#### Standards and amendments to existing standards effective 1st January 2022

Effective from 28 March 2020, Financial Reporting Standards issued by the Government of Macau under Administrative Regulation No. 25/2005 on 9th December 2005 ("MFRS") were replaced by the New MFRS. The New MFRS is mandatory for adoption from the annual period beginning 1st January 2022. The Fund has adopted the New MFRS in preparing the financial statements for the year ended 31st December 2022.

None of the standards included in the New MFRS has a significant effect on the financial statements of the Fund except the following as set out below:

#### IFRS 9

IFRS 9 'Financial Instruments' became effective for annual periods beginning on or after 1st January 2022. It addresses the classification, measurement and derecognition of financial assets and liabilities.

Classification and measurement of debt assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and the contractual cash flows under the instrument solely represent payments of principal and interest ("SPPI"). A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other debt instruments must be recognised at fair value through profit or loss.

## AIA MACAU MANAGER'S CHOICE FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022

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#### 2 Summary of significant accounting policies (continued)

##### (a) Basis of preparation (continued)

An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income. IFRS 9 also introduces a new expected credit loss ("ECL") impairment model.

IFRS 9 has been applied retrospectively by the Fund and did not result in a change to the classification or measurement of financial instruments as outlined in note 2(b). The Fund's investment portfolio continues to be classified as fair value through profit or loss and other financial assets which are held for collection continue to be measured at amortised cost. There was no material impact on adoption from the application of the new impairment model.

There are no other standards, amendments to standards or interpretations that are effective for annual periods beginning on 1st January 2022 that have a material effect on the financial statements of the Fund.

New standards and amendments issued but not effective for the financial year beginning 1st January 2022 and not early adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1st January 2022, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

##### (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.

The Fund holds investments of MOP547,449,192 (2021: MOP513,909,150) which had previously been designated at fair value through profit or loss. On adoption of IFRS 9 the investments are mandatorily classified as fair value through profit or loss.

## AIA MACAU MANAGER'S CHOICE FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022

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#### 2 Summary of significant accounting policies (continued)

##### (b) Investments (continued)

###### (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.

##### (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.

## **AIA MACAU MANAGER'S CHOICE FUND**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022**

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#### **2 Summary of significant accounting policies (continued)**

##### **(d) Translation of foreign currencies (continued)**

###### **(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) 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.

##### **(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.



## **AIA MACAU MANAGER'S CHOICE FUND**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022**

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#### **2 Summary of significant accounting policies (continued)**

##### **(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.

##### **(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.

# AIA MACAU MANAGER'S CHOICE FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022

### 3 Financial risk management (continued)

#### (b) Market price risk (continued)

At 31st December 2022 and 2021, the overall market exposures of the Fund were as follows:

	2022		2021	
	Fair value MOP	% of net assets attributable to members	Fair value MOP	% of net assets attributable to members and employers
Guaranteed fund	165,683,894	30.21	153,584,962	29.87
Other investment funds	381,765,298	69.60	360,324,188	70.08
Total investments	547,449,192	99.81	513,909,150	99.95

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. The Trustee considers that any reasonable possible shift in the guaranteed rate of return will not have material impact on the Scheme's net assets attributable to members and have therefore not provided a sensitivity analysis in respect of potential movements in the guaranteed rate of return.

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.

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 2022 MOP	Change in volatility	Impact on the net asset value 2021 MOP
	% +/-		% +/-	
Volatility	4.00	15,392,099	10.10	32,494,775

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

## AIA MACAU MANAGER'S CHOICE FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022

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#### 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 2022 and 2021 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 bank deposits and assets held with the custodian.

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

	MOP	Credit rating	Source of credit rating
<b>At 31st December 2022</b>			
<u>Bank and custodian</u>			
Citibank N.A.	<u>547,449,192</u>	<u>A+</u>	<u>S&amp;P</u>
<b>At 31st December 2021</b>			
Citibank N.A.	<u>513,909,150</u>	<u>A+</u>	<u>S&amp;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 MANAGER'S CHOICE FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022

#### 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 2022 and 2021, 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.

