

AIA MACAU RETIREMENT FUND
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST DECEMBER 2023

AIA MACAU RETIREMENT FUND

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

AIA MACAU RETIREMENT FUND

MANAGEMENT AND PROFESSIONAL SERVICE DETAILS

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
14G, Finance and IT Center of Macau
Avenida Doutor Mário Soares No. 320
Macau

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

Auditor's report on the financial statements

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 2023, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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 of 8th February as amended by Law No. 10/2001 ("Legal Framework of Private Pension Funds"), and for such internal control as the Management Company determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In addition, the Management Company is responsible for maintaining appropriate records of the activities of the Fund for the year ended 31st December 2023 in accordance with the Legal Framework of Private Pension Funds.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management Company, as well as evaluating the overall presentation of the financial statements.

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

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

Audit Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at 31st December 2023 and of its financial transactions 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.

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 2023 appropriately.

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

Li Ching Lap Bernard
PricewaterhouseCoopers
Certified Public Accountants

Macau, 19th June 2024

AIA MACAU RETIREMENT FUND

STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2023

		2023	2022
	Note	MOP	MOP
Assets			
Fund investments			
Investments	5	8,339,619,879	7,667,375,175
Amounts receivable on subscription		711,172	3,731,034
Other receivables and accruals		-	2,370,869
Cash and bank deposits		51,820	51,820
Total assets		<u>8,340,382,871</u>	<u>7,673,528,898</u>
Liabilities			
Benefits payable		737,787	243,276
Accrued expenses		<u>1,337,957</u>	<u>1,217,915</u>
Total liabilities			
(2022: excluding net assets attributable to members)*		<u>2,075,744</u>	<u>1,461,191</u>
Net assets*		<u>8,338,307,127</u>	<u>7,672,067,707</u>
Net assets:			
Net assets attributable to members*		<u>8,338,307,127</u>	<u>7,672,067,707</u>
		<u>8,338,307,127</u>	<u>7,672,067,707</u>
Total units in issue	6	<u>44,321,792</u>	<u>42,657,195</u>
Unit price	6	<u>188.13</u>	<u>179.85</u>

* Net assets attributable to members are classified as equity as at 31st December 2023 and as financial liabilities as at 31st December 2022.

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 2023**

	Note	2023 MOP	2022 MOP
Income			
Change in unrealised gains/(losses) on investment	9	364,858,272	(259,920,628)
Realised losses on sale of investments	9	(8,222,725)	(5,158,937)
Investment income (including interest income)		6,637,000	42,570,008
Exchange gains/(losses)		274	(32)
Total income/(loss)		<u>363,272,821</u>	<u>(222,509,589)</u>
Expenses			
Investment management fee		<u>1,671,286</u>	<u>1,856,780</u>
Total expenses		<u>1,671,286</u>	<u>1,856,780</u>
Total net income/(loss)		<u>361,601,535</u>	<u>(224,366,369)</u>
Increase/(decrease) in net assets attributable to members from operations		<u>361,601,535</u>	<u>(224,366,369)</u>

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

AIA MACAU RETIREMENT FUND

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2023

	Note	2023 MOP	2022 MOP
Balance at the beginning of the year*		<u>7,672,067,707</u>	<u>7,306,201,110</u>
Proceeds on subscription	6	1,069,659,721	1,173,248,888
Payments on redemption	6	<u>(765,021,836)</u>	<u>(583,015,922)</u>
Net subscription		<u>304,637,885</u>	<u>590,232,966</u>
Total net income/(loss) for the year		<u>361,601,535</u>	<u>(224,366,369)</u>
Balance at the end of the year*		<u><u>8,338,307,127</u></u>	<u><u>7,672,067,707</u></u>

* During the year ended 31st December 2023, net assets attributable to members are classified as equity. During the year ended 31st December 2022, net assets attributable to members are classified as a liability.

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 2023

	2023 MOP	2022 MOP
Cash flows from operating activities		
Total net income/(loss) for the year	361,601,535	(224,366,369)
Operating profit/(loss) before working capital changes	361,601,535	(224,366,369)
Net increase in investments	(672,244,704)	(388,397,466)
Net decrease in other receivables	2,370,869	3,098,478
Net increase in accruals and other payables	120,042	286,622
Net cash used in operating activities	(308,152,258)	(609,378,735)
Cash flows from financing activities		
Proceeds on subscription	1,072,679,583	1,194,278,958
Payments on redemption	(764,527,325)	(584,900,204)
Net cash generated from financing activities	308,152,258	609,378,754
Net increase in cash and cash equivalents	-	19
Cash and cash equivalents at the beginning of the year	51,820	51,801
Cash and cash equivalents at the end of the year	51,820	51,820
Analysis of balance of cash and cash equivalents		
Cash and bank deposits	51,820	51,820

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 2023

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 No. 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 statement is a translation from the original, which was prepared in Chinese and that all possible care has been taken to ensure that the translation is an accurate representation of the original, however, in all matters of interpretation of information, views or opinions, the original language version of the report takes precedence over the translated version.

The financial statements of the Fund for the year ended 31st December 2023 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 from 1st January 2023

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on 1st January 2023 that 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 is primarily focused on fair value information and uses that information to assess the assets’ performance and to make decisions. The Fund has not taken the option to irrevocably designate any equity securities as measured at fair value through other comprehensive income. The contractual cash flows of the Fund’s debt securities are not solely principal and interest. 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 and financial liabilities on a fair value basis together with other related financial information.

AIA MACAU RETIREMENT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

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.

AIA MACAU RETIREMENT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

2 Summary of significant accounting policies (continued)

(d) Translation of foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

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 “change in unrealised gains/(losses) on investments” and “realised gains/(losses) on sale of investments”.

(e) Net assets attributable to members

International Accounting Standard (“IAS”) 32 (Amendment) requires puttable financial instruments that meet the definition of a financial liability to be classified as equity where certain strict criteria are met. Those criteria include:

- the puttable instruments must entitle the holder to a pro-rata share of net assets;
- the puttable instruments must be the most subordinated class and class features must be identical;
- there must be no contractual obligations to deliver cash or another financial asset other than the obligation on the issuer to repurchase; and
- the total expected cash flows from the puttable instrument over its life must be based substantially on the profit or loss of the issuer.