##### (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
<b>At 31st December 2022</b>		
Amounts payable on redemption	69,897	-
Accruals and other payables	-	35,033
	<u>69,897</u>	<u>35,033</u>
<b>At 31st December 2021</b>		
Amounts payable on redemption	130,376	-
Accruals and other payables	-	108,810
	<u>130,376</u>	<u>108,810</u>

Units are redeemed on demand at the members' option. 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 2022 and 2021.

## AIA MACAU MANAGER'S CHOICE FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022

#### 3 Financial risk management (continued)

##### (e) Liquidity risk

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
<b>At 31st December 2022</b>	
Total assets	<u>548,590,197</u>
<b>At 31st December 2021</b>	
Total assets	<u>514,397,005</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 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:

	2022		2021	
	Monetary MOP	Non-monetary MOP	Monetary MOP	Non-monetary MOP
Hong Kong dollars	-	381,765,298	-	360,324,188
United States dollar	198,734	165,683,894	177,728	153,584,962

## AIA MACAU MANAGER'S CHOICE FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022

#### 3 Financial risk management (continued)

##### (f) Currency risk (continued)

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% (2021: 5%) with all other variables held constant.

	2022		2021	
	Impact Monetary MOP	Impact Non-monetary MOP	Impact Monetary MOP	Impact Non-monetary MOP
Hong Kong dollars	-	19,088,265	-	18,016,209
United States dollar	9,937	8,284,195	8,886	7,679,248

##### (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.

## AIA MACAU MANAGER'S CHOICE FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022

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#### 3 Financial risk management (continued)

##### (g) Fair value estimation (continued)

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 2022 and 2021:

	Level 2 MOP	Total balance MOP
<b>At 31st December 2022</b>		
<b>Assets</b>		
Investment funds	<u>547,449,192</u>	<u>547,449,192</u>
<b>At 31st December 2021</b>		
<b>Assets</b>		
Investment funds	<u>513,909,150</u>	<u>513,909,150</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 2022 and 2021.

##### (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.

# AIA MACAU MANAGER'S CHOICE FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022

### 4 Investments

	2022 MOP	2021 MOP
<b><u>Investment funds</u></b>		
AIA International US\$ Deposit Administration Fund <sup>1</sup>	165,683,894	153,584,962
AIA Manager's Choice Fund <sup>2</sup>	381,765,298	360,324,188
	<u>547,449,192</u>	<u>513,909,150</u>

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

<sup>2</sup> The trustee of AIA Manager's Choice 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 99.81% (2021: 99.95%) of net assets attributable to members.

The overall market exposure for the underlying investment funds at 31st December 2022 and 2021 were as follows:

	% of investments of the underlying funds	
	2022	2021
Debt securities	30%	30%
Investment funds - investing mainly in equities with balance in bonds and cash	70%	70%
	<u>100%</u>	<u>100%</u>

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

	% of investments of the Underlying Fund	
	2022	2021
Europe	26	22
Hong Kong	16	22
Japan	7	11
North America	32	25
Other Asia	18	20
Other	1	-
	<u>100</u>	<u>100</u>



## AIA MACAU MANAGER'S CHOICE FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022

#### 5. Units in issue

	2022	2021
<u>Members</u>	Units	Units
Number of units attributable to members in issue		
Balance at the beginning of the year	3,853,678	3,041,718
Units issued	1,090,847	1,137,020
Units redeemed	<u>(323,035)</u>	<u>(325,060)</u>
Balance at the end of the year	<u>4,621,490</u>	<u>3,853,678</u>
	MOP	MOP
Net assets attributable to members per unit	<u>118.68</u>	<u>133.42</u>

#### 6 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.

#### 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 19th June 2023.

**AIA MACAU HONG KONG EQUITY FUND**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31ST DECEMBER 2022**

## AIA MACAU HONG KONG EQUITY FUND

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# **AIA MACAU HONG KONG EQUITY FUND**

## **MANAGEMENT AND PROFESSIONAL SERVICE DETAILS**

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### **Management Company**

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

### **Fund Administrator and Custodian**

Citibank N.A., Hong Kong Branch  
50/F, Champion Tower, 3 Garden Road  
Central, Hong Kong

### **Auditor**

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

# **AIA MACAU HONG KONG EQUITY FUND**

## **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 20, which comprise the statement of financial position as at 31st December 2022, 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 of financial statements that give a true and fair view in accordance with Financial Reporting Standards issued by the Government of the Macao Special Administrative Region and 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 of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by 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 HONG KONG EQUITY FUND**

## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE MANAGEMENT COMPANY OF AIA MACAU HONG KONG EQUITY FUND (CONTINUED)**

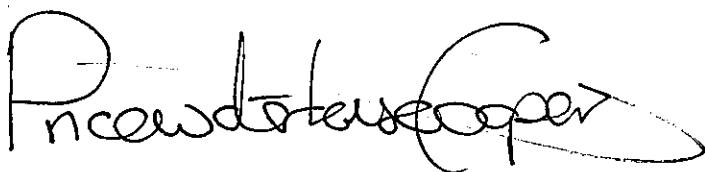
#### **Opinion**

In our opinion, the financial statements give a true and fair view, of the financial position of the Fund as at 31st December 2022 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 31st December 2022 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 31st December 2022 appropriately.

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

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

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 19th June 2023

# AIA MACAU HONG KONG EQUITY FUND

## STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2022

	Note	2022 MOP	2021 MOP
<b>Assets</b>			
<b>Current assets</b>			
Investments	4	184,314,209	111,620,818
Amounts receivable on subscription		170,480	336,760
Other receivables		102,082	48,363
<b>Total assets</b>		<u>184,586,771</u>	<u>112,005,941</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Amounts payable on redemption		1,013,655	89,466
Accruals and other payables		19,029	4,765
<b>Total liabilities</b>		<u>1,032,684</u>	<u>94,231</u>
<b>Equity</b>			
Net assets attributable to members		<u>183,554,087</u>	<u>111,911,710</u>
Unit in issue		<u>1,813,032.8175</u>	<u>1,028,789.3946</u>
Unit price		<u>101.24</u>	<u>108.78</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 HONG KONG EQUITY FUND****STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31ST DECEMBER 2022**

	Note	2022 MOP	2021 MOP
<b>Income</b>			
Change in unrealised losses on investments		(5,228,335)	(8,880,934)
Realised (losses)/gains on sale of investments		(2,914,456)	402,340
Investment return		<u>750,309</u>	<u>381,880</u>
<b>Total loss</b>		<u>(7,392,482)</u>	<u>(8,096,714)</u>
<b>Expenses</b>			
Investment management fee		<u>12,089</u>	<u>9,402</u>
<b>Total expenses</b>		<u>12,089</u>	<u>9,402</u>
<b>Total comprehensive loss for the year</b>		<u><u>(7,404,571)</u></u>	<u><u>(8,106,116)</u></u>

The notes on pages 8 to 20 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 2022**

	Note	2022 MOP	2021 MOP
Balance at the beginning of the year		<u>111,911,710</u>	<u>36,975,081</u>
Proceeds on subscription	5	113,942,227	104,827,212
Payments on redemption	5	<u>(34,895,279)</u>	<u>(21,784,467)</u>
Net subscription		<u>79,046,948</u>	<u>83,042,745</u>
Total comprehensive loss for the year		<u>(7,404,571)</u>	<u>(8,106,116)</u>
Balance at the end of the year		<u>183,554,087</u>	<u>111,911,710</u>

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

**AIA MACAU HONG KONG EQUITY FUND****STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31ST DECEMBER 2022**

	<b>2022 MOP</b>	<b>2021 MOP</b>
<b>Cash flows from operating activities</b>		
Total comprehensive loss for the year	(7,404,571)	(8,106,116)
Net increase in investments	(72,693,391)	(75,048,442)
Net increase in other receivables	(53,719)	(33,782)
Net increase in accruals and other payables	14,264	2,986
<b>Net cash used in operating activities</b>	<u>(80,137,417)</u>	<u>(83,185,354)</u>
<b>Cash flows from financing activities</b>		
Proceeds on subscription	114,108,507	104,880,355
Payments on redemption	<u>(33,971,090)</u>	<u>(21,695,001)</u>
<b>Net cash generated from financing activities</b>	<u>80,137,417</u>	<u>83,185,354</u>
<b>Net increase in cash and cash equivalents</b>	-	-
Cash and cash equivalents at the beginning of the year	-	-
<b>Cash and cash equivalents at the end of the year</b>	<u>-</u>	<u>-</u>

The notes on pages 8 to 20 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 2022

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### 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 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 31st December 2022 have been prepared in accordance with the Legal Framework of Private Pension Funds and Financial Reporting Standards (“New MFRSs”) promulgated by the Macao Special Administrative Region under Administrative Regulation No. 44/2020.