The excess return reserve that was previously for the benefit of the employer was closed during 2023 and the net assets attributable to members became the sole share class in the Fund. Therefore, the Funds’ redeemable units, which are redeemable at the holder’s option, were reclassified as equity in accordance with IAS 32.

Should the terms or conditions of the redeemable units change such that they no longer meet the strict criteria set out in IAS 32 (Amendment), the redeemable units shall be reclassified as financial liabilities from the date they cease to meet the criteria. The financial liability shall be measured at the fair value of the instrument on the date of reclassification. Any difference between the carrying amount of the equity instrument and the fair value of the liability on the reclassification date shall be recognised in equity.

AIA MACAU RETIREMENT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

2 Summary of significant accounting policies (continued)

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

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

(g) Cash and cash equivalents

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

(h) Other receivables

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

(i) Interests in structured entities

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

3 Critical judgements

In preparing these financial statements, the Management Company has made judgements that affect the application of the Fund's accounting policies and the reported amounts of assets, liabilities, income and expenses.

Functional currency

The Management Company of the Fund considers the MOP the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The MOP is the currency in which the Fund measures its performance and reports its results, as well as the currency in which it receives subscriptions from its members. This determination also considers the competitive environment in which the Fund is compared to other Macanese investment products.

AIA MACAU RETIREMENT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

4 Financial risk management

(a) Strategy in using financial instruments

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

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

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

(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 2023 and 2022, the overall market exposures of the Fund were as follows:

	2023		2022	
	Fair value MOP	% of net assets attributable to members	Fair value MOP	% of net assets attributable to members
Guaranteed fund	-	-	1,690,110,099	22.03
Unit trusts	8,339,619,879	100.02	5,977,265,076	77.91
Total investments	8,339,619,879	100.02	7,667,375,175	99.94

The Fund invests in a guaranteed fund and unit trusts.

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

The net exposure of the investments in the unit trusts to market price risk is MOP8,339,619,879 (2022: MOP5,977,265,076). Consequently, an increase or decrease of 3% in market price across all instruments in the portfolios of the unit trusts would result in an increase or decrease of MOP250,188,596 (2022: MOP179,317,952) in the Fund's net assets.

AIA MACAU RETIREMENT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

4 Financial risk management (continued)

(c) Interest rate risk

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

The majority of the Fund's financial assets and liabilities are non-interest bearing; as a result, the Fund is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash and cash equivalents are invested at short-term market interest rates. The Fund had bank balances of MOP51,820 at 31st December 2023 (2022: MOP51,820) 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.

The table below summarises the assets placed with the bank and custodian:

	MOP	Credit rating	Source of credit rating
At 31st December 2023			
<u>Bank and custodian</u>			
Citibank N.A.	<u>8,339,671,699</u>	<u>A+</u>	<u>S&P</u>
At 31st December 2022			
<u>Bank and custodian</u>			
Citibank N.A.	<u>7,667,426,995</u>	<u>A+</u>	<u>S&P</u>

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

None of the assets is past due, or 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 2023 and 2022, amounts receivable from subscription and other receivables are due to be settled within 1 week. In addition, as at 31st December 2023 and 2022, cash at banks and investments are held with a counterparty with a credit rating of A+. The Management Company considers the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Fund.

AIA MACAU RETIREMENT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

4 Financial risk management (continued)

(e) Liquidity risk

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

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

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

	Less than 8 days MOP	8 days to 12 months MOP
At 31st December 2023		
Benefits payable	737,787	-
Accrued expenses and other payables	-	1,337,957
	<u>737,787</u>	<u>1,337,957</u>
At 31st December 2022		
Benefits payable	243,276	-
Accrued expenses 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>

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 2023 and 2022.

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

	Less than 1 month MOP
At 31st December 2023	
Total assets	<u>8,340,382,871</u>
At 31st December 2022	
Total assets	<u>7,673,528,898</u>

AIA MACAU RETIREMENT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

4 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 4(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:

	2023		2022	
	Monetary MOP	Non-monetary MOP	Monetary MOP	Non-monetary MOP
Hong Kong dollars	51,820	8,339,619,879	2,247,279	7,667,375,175

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% (2022: 5%) with all other variables held constant.

	2023		2022	
	Impact Monetary MOP	Impact Non-monetary MOP	Impact Monetary MOP	Impact Non-monetary MOP
Hong Kong dollars	2,591	416,980,994	112,364	383,368,759

(g) Fair value estimation

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

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

AIA MACAU RETIREMENT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

4 Financial risk management (continued)

(g) Fair value estimation (continued)

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

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

The following table analyses within the fair value hierarchy the Fund’s financial assets (by class) measured at fair value at 31st December 2023 and 2022:

	Level 2	Total balance
	MOP	MOP
At 31st December 2023		
Assets		
Investments	<u>8,339,619,879</u>	<u>8,339,619,879</u>
At 31st December 2022		
Assets		
Investments	<u>7,667,375,175</u>	<u>7,667,375,175</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 2023 and 2022.

AIA MACAU RETIREMENT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

4 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 4(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.

5 Investments

	2023 MOP	2022 MOP
<u>Investment funds</u>		
AIA Guaranteed Fund ¹	-	1,690,110,099
AIA Corporate Bond Fund ¹	6,369,869,096	4,176,457,637
AIA Government Bond Fund ¹	1,969,750,783	1,800,807,439
	<u>8,339,619,879</u>	<u>7,667,375,175</u>

¹ 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 100.02% (2022: 99.94%) of net assets attributable to members.