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.

#### Standards and amendments to existing standards effective 1st January 2022

Effective from 28 March 2020, Financial Reporting Standards issued by the Government of Macau under Administrative Regulation No. 25/2005 on 9th December 2005 (“MFRS”) were replaced by the New MFRS. The New MFRS is mandatory for adoption from the annual period beginning 1st January 2022. The Fund has adopted the New MFRS in preparing the financial statements for the year ended 31st December 2022.

None of the standards included in the New MFRS has a significant effect on the financial statements of the Fund except the following as set out below:

#### IFRS 9

IFRS 9 ‘Financial Instruments’ became effective for annual periods beginning on or after 1st January 2022. It addresses the classification, measurement and derecognition of financial assets and liabilities.

Classification and measurement of debt assets is driven by the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and the contractual cash flows under the instrument solely represent payments of principal and interest (“SPPI”). A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other debt instruments must be recognised at fair value through profit or loss.

## AIA MACAU HONG KONG EQUITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022

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#### 2 Summary of significant accounting policies (continued)

##### (a) Basis of preparation (continued)

An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income. IFRS 9 also introduces a new expected credit loss (“ECL”) impairment model.

IFRS 9 has been applied retrospectively by the Fund and did not result in a change to the classification or measurement of financial instruments as outlined in note 2(b). The Fund’s investment portfolio continues to be classified as fair value through profit or loss and other financial assets which are held for collection continue to be measured at amortised cost. There was no material impact on adoption from the application of the new impairment model.

There are no other standards, amendments to standards or interpretations that are effective for annual periods beginning on 1st January 2022 that have a material effect on the financial statements of the Fund.

#### New standards and amendments issued but not effective for the financial year beginning 1st January 2022 and not early adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1st January 2022, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

##### (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.

The Fund holds investments of MOP184,314,209 (2021: MOP111,620,818) which had previously been designated at fair value through profit or loss. On adoption of IFRS 9 the investments are mandatorily classified as fair value through profit or loss.

## **AIA MACAU HONG KONG EQUITY FUND**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022**

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#### **2 Summary of significant accounting policies (continued)**

##### **(b) Investments (continued)**

###### **(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.

##### **(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 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.

## **AIA MACAU HONG KONG EQUITY FUND**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022**

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#### **2 Summary of significant accounting policies (continued)**

##### **(d) Translation of foreign currencies (continued)**

###### **(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) 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.

##### **(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.

## **AIA MACAU HONG KONG EQUITY FUND**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022**

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#### **2 Summary of significant accounting policies (continued)**

##### **(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.

##### **(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.

## AIA MACAU HONG KONG EQUITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022

#### 3 Financial risk management (continued)

##### (b) Market price risk (continued)

At 31st December 2022 and 2021, the overall market exposures of the Fund were as follows:

	2022		2021	
	Fair value MOP	% of net assets	Fair value MOP	% of net assets
Guaranteed fund	64,358,563	35.06	38,882,638	34.74
Other investment	119,955,646	65.35	72,738,180	65.00
Total investments	184,314,209	100.41	111,620,818	99.74

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. The Trustee considers that any reasonable possible shift in the guaranteed rate of return will not have material impact on the Scheme's net assets attributable to members and have therefore not provided a sensitivity analysis in respect of potential movements in the guaranteed rate of return.

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.

The table below summaries the impact on net assets attributable to members as a result of increases/decrease 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
	% +/-	2022 MOP	% +/-	2021 MOP
Volatility	4.39	5,253,100	4.40	13,590,135

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 2022

### 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 2022 and 2021 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 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:

	<b>MOP</b>	<b>Credit rating</b>	<b>Source of credit rating</b>
<b>At 31st December 2022</b>			
<u>Bank and custodian</u>			
Citibank N.A.	<u>184,314,209</u>	<u>A+</u>	<u>S&amp;P</u>
<b>At 31st December 2021</b>			
Citibank N.A.	<u>111,620,818</u>	<u>A+</u>	<u>S&amp;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 2022

#### 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 2022 and 2021, 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.

##### (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
<b>At 31st December 2022</b>		
Amounts payable on redemption	1,013,655	-
Accruals and other payables	-	19,029
	<u>1,013,655</u>	<u>19,029</u>
<b>At 31st December 2021</b>		
Amounts payable on redemption	89,466	-
Accruals and other payables	-	4,765
	<u>89,466</u>	<u>4,765</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 2022 and 2021.

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:

# AIA MACAU HONG KONG EQUITY FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022

### 3 Financial risk management (continued)

#### (e) Liquidity risk (continued)

	Less than 1 month MOP
<b>At 31st December 2022</b>	
Total assets	184,586,771
<b>At 31st December 2021</b>	
Total assets	112,005,941

#### (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:

	2022		2021	
	Monetary MOP	Non-monetary MOP	Monetary MOP	Non-monetary MOP
Hong Kong dollars	-	119,955,646	-	72,738,180
United States dollar	74,169	64,358,563	45,380	38,882,638

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% (2021: 5%) with all other variables held constant.

	2022		2021	
	Impact Monetary MOP	Impact Non-monetary MOP	Impact Monetary MOP	Impact Non-monetary MOP
Hong Kong dollars	-	5,997,782	-	3,636,909
United States dollar	3,708	3,217,928	2,270	1,944,132

# AIA MACAU HONG KONG EQUITY FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022

### 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 net assets attributable to members of the Fund’s financial assets (by class) measured at fair value at 31st December 2022 and 2021:

	Level 2 MOP	Total balance MOP
<b>At 31st December 2022</b>		
<b>Assets</b>		
Investment funds	<u>184,314,209</u>	<u>184,314,209</u>
<b>At 31st December 2021</b>		
<b>Assets</b>		
Investment funds	<u>111,620,818</u>	<u>111,620,818</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 2022 and 2021.

## AIA MACAU HONG KONG EQUITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022

#### 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

	2022 MOP	2021 MOP
<b><u>Investment funds</u></b>		
AIA International US\$ Deposit Administration Fund <sup>1</sup>	64,358,563	38,882,638
AIA Hong Kong Equity Fund <sup>2</sup>	119,955,646	72,738,180
	<u>184,314,209</u>	<u>111,620,818</u>

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

<sup>2</sup> 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 represent 100.41% (2021: 99.74%) of net assets attributable to members.

The overall market exposure for the underlying investment funds as at 31st December 2022 and 2021 were as follows:

	% of investments of the underlying funds	
	2022	2021
Debt securities	35	35
Investment funds - investing mainly in equities with balance in bonds and cash	65	65
	<u>100</u>	<u>100</u>

# AIA MACAU HONG KONG EQUITY FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022

### 4 Investments (continued)

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

	% of investments of the Underlying Fund	
	2022	2021
Europe	13	9
Hong Kong	46	69
Japan	1	3
North America	3	3
Other Asia	36	16
Other	1	-
	<u>100</u>	<u>100</u>

### 5 Units in issue

	2022 Units	2021 Units
Number of units attributable to members in issue		
Balance at the beginning of the year	1,028,789	317,792
Units issued	1,132,334	897,702
Units redeemed	<u>(348,090)</u>	<u>(186,705)</u>
Balance at the end of the year	<u>1,813,033</u>	<u>1,028,789</u>
	<b>MOP</b>	<b>MOP</b>
Net assets attributable to members per unit	<u>101.24</u>	<u>108.78</u>

## **AIA MACAU HONG KONG EQUITY FUND**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022**

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#### **6 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.