The overall market exposure for the underlying investment funds as at 31st December 2023 and 2022 were as follows:

	% of investments of the underlying funds	
	2023	2022
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 2023

5 Investments (continued)

	% of investments of the underlying funds	
	2023	2022
Abu Dhabi	-	3
Australia	4	5
Canada	3	2
Chile	1	-
China	8	8
France	-	1
Germany	1	1
Hong Kong	46	40
Japan	3	3
Luxembourg	2	3
Malaysia	-	1
New Zealand	1	2
Qatar	3	4
Saudi Arabia	1	1
Singapore	3	4
South Korea	5	9
United Arab Emirates	3	3
United Kingdom	5	5
United States	9	5
Other	2	-
	<u>100</u>	<u>100</u>

AIA MACAU RETIREMENT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

6 Units in issue

	2023	2022
	Units	Units
Balance at the beginning of the year	42,657,195	39,403,522
Units issued	5,855,843	6,466,297
Units redeemed	<u>(4,191,246)</u>	<u>(3,212,624)</u>
Balance at the end of the year	<u><u>44,321,792</u></u>	<u><u>42,657,195</u></u>
	MOP	MOP
Net assets attributable to members per unit	<u><u>188.13</u></u>	<u><u>179.85</u></u>

AIA MACAU RETIREMENT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

7 Transactions with related-parties

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

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

8 Taxation

The fund is established under Decree-Law No. 6/99/M and hence is exempted from Macao complementary tax.

9 Comparative figures

Certain comparative figures have been reclassified to conform to current year's performance.

10 Approval of financial statements

The financial statements were approved by the Management Company on 19th June 2024.

AIA MACAU CAPITAL STABLE FUND
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST DECEMBER 2023

AIA MACAU CAPITAL STABLE FUND

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

AIA MACAU CAPITAL STABLE FUND

MANAGEMENT AND PROFESSIONAL SERVICE DETAILS

Management Company

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

Fund Administrator and Custodian

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

Auditor

PricewaterhouseCoopers
14G, Finance and IT Center of Macau
Avenida Doutor Mário Soares No. 320
Macau

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

Auditor's report on the financial statements

We have audited the financial statements of AIA Macau Capital Stable Fund (the "Fund") set out on pages 4 to 19, which comprise the statement of financial position as at 31st December 2023, 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 other explanatory information.

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 of 8th February as amended by Law No. 10/2001 ("Legal Framework of Private Pension Funds"), and for such internal control as the Management Company determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In addition, the Management Company is responsible for maintaining appropriate records of the activities of the Fund for the year ended 31st December 2023 in accordance with the Legal Framework of Private Pension Funds.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management Company, as well as evaluating the overall presentation of the financial statements.

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

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

Audit Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at 31st December 2023 and of its financial transactions 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.

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 2023 appropriately.

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

Li Ching Lap Bernard
PricewaterhouseCoopers
Certified Public Accountants

Macau, 19th June 2024

AIA MACAU CAPITAL STABLE FUND**STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2023**

	Note	2023 MOP	2022 MOP
Assets			
Fund investments			
Investments	5	1,640,792,976	1,460,772,172
Amounts receivable on subscription		525,381	836,727
Other receivables and accruals		44,315	189,527
Cash and bank deposits		5	4
Total assets		<u>1,641,362,677</u>	<u>1,461,798,430</u>
Liabilities			
Benefits payable		262,888	462,984
Accrued expenses		149,276	290,004
Total liabilities		<u>412,164</u>	<u>752,988</u>
Net assets		<u>1,640,950,513</u>	<u>1,461,045,442</u>
Total units in issue	6	<u>7,963,787</u>	<u>7,529,867</u>
Unit price	6	<u>206.05</u>	<u>194.03</u>

For and on behalf of AIA International Limited Macau Branch

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

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

AIA MACAU CAPITAL STABLE FUND**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2023**

	2023 MOP	2022 MOP
Income		
Change in unrealised gains/(losses) on investments	102,957,483	(65,628,977)
Realised losses on sale of investments	(9,740,624)	(72,547,044)
Investment income (including interest income)	1	4
Exchange losses	(972)	-
Total income/(loss)	<u>93,215,888</u>	<u>(138,176,017)</u>
Expenses		
Investment management fee	217,916	136,492
Total expenses	<u>217,916</u>	<u>136,492</u>
Total net income/(loss)	<u>92,997,972</u>	<u>(138,312,509)</u>

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

AIA MACAU CAPITAL STABLE FUND

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2023

	Note	2023 MOP	2022 MOP
Balance at the beginning of the year		1,461,045,442	1,438,865,587
Proceeds on subscription	6	243,123,935	293,135,418
Payments on redemption	6	(156,216,836)	(132,643,054)
Net subscription		86,907,099	160,492,364
Total net income/(loss) for the year		92,997,972	(138,312,509)
Balance at the end of the year		1,640,950,513	1,461,045,442

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

AIA MACAU CAPITAL STABLE FUND

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER 2023

	2023 MOP	2022 MOP
Cash flows from operating activities		
Total net income/(loss) for the year	92,997,972	(138,312,509)
Adjustment for:		
Interest on bank deposits	(1)	(4)
	92,997,971	(138,312,513)
Net increase in investments	(180,020,804)	(23,416,845)
Net decrease in receivables from the sale of investments	-	151,373
Net decrease/(increase) in other receivables	145,212	(189,527)
Net decrease in accruals and other payables	(140,728)	(93,637)
Cash used in operations	(87,018,349)	(161,861,149)
Interest received on bank deposits	1	4
Net cash used in operating activities	(87,018,348)	(161,861,145)
Cash flows from financing activities		
Proceeds on subscription	243,435,281	295,103,881
Payments on redemption	(156,416,932)	(133,242,732)
Net cash generated from financing activities	87,018,349	161,861,149
Net increase in cash and cash equivalents	1	4
Cash and cash equivalents at the beginning of the year	4	-
Cash and cash equivalents at the end of the year	5	4
Analysis of balance of cash and cash equivalents		
Cash and bank deposits	5	4

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

AIA MACAU CAPITAL STABLE FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

1 The Fund

AIA International Limited Macau Branch (the “Management Company”) established AIA Macau Capital Stable Fund (the “Fund”) on 28th November 2002 under the provisions of Article 14 paragraphs 1 and 3 of Decree-Law No. 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 statement is a translation from the original, which was prepared in Chinese and that all possible care has been taken to ensure that the translation is an accurate representation of the original, however, in all matters of interpretation of information, views or opinions, the original language version of the report takes precedence over the translated version.

The financial statements of the Fund for the year ended 31st December 2023 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 from 1st January 2023

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on 1st January 2023 that 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 is primarily focused on fair value information and uses that information to assess the assets’ performance and to make decisions. The Fund has not taken the option to irrevocably designate any equity securities as measured at fair value through other comprehensive income. The contractual cash flows of the Fund’s debt securities are not solely principal and interest. 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 and financial liabilities on a fair value basis together with other related financial information.