#### **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 19th June 2023.

**AIA MACAU AMERICAN EQUITY FUND**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31ST DECEMBER 2022**



## AIA MACAU AMERICAN EQUITY FUND

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## **AIA MACAU AMERICAN EQUITY FUND**

### **MANAGEMENT AND PROFESSIONAL SERVICE DETAILS**

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#### **Management Company**

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

#### **Fund Administrator and Custodian**

Citibank N.A., Hong Kong Branch  
50/F, Champion Tower, 3 Garden Road  
Central, Hong Kong

#### **Auditor**

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

# **AIA MACAU AMERICAN EQUITY FUND**

## **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 20, which comprise the statement of financial position as at 31st December 2022, 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 of financial statements that give a true and fair view in accordance with Financial Reporting Standards issued by the Government of the Macao Special Administrative Region and 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 of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by 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 AMERICAN EQUITY FUND**

## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE MANAGEMENT COMPANY OF AIA MACAU AMERICAN EQUITY FUND (CONTINUED)**

#### **Opinion**

In our opinion, the financial statements give a true and fair view, of the financial position of the Fund as at 31st December 2022 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 31st December 2022 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 31st December 2022 appropriately.

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



**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 19th June 2023

# AIA MACAU AMERICAN EQUITY FUND

## STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2022

	Note	2022 MOP	2021 MOP
<b>Assets</b>			
<b>Current assets</b>			
Investments	4	235,514,228	172,148,304
Amounts receivable on subscription		137,509	478,620
Other receivables		450,388	71,595
<b>Total assets</b>		<u>236,102,125</u>	<u>172,698,519</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Amounts payable on redemption		491,784	856,487
Accruals and other payables		23,332	17,220
<b>Total liabilities</b>		<u>515,116</u>	<u>873,707</u>
<b>Equity</b>			
Net assets attributable to members		<u>235,587,009</u>	<u>171,824,812</u>
Unit in issue		<u>1,881,657.5054</u>	<u>1,208,162.0871</u>
Unit price		<u>125.20</u>	<u>142.22</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 AMERICAN EQUITY FUND

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER 2022

	Note	2022 MOP	2021 MOP
<b>Income</b>			
Change in unrealised (losses)/gains on investments		(28,814,743)	14,228,576
Realised losses on sale of investments		894,480	1,596,344
Investment return		1,072,365	404,863
Rebate Income		306,307	167,386
<b>Total (loss)/income</b>		<u>(26,541,591)</u>	<u>16,397,169</u>
<b>Expenses</b>			
Investment management fee		6,299	24,616
<b>Total expenses</b>		<u>6,299</u>	<u>24,616</u>
<b>Total comprehensive (loss)/income for the year</b>		<u>(26,547,890)</u>	<u>16,372,553</u>

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

# AIA MACAU AMERICAN EQUITY FUND

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2022

	Note	2022 MOP	2021 MOP
Balance at the beginning of the year		171,824,812	54,771,113
Proceeds on subscription	5	127,397,787	124,027,611
Payments on redemption	5	(37,087,700)	(23,346,465)
Net subscription		90,310,087	100,681,146
Total comprehensive (loss)/income for the year		(26,547,890)	16,372,553
Balance at the end of the year		235,587,009	171,824,812

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

**AIA MACAU AMERICAN EQUITY FUND****STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31ST DECEMBER 2022**

	<b>2022</b>	<b>2021</b>
	<b>MOP</b>	<b>MOP</b>
<b>Cash flows from operating activities</b>		
Total comprehensive (loss)/income for the year	(26,547,890)	16,372,553
Net increase in investments	(63,365,924)	(117,680,530)
Net increase in other receivables	(378,793)	(26,842)
Net increase/(decrease) in accruals and other payables	6,112	(9,735)
<b>Net cash used in operating activities</b>	<u>(90,286,495)</u>	<u>(101,344,554)</u>
<b>Cash flows from financing activities</b>		
Proceeds on subscription	127,738,898	123,841,105
Payments on redemption	<u>(37,452,403)</u>	<u>(22,496,551)</u>
<b>Net cash generated from financing activities</b>	<u>90,286,495</u>	<u>101,344,554</u>
<b>Net increase in cash and cash equivalents</b>	-	-
Cash and cash equivalents at the beginning of the year	<u>-</u>	<u>-</u>
<b>Cash and cash equivalents at the end of the year</b>	<u>-</u>	<u>-</u>

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



# AIA MACAU AMERICAN EQUITY FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022

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### 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 2022 have been prepared in accordance with the Legal Framework of Private Pension Funds and Financial Reporting Standards (“New MFRSs”) promulgated by the Macao Special Administrative Region under Administrative Regulation No. 44/2020.

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.

#### Standards and amendments to existing standards effective 1st January 2022

Effective from 28 March 2020, Financial Reporting Standards issued by the Government of Macau under Administrative Regulation No. 25/2005 on 9th December 2005 (“MFRS”) were replaced by the New MFRS. The New MFRS is mandatory for adoption from the annual period beginning 1 January 2022. The Fund has adopted the New MFRS in preparing the financial statements for the year ended 31st December 2022.

None of the standards included in the New MFRS has a significant effect on the financial statements of the Fund except the following as set out below:

#### IFRS 9

IFRS 9 ‘Financial Instruments’ became effective for annual periods beginning on or after 1st January 2022. It addresses the classification, measurement and derecognition of financial assets and liabilities.

Classification and measurement of debt assets is driven by the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and the contractual cash flows under the instrument solely represent payments of principal and interest (“SPPI”). A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other debt instruments must be recognised at fair value through profit or loss.

## AIA MACAU AMERICAN EQUITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022

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#### 2 Summary of significant accounting policies (continued)

##### (a) Basis of preparation (continued)

An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income. IFRS 9 also introduces a new expected credit loss ("ECL") impairment model.

IFRS 9 has been applied retrospectively by the Fund and did not result in a change to the classification or measurement of financial instruments as outlined in note 2(b). The Fund's investment portfolio continues to be classified as fair value through profit or loss and other financial assets which are held for collection continue to be measured at amortised cost. There was no material impact on adoption from the application of the new impairment model.

There are no other standards, amendments to standards or interpretations that are effective for annual periods beginning on 1st January 2022 that have a material effect on the financial statements of the Fund.

#### New standards and amendments issued but not effective for the financial year beginning 1st January 2022 and not early adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1st January 2022, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

##### (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.

The Fund holds investments of MOP235,514,228 (2021: MOP172,148,304) which had previously been designated at fair value through profit or loss. On adoption of IFRS 9 the investments are mandatorily classified as fair value through profit or loss.

## AIA MACAU AMERICAN EQUITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022

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#### 2 Summary of significant accounting policies (continued)

##### (b) Investments (continued)

###### (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.

##### (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 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.

## AIA MACAU AMERICAN EQUITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022

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#### **2 Summary of significant accounting policies (continued)**

##### **(d) Translation of foreign currencies (continued)**

###### **(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) 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.

##### **(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.

## **AIA MACAU AMERICAN EQUITY FUND**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022**

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#### **2 Summary of significant accounting policies (continued)**

##### **(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 AMERICAN EQUITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022

#### 3 Financial risk management (continued)

##### (b) Market price risk (continued)

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 2022 and 2021, the overall market exposures of the Fund were as follows:

	2022		2021	
	Fair value MOP	% of net assets	Fair value MOP	% of net assets
Guaranteed Fund	84,581,333	35.90	58,933,289	34.30
Other investment funds	150,932,895	64.07	113,215,015	65.89
Total investments	<u>235,514,228</u>	<u>99.97</u>	<u>172,148,304</u>	<u>100.19</u>

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. The Trustee considers that any reasonable possible shift in the guaranteed rate of return will not have material impact on the Scheme's net assets attributable to members and have therefore not provided a sensitivity analysis in respect of potential movements in the guaranteed rate of return.

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.

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.

## AIA MACAU AMERICAN EQUITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022

#### 3 Financial risk management (continued)

##### (b) Market price risk (continued)

	Change in volatility	Impact on the net asset value	Change in volatility	Impact on the net asset value
		2022		2021
	%	MOP	%	MOP
	+/-		+/-	
Volatility	4.30	829,249	5.15	1,722,395

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.

##### (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 Nil bank balances at 31st December 2022 (2021: NIL) and is therefore exposed to minimal 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 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.