AIA MACAU CAPITAL STABLE FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

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.

AIA MACAU CAPITAL STABLE FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

2 Summary of significant accounting policies (continued)

(d) Translation of foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

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 “change in unrealised gains/(losses) on investments” and “realised gains/(losses) on sale of investments”.

(e) Redeemable units

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

Should the terms or conditions of the redeemable units change such that they no longer meet the strict criteria set out in IAS 32 (Amendment), the redeemable units shall be reclassified as financial liabilities from the date they cease to meet the criteria. The financial liability shall be measured at the fair value of the instrument on the date of reclassification. Any difference between the carrying amount of the equity instrument and the fair value of the liability on the reclassification date shall 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 overdrafts, if any, are shown in current liabilities in the statement of financial position.

(h) Other receivables

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

AIA MACAU CAPITAL STABLE FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

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 Critical judgements

In preparing these financial statements, the Management Company has made judgements that affect the application of the Fund's accounting policies and the reported amounts of assets, liabilities, income and expenses.

Functional currency

The Management Company of the Fund considers the MOP the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The MOP is the currency in which the Fund measures its performance and reports its results, as well as the currency in which it receives subscriptions from its members. This determination also considers the competitive environment in which the Fund is compared to other Macanese investment products.

4 Financial risk management

(a) Strategy in using financial instruments

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

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

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

AIA MACAU CAPITAL STABLE FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

4 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 2023 and 2022, the overall market exposures of the Fund were as follows:

	2023		2022	
	Fair value MOP	% of net assets	Fair value MOP	% of net assets
Unit trust	1,100,027,163	67.04	979,973,498	67.07
Other investment funds	540,765,813	32.95	480,798,674	32.91
Total investments	1,640,792,976	99.99	1,460,772,172	99.98

The Fund invests in a unit trust and other investment funds.

The net exposure of the investments in the unit trust to market price risk is MOP1,100,027,163 (2022: MOP979,973,498). 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 MOP11,000,272 (2022: MOP9,799,735) 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	
		2023 MOP	2022 MOP
	% +/-		
Towers Watson MPF Benchmark (Equity > 80%)	5	25,701,837	22,660,587

AIA MACAU CAPITAL STABLE FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

4 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. 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 MOP5 at 31st December 2023 (2022: MOP4) 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 CAPITAL STABLE FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

4 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 bank and custodian:

	MOP	Credit rating	Source of credit rating
At 31st December 2023			
<u>Bank and custodian</u>			
Citibank N.A.	<u>1,640,792,981</u>	<u>A+</u>	<u>S&P</u>
At 31st December 2022			
<u>Bank and custodian</u>			
Citibank N.A.	<u>1,460,772,176</u>	<u>A+</u>	<u>S&P</u>

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

None of the assets is past due, or 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 2023 and 2022, amounts receivable from subscription and other receivables are due to be settled within 1 week. In addition, as at 31st December 2023 and 2022, cash at banks and investments are held with a counterparty with a credit rating of A+. The Management Company considers the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Fund.

(e) Liquidity risk

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

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

AIA MACAU CAPITAL STABLE FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

4 Financial risk management (continued)

(e) Liquidity risk (continued)

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

	Less than 8 days MOP	8 days to 12 months MOP
At 31st December 2023		
Benefits payable	262,888	-
Accrued expenses	-	149,276
	<u>262,888</u>	<u>149,276</u>
At 31st December 2022		
Benefits payable	462,984	-
Accrued expenses	-	290,004
	<u>462,984</u>	<u>290,004</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 2023 and 2022.

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

	Less than 1 month MOP
At 31st December 2023	
Total assets	<u>1,641,362,677</u>
At 31st December 2022	
Total assets	<u>1,461,798,430</u>

AIA MACAU CAPITAL STABLE FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

4 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 4(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:

	2023		2022	
	Monetary MOP	Non-monetary MOP	Monetary MOP	Non-monetary MOP
Hong Kong dollars	5	1,100,027,163	4	979,973,498
United States dollar	-	540,765,813	-	480,798,674

The table below summarises the impact on the 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% (2022: 5%) with all other variables held constant.

	2023		2022	
	Impact Monetary MOP	Impact Non-monetary MOP	Impact Monetary MOP	Impact Non-monetary MOP
Hong Kong dollars	-	55,001,358	-	48,998,675
United States dollar	-	27,038,291	-	24,039,934

(g) Fair value estimation

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

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

AIA MACAU CAPITAL STABLE FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

4 Financial risk management (continued)

(g) Fair value estimation (continued)

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

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

The following table analyses within the fair value hierarchy the Fund’s financial assets (by class) measured at fair value at 31st December 2023 and 2022:

	Level 2	Total balance
	MOP	MOP
At 31st December 2023		
Assets		
Investments	<u>1,640,792,976</u>	<u>1,640,792,976</u>
	Level 2	Total balance
	MOP	MOP
At 31st December 2022		
Assets		
Investments	<u>1,460,772,172</u>	<u>1,460,772,172</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 2023 and 2022.

(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 4(a), whilst maintaining sufficient liquidity to meet redemption requests. Such liquidity is augmented by the holding of liquid investments. The Management Company monitors capital on the basis of the value of net assets attributable to members.

AIA MACAU CAPITAL STABLE FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

5 Investments

	2023 MOP	2022 MOP
Investment funds		
AIA Corporate Bond Fund ¹	1,100,027,163	979,973,498
AIA Growth Fund ¹	540,765,813	480,798,674
	<u>1,640,792,976</u>	<u>1,460,772,172</u>

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

The maximum exposure to loss from these investment funds is equal to their total carrying amounts which represent 99.99% (2022: 99.98%) of net assets attributable to members.

The overall market exposure for the underlying investment funds as at 31st December 2023 and 2022 were as follows:

	% of investments of the underlying funds	
	2023	2022
Debt securities	67	67
Investment funds - investing mainly in equities with balance in bonds and cash	33	33
	<u>100</u>	<u>100</u>

	% of investments of the underlying funds	
	2023	2022
Europe	11	12
Hong Kong	48	41
Japan	5	6
North America	14	11
Other Asia	22	30
	<u>100</u>	<u>100</u>

AIA MACAU CAPITAL STABLE FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

6 Units in issue

	2023	2022
	Units	Units
Balance at the beginning of the year	7,529,867	6,719,902
Units issued	1,215,386	1,481,623
Units redeemed	<u>(781,466)</u>	<u>(671,658)</u>
Balance at the end of the year	<u>7,963,787</u>	<u>7,529,867</u>
	MOP	MOP
Net assets attributable to members per unit	<u>206.05</u>	<u>194.03</u>

7 Transactions with related-parties

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

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

8 Taxation

The Fund is established under Decree-Law No. 6/99/M and hence is exempted from Macao complementary tax.

9 Approval of financial statements

The financial statements were approved by the Management Company on 19th June 2024.

AIA MACAU BALANCED FUND
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST DECEMBER 2023

AIA MACAU BALANCED FUND

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

AIA MACAU BALANCED FUND

MANAGEMENT AND PROFESSIONAL SERVICE DETAILS

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
14G, Finance and IT Center of Macau
Avenida Doutor Mário Soares No. 320
Macau

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

Auditor’s report on the financial statements

We have audited the financial statements of AIA Macau Balanced Fund (the “Fund”) set out on pages 4 to 19, which comprise the statement of financial position as at 31st December 2023, 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 other explanatory information.

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 of 8th February as amended by Law No. 10/2001 (“Legal Framework of Private Pension Funds”), and for such internal control as the Management Company determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In addition, the Management Company is responsible for maintaining appropriate records of the activities of the Fund for the year ended 31st December 2023 in accordance with the Legal Framework of Private Pension Funds.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 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 BALANCED FUND (CONTINUED)**

Audit Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at 31st December 2023 and of its financial transactions 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.

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 2023 appropriately.

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

Li Ching Lap Bernard
PricewaterhouseCoopers
Certified Public Accountants

Macau, 19th June 2024

AIA MACAU BALANCED FUND**STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2023**

		2023	2022
	Note	MOP	MOP
Assets			
Fund investments			
Investments	5	2,579,838,685	2,316,597,480
Amounts receivable on subscription		774,121	957,445
Other receivables and accruals		-	273,244
Cash and bank deposits		9	7
Total assets		2,580,612,815	2,317,828,176
Liabilities			
Benefits payable		214,293	115,292
Accrued expenses		306,037	380,948
Total liabilities		520,330	496,240
Net assets		2,580,092,485	2,317,331,936
 Total units in issue	6	 10,093,099	 9,676,403
 Unit price	6	 255.62	 239.48

For and on behalf of AIA International Limited Macau Branch

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

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

AIA MACAU BALANCED FUND**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2023**

	2023	2022
	MOP	MOP
Income		
Change in unrealised gains/(losses) on investments	154,748,577	(299,530,421)
Realised gains on sale of investments	5,069,231	16,466,932
Investment income (including interest income)	1	7
Exchange losses	(210)	-
Total income/(loss)	<u>159,817,599</u>	<u>(283,063,482)</u>
Expenses		
Investment management fee	459,181	262,718
Total expenses	<u>459,181</u>	<u>262,718</u>
Total net income/(loss)	<u>159,358,418</u>	<u>(283,326,200)</u>

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

AIA MACAU BALANCED FUND

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2023

	Note	2023 MOP	2022 MOP
Balance at the beginning of the year		2,317,331,936	2,375,369,814
Proceeds on subscription	6	296,819,450	387,662,482
Payments on redemption	6	(193,417,319)	(162,374,160)
Net subscription		103,402,131	225,288,322
Total net income/(loss) for the year		159,358,418	(283,326,200)
Balance at the end of the year		2,580,092,485	2,317,331,936

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

AIA MACAU BALANCED FUND**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER 2023**

	2023	2022
	MOP	MOP
Cash flows from operating activities		
Total net income/(loss) for the year	159,358,418	(283,326,200)
Adjustment for:		
Interest on bank deposits	(2)	(7)
	<u>159,358,416</u>	<u>(283,326,207)</u>
Net (increase)/decrease in investments	(263,241,205)	55,566,772
Net decrease in receivables from the sale of investments	-	195,400
Net decrease/(increase) in other receivables	273,244	(273,244)
Net decrease in accruals and other payables	(74,911)	(91,848)
Cash used in operations	<u>(103,684,456)</u>	<u>(227,929,127)</u>
Interest received on bank deposits	<u>2</u>	<u>7</u>
Net cash used in operating activities	<u>(103,684,454)</u>	<u>(227,929,120)</u>
Cash flows from financing activities		
Proceeds on subscription	297,002,774	391,691,547
Payments on redemption	<u>(193,318,318)</u>	<u>(163,762,420)</u>
Net cash generated from financing activities	<u>103,684,456</u>	<u>227,929,127</u>
Net increase in cash and cash equivalents	2	7
Cash and cash equivalents at the beginning of the year	<u>7</u>	<u>-</u>
Cash and cash equivalents at the end of the year	<u>9</u>	<u>7</u>
Analysis of balance of cash and cash equivalents		
Cash and bank deposits	<u><u>9</u></u>	<u><u>7</u></u>

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

AIA MACAU BALANCED FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

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 No. 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 statement is a translation from the original, which was prepared in Chinese and that all possible care has been taken to ensure that the translation is an accurate representation of the original, however, in all matters of interpretation of information, views or opinions, the original language version of the report takes precedence over the translated version.

The financial statements of the Fund for the year ended 31st December 2023 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 from 1st January 2023

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on 1st January 2023 that 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 is primarily focused on fair value information and uses that information to assess the assets’ performance and to make decisions. The Fund has not taken the option to irrevocably designate any equity securities as measured at fair value through other comprehensive income. The contractual cash flows of the Fund’s debt securities are not solely principal and interest. 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 and financial liabilities on a fair value basis together with other related financial information.

AIA MACAU BALANCED FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

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.

AIA MACAU BALANCED FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

2 Summary of significant accounting policies (continued)

(d) Translation of foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

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 “change in unrealised gains/(losses) on investments” and “realised gains/(losses) on sale of investments”.

(e) Redeemable units

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

Should the terms or conditions of the redeemable units change such that they no longer meet the strict criteria set out in IAS 32 (Amendment), the redeemable units shall be reclassified as financial liabilities from the date they cease to meet the criteria. The financial liability shall be measured at the fair value of the instrument on the date of reclassification. Any difference between the carrying amount of the equity instrument and the fair value of the liability on the reclassification date shall 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 overdrafts, if any, are shown in current liabilities in the statement of financial position.

(h) Other receivables

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

AIA MACAU BALANCED FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

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 Critical judgements

In preparing these financial statements, the Management Company has made judgements that affect the application of the Fund's accounting policies and the reported amounts of assets, liabilities, income and expenses.

Functional currency

The Management Company of the Fund considers the MOP the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The MOP is the currency in which the Fund measures its performance and reports its results, as well as the currency in which it receives subscriptions from its members. This determination also considers the competitive environment in which the Fund is compared to other Macanese investment products.

4 Financial risk management

(a) Strategy in using financial instruments

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

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

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

AIA MACAU BALANCED FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

4 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 2023 and 2022, the overall market exposures of the Fund were as follows:

	2023		2022	
	Fair value MOP	% of net assets	Fair value MOP	% of net assets
Unit trust	1,162,228,207	45.05	1,044,664,141	45.08
Other investment funds	1,417,610,478	54.94	1,271,933,339	54.89
Total investments	2,579,838,685	99.99	2,316,597,480	99.97

The Fund invests in a unit trust and other investment funds.

The net exposure of the investments in the unit trust to market price risk is MOP1,162,228,207 (2022: MOP1,044,664,141). 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 MOP11,622,282 (2022: MOP10,446,641) 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	
	% +/-	2023 MOP	2022 MOP
Towers Watson MPF Benchmark (Equity > 80%)	5	67,377,027	59,947,661

AIA MACAU BALANCED FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

4 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. 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 MOP9 at 31st December 2023 (2022: MOP7) 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 BALANCED FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

4 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 bank and custodian

	MOP	Credit rating	Source of credit rating
At 31st December 2023			
<u>Bank and custodian</u>			
Citibank N.A.	<u>2,579,838,694</u>	<u>A+</u>	<u>S&P</u>
At 31st December 2022			
<u>Bank and custodian</u>			
Citibank N.A.	<u>2,316,597,480</u>	<u>A+</u>	<u>S&P</u>

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

None of the assets is past due, or 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 2023 and 2022, amounts receivable from subscription and other receivables are due to be settled within 1 week. In addition, as at 31st December 2023 and 2022, cash at banks and investments are held with a counterparty with a credit rating of A+. The Management Company considers the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Fund.

(e) Liquidity risk

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

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

AIA MACAU BALANCED FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

4 Financial risk management (continued)

(e) Liquidity risk (continued)

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

	Less than 8 days MOP	8 days to 12 months MOP
At 31st December 2023		
Benefits payable	214,293	-
Accrued expenses	-	306,037
	<u>214,293</u>	<u>306,037</u>
At 31st December 2022		
Benefits payable	115,292	-
Accrued expenses	-	380,948
	<u>115,292</u>	<u>380,948</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 2023 and 2022.

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

	Less than 1 month MOP
At 31st December 2023	
Total assets	<u>2,580,612,815</u>
At 31st December 2022	
Total assets	<u>2,317,828,176</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 4(b). However, management monitors the exposure on all foreign currency denominated assets and liabilities.

AIA MACAU BALANCED FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

4 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:

	2023		2022	
	Monetary MOP	Non-monetary MOP	Monetary MOP	Non-monetary MOP
Hong Kong dollars	9	1,162,228,207	7	1,044,664,141
United States dollar	-	1,417,610,478	-	1,271,933,339

The table below summarises the impact on the 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% (2022: 5%) with all other variables held constant.

	2023		2022	
	Impact Monetary MOP	Impact Non-monetary MOP	Impact Monetary MOP	Impact Non-monetary MOP
Hong Kong dollars	-	58,111,411	-	52,233,207
United States dollar	-	70,880,524	-	63,596,667

(g) Fair value estimation

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

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

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

AIA MACAU BALANCED FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

4 Financial risk management (continued)

(g) Fair value estimation (continued)

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

The following table analyses within the fair value hierarchy the Fund’s financial assets (by class) measured at fair value at 31st December 2023 and 2022:

	Level 2 MOP	Total balance MOP
At 31st December 2023		
Assets		
Investments	<u>2,579,838,685</u>	<u>2,579,838,685</u>
At 31st December 2022		
Assets		
Investments	<u>2,316,597,480</u>	<u>2,316,597,480</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 2023 and 2022.

(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 4(a), whilst maintaining sufficient liquidity to meet redemption requests. Such liquidity is augmented by the holding of liquid investments. The Management Company monitors capital on the basis of the value of net assets attributable to members.

AIA MACAU BALANCED FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

5 Investments

	2023 MOP	2022 MOP
<u>Investment funds</u>		
AIA Corporate Bond Fund ¹	1,162,228,207	1,044,664,141
AIA Growth Fund ¹	<u>1,417,610,478</u>	<u>1,271,933,339</u>
	<u><u>2,579,838,685</u></u>	<u><u>2,316,597,480</u></u>

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

The maximum exposure to loss from these investment funds is equal to their total carrying amounts which represent 99.99% (2022: 99.97%) of net assets attributable to members.

The overall market exposure for the underlying investment funds as at 31st December 2023 and 2022 were as follows:

	% of investments of the underlying funds	
	2023	2022
Debt securities	45	45
Investment funds - investing mainly in equities with balance in bonds and cash	<u>55</u>	<u>55</u>
	<u><u>100</u></u>	<u><u>100</u></u>

	% of investments of the underlying funds	
	2023	2022
Europe	14	15
Hong Kong	41	38
Japan	8	8
North America	18	15
Other Asia	<u>19</u>	<u>24</u>
	<u><u>100</u></u>	<u><u>100</u></u>

AIA MACAU BALANCED FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

6 Units in issue

	2023 Units	2022 Units
Balance at the beginning of the year	9,676,403	8,760,999
Units issued	1,195,619	1,579,691
Units redeemed	<u>(778,923)</u>	<u>(664,287)</u>
Balance at the end of the year	<u>10,093,099</u>	<u>9,676,403</u>
	MOP	MOP
Net assets attributable to members per unit	<u>255.62</u>	<u>239.48</u>

7 Transactions with related-parties

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

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

8 Taxation

The Fund is established under Decree-Law No. 6/99/M and hence is exempted from Macao complementary tax.

9 Approval of financial statements

The financial statements were approved by the Management Company on 19th June 2024.

AIA MACAU GROWTH FUND
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST DECEMBER 2023

AIA MACAU GROWTH FUND

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

AIA MACAU GROWTH FUND

MANAGEMENT AND PROFESSIONAL SERVICE DETAILS

Management Company

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

Fund Administrator and Custodian

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

Auditor

PricewaterhouseCoopers
14G, Finance and IT Center of Macau
Avenida Doutor Mário Soares No. 320
Macau

AIA MACAU GROWTH FUND

INDEPENDENT AUDITOR'S REPORT

TO THE MANAGEMENT COMPANY OF AIA MACAU GROWTH FUND

Auditor's report on the financial statements

We have audited the financial statements of AIA Macau Growth Fund (the "Fund") set out on pages 4 to 20, which comprise the statement of financial position as at 31st December 2023, 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 other explanatory information.

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 of 8th February as amended by Law No. 10/2001 ("Legal Framework of Private Pension Funds"), and for such internal control as the Management Company determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In addition, the Management Company is responsible for maintaining appropriate records of the activities of the Fund for the year ended 31st December 2023 in accordance with the Legal Framework of Private Pension Funds.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management Company, as well as evaluating the overall presentation of the financial statements.

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

AIA MACAU GROWTH FUND

INDEPENDENT AUDITOR'S REPORT

TO THE MANAGEMENT COMPANY OF AIA MACAU GROWTH FUND (CONTINUED)

Audit Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at 31st December 2023 and of its financial transactions 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.

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 2023 appropriately.

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

Li Ching Lap Bernard
PricewaterhouseCoopers
Certified Public Accountants

Macau, 19th June 2024

AIA MACAU GROWTH FUND**STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2023**

	Note	2023 MOP	2022 MOP
Assets			
Fund investments			
Investments	5	3,748,854,897	3,323,217,338
Amounts receivable on subscription		541,805	3,683,176
Other receivables and accruals		-	12,381
Cash and bank deposits		12	10
Total assets		<u>3,749,396,714</u>	<u>3,326,912,905</u>
Liabilities			
Benefits payable		772,221	114,811
Accrued expenses		692,637	490,188
Total liabilities		<u>1,464,858</u>	<u>604,999</u>
Net assets		<u>3,747,931,856</u>	<u>3,326,307,906</u>
 Total units in issue	6	<u>11,542,873</u>	<u>10,972,035</u>
 Unit price	6	<u>324.69</u>	<u>303.16</u>

For and on behalf of AIA International Limited Macau Branch

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

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

AIA MACAU GROWTH FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER 2023

	2023 MOP	2022 MOP
Income		
Change in unrealised gains/(losses) on investments	232,653,382	(518,925,725)
Realised gains on sale of investments	9,512,121	47,415,171
Investment income (including interest income)	2	9
Exchange gains	17,454	-
Total income/(loss)	242,182,959	(471,510,545)
Expenses		
Investment management fee	814,804	694,432
Total expenses	814,804	694,432
Total net income/(loss)	241,368,155	(472,204,977)

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

AIA MACAU GROWTH FUND**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2023**

	Note	2023 MOP	2022 MOP
Balance at the beginning of the year		<u>3,326,307,906</u>	<u>3,488,704,939</u>
Proceeds on subscription	6	434,524,128	539,951,211
Payments on redemption	6	(254,268,333)	(230,143,267)
Net subscription		<u>180,255,795</u>	<u>309,807,944</u>
Total net income/(loss) for the year		<u>241,368,155</u>	<u>(472,204,977)</u>
Balance at the end of the year		<u><u>3,747,931,856</u></u>	<u><u>3,326,307,906</u></u>

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

AIA MACAU GROWTH FUND

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER 2023

	2023 MOP	2022 MOP
Cash flows from operating activities		
Total net income/(loss) for the year	241,368,155	(472,204,977)
Adjustment for:		
Interest on bank deposits	(2)	(9)
	241,368,153	(472,204,986)
Net (increase)/decrease in investments	(425,637,559)	166,568,041
Net decrease in receivables from the sale of investments	-	248,423
Net decrease/(increase) in other receivables	12,381	(12,381)
Net increase/(decrease) in accruals and other payables	202,449	(187,995)
Cash used in operations	(184,054,576)	(305,588,898)
Interest received on bank deposits	2	9
Net cash used in operating activities	(184,054,574)	(305,588,889)
Cash flows from financing activities		
Proceeds on subscription	437,665,499	537,791,644
Payments on redemption	(253,610,923)	(232,202,745)
Net cash generated from financing activities	184,054,576	305,588,899
Net increase in cash and cash equivalents	2	10
Cash and cash equivalents at the beginning of the year	10	-
Cash and cash equivalents at the end of the year	12	10
Analysis of balance of cash and cash equivalents		
Cash and bank deposits	12	10

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

AIA MACAU GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

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 No. 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 statement is a translation from the original, which was prepared in Chinese and that all possible care has been taken to ensure that the translation is an accurate representation of the original, however, in all matters of interpretation of information, views or opinions, the original language version of the report takes precedence over the translated version.

The financial statements of the Fund for the year ended 31st December 2023 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 from 1st January 2023

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on 1st January 2023 that 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 is primarily focused on fair value information and uses that information to assess the assets’ performance and to make decisions. The Fund has not taken the option to irrevocably designate any equity securities as measured at fair value through other comprehensive income. The contractual cash flows of the Fund’s debt securities are not solely principal and interest. 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 and financial liabilities on a fair value basis together with other related financial information.

AIA MACAU GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

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.

AIA MACAU GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

2 Summary of significant accounting policies (continued)

(d) Translation of foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

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 “change in unrealised gains/(losses) on investments” and “realised gains/(losses) on sale of investments”.

(e) Redeemable units

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

Should the terms or conditions of the redeemable units change such that they no longer meet the strict criteria set out in IAS 32 (Amendment), the redeemable units shall be reclassified as financial liabilities from the date they cease to meet the criteria. The financial liability shall be measured at the fair value of the instrument on the date of reclassification. Any difference between the carrying amount of the equity instrument and the fair value of the liability on the reclassification date shall 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 overdrafts, if any, are shown in current liabilities in the statement of financial position.

(h) Other receivables

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

AIA MACAU GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

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 Critical judgements

In preparing these financial statements, the Management Company has made judgements that affect the application of the Fund's accounting policies and the reported amounts of assets, liabilities, income and expenses.

Functional currency

The Management Company of the Fund considers the MOP the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The MOP is the currency in which the Fund measures its performance and reports its results, as well as the currency in which it receives subscriptions from its members. This determination also considers the competitive environment in which the Fund is compared to other Macanese investment products.

4 Financial risk management

(a) Strategy in using financial instruments

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

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

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

AIA MACAU GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

4 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 2023 and 2022, the overall market exposures of the Fund were as follows:

	2023		2022	
	Fair value MOP	% of net assets	Fair value MOP	% of net assets
Unit trust	1,126,313,887	30.05	999,608,586	30.05
Other investment funds	2,622,541,010	69.97	2,323,608,752	69.86
Total investments	3,748,854,897	100.02	3,323,217,338	99.91

The Fund invests in a unit trust and other investment funds.

The net exposure of the investments in the unit trust to market price risk is MOP1,126,313,887 (2022: MOP999,608,586). 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 MOP11,263,139 (2022: MOP9,996,086) 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	
		2023 MOP	2022 MOP
	% +/-		
Towers Watson MPF Benchmark (Equity > 80%)	5	124,645,677	109,514,317

AIA MACAU GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

4 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. 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 MOP12 as at 31st December 2023 (2022: MOP10) 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 2023

4 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 bank and custodian:

	MOP	Credit rating	Source of credit rating
At 31st December 2023			
<u>Bank and custodian</u>			
Citibank N.A.	3,748,854,909	A+	S&P
At 31st December 2022			
<u>Bank and custodian</u>			
Citibank N.A.	3,323,217,348	A+	S&P

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

None of the assets is past due, or 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 2023 and 2022, amounts receivable from subscription and other receivables are due to be settled within 1 week. In addition, as at 31st December 2023 and 2022, cash at banks and investments are held with a counterparty with a credit rating of A+. The Management Company considers the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Fund.

(e) Liquidity risk

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

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

AIA MACAU GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

4 Financial risk management (continued)

(e) Liquidity risk (continued)

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

	Less than 8 days MOP	8 days to 12 months MOP
At 31st December 2023		
Benefits payable	772,221	-
Accrued expenses	-	692,637
	<u>772,221</u>	<u>692,637</u>
At 31st December 2022		
Benefits payable	114,811	-
Accrued expenses	-	490,188
	<u>114,811</u>	<u>490,188</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 2023 and 2022.

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

	Less than 1 month MOP
At 31st December 2023	
Total assets	<u>3,749,396,714</u>
At 31st December 2022	
Total assets	<u>3,326,912,905</u>

AIA MACAU GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

4 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 4(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:

	2023		2022	
	Monetary MOP	Non-monetary MOP	Monetary MOP	Non-monetary MOP
Hong Kong dollars	12	1,126,313,887	10	999,608,586
United States dollar	-	2,622,541,010	-	2,323,608,752

The table below summarises the impact on the 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% (2022: 5%) with all other variables held constant.

	2023		2022	
	Impact Monetary MOP	Impact Non-monetary MOP	Impact Monetary MOP	Impact Non-monetary MOP
Hong Kong dollars	-	56,315,694	-	49,980,429
United States dollar	-	131,127,051	-	116,180,438

(g) Fair value estimation

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

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

AIA MACAU GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

4 Financial risk management (continued)

(g) Fair value estimation (continued)

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

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

The following table analyses within the fair value hierarchy the Fund’s financial assets (by class) measured at fair value at 31st December 2023 and 2022:

	Level 2 MOP	Total balance MOP
At 31st December 2023		
Assets		
Investments	<u>3,748,854,897</u>	<u>3,748,854,897</u>
At 31st December 2022		
Assets		
Investments	<u>3,323,217,338</u>	<u>3,323,217,338</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 2023 and 2022.

AIA MACAU GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

4 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 4(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.

5 Investments

	2023 MOP	2022 MOP
<u>Investment funds</u>		
AIA Growth Fund ¹	2,622,541,010	2,323,608,752
AIA Corporate Bond Fund ¹	<u>1,126,313,887</u>	<u>999,608,586</u>
	<u>3,748,854,897</u>	<u>3,323,217,338</u>

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

The maximum exposure to loss from these investment funds is equal to their total carrying amounts which represent 100.02% (2022: 99.91%) of net assets attributable to members.

AIA MACAU GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

5 Investments (continued)

The overall market exposure for the underlying investment funds as at 31st December 2023 and 2022 were as follows:

	% of investments of the underlying funds	
	2023	2022
Debt securities	30	30
Investment funds - investing mainly in equities with balance in bonds and cash	70	70
	<u>100</u>	<u>100</u>

	% of investments of the underlying funds	
	2023	2022
Europe	16	17
Hong Kong	38	37
Japan	9	9
North America	20	17
Other Asia	17	20
	<u>100</u>	<u>100</u>

6 Units in issue

	2023 Units	2022 Units
Balance at the beginning of the year	10,972,035	9,984,559
Units issued	1,376,789	1,733,477
Units redeemed	<u>(805,951)</u>	<u>(746,001)</u>
Balance at the end of the year	<u>11,542,873</u>	<u>10,972,035</u>
	MOP	MOP
Net assets attributable to members per unit	<u>324.69</u>	<u>303.16</u>

AIA MACAU GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

7 Transactions with related-parties

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

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

8 Taxation

The Fund is established under Decree-Law No. 6/99/M and hence is exempted from Macao complementary tax.

9 Approval of financial statements

The financial statements were approved by the Management Company on 19th June 2024.

AIA MACAU MANAGER'S CHOICE FUND
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST DECEMBER 2023

AIA MACAU MANAGER’S CHOICE FUND