## AIA MACAU AMERICAN EQUITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022

---

#### 3 Financial risk management (continued)

##### (d) Credit and custody risk (continued)

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

	MOP	Credit rating	Source of credit rating
<b>At 31st December 2022</b>			
<u>Bank and custodian</u>			
Citibank N.A.	<u>235,514,228</u>	<u>A+</u>	<u>S&amp;P</u>
<b>At 31st December 2021</b>			
Citibank N.A.	<u>172,148,304</u>	<u>A+</u>	<u>S&amp;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 2022 and 2021, 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.

##### (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.



# AIA MACAU AMERICAN EQUITY FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022

### 3 Financial risk management (continued)

#### (d) Liquidity risk (continued)

	Less than 8 days MOP	8 days to 12 months MOP
<b>At 31st December 2022</b>		
Amounts payable on redemption	491,784	-
Accruals and other payables	-	23,332
	<u>491,784</u>	<u>23,332</u>
<b>At 31st December 2021</b>		
Amounts payable on redemption	856,487	-
Accruals and other payables	-	17,220
	<u>856,487</u>	<u>17,220</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 2022 and 2021.

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
<b>At 31st December 2022</b>	
Total assets	<u>236,102,125</u>
<b>At 31st December 2021</b>	
Total assets	<u>172,698,519</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 disclosed in note 3(b). However, management monitors the exposure on all foreign currency denominated assets and liabilities.

# AIA MACAU AMERICAN EQUITY FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022

### 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:

	2022		2021	
	Monetary MOP	Non-monetary MOP	Monetary MOP	Non-monetary MOP
Hong Kong dollars	-	-	-	-
United States dollar	104,376	235,514,228	67,067	172,148,304

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% (2021: 5%) with all other variables held constant.

	2022		2021	
	Impact Monetary MOP	Impact Non-monetary MOP	Impact Monetary MOP	Impact Non-monetary MOP
Hong Kong dollars	-	-	-	-
United States dollar	5,219	11,775,711	3,353	8,607,415

#### (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.

## AIA MACAU AMERICAN EQUITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022

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#### 3 Financial risk management (continued)

##### (g) Fair value estimation

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 2022 and 2021:

	Level 2 MOP	Total balance MOP
<b>At 31st December 2022</b>		
<b>Assets</b>		
Investment funds	<u>235,514,228</u>	<u>235,514,228</u>
<b>At 31st December 2021</b>		
<b>Assets</b>		
Investment funds	<u>172,148,304</u>	<u>172,148,304</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 2022 and 2021.

##### (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.

# AIA MACAU AMERICAN EQUITY FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022

### 4 Investments

	2022 MOP	2021 MOP
<b><u>Investment funds</u></b>		
AIA International US\$ Deposit Administration Fund <sup>1</sup>	84,581,333	58,933,289
AIA American Equity Fund <sup>2</sup>	<u>150,932,895</u>	<u>113,215,015</u>
	<u>235,514,228</u>	<u>172,148,304</u>

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

<sup>2</sup> 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 99.97% (2021: 100.19%) of net assets attributable to members.

The overall market exposure for the underlying investment funds at 31st December 2022 and 2021 were as follows:

	% of investments of the underlying funds	
	2022	2021
Debt securities	35%	34%
Investment funds - investing mainly in equities with balance in bonds and cash	<u>65%</u>	<u>66%</u>
	<u>100%</u>	<u>100%</u>

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

	% of investments of the Underlying Fund	
	2022	2021
Europe	12	7
Hong Kong	7	8
Japan	1	3
North America	66	67
Other Asia	13	15
Other	<u>1</u>	<u>-</u>
	<u>100</u>	<u>100</u>

## AIA MACAU AMERICAN EQUITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022

#### 5 Units in issue

	2022 Units	2021 Units
Balance at the beginning of the year	1,208,162	451,870
Units issued	956,077	932,258
Units redeemed	<u>(282,582)</u>	<u>(175,966)</u>
Balance at the end of the year	<u>1,881,657</u>	<u>1,208,162</u>

	MOP	MOP
Net assets attributable to members per unit	<u>125.20</u>	<u>142.22</u>

#### 6 Transactions with related-parties

Except as disclosed in notes 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.

#### 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 19th June 2023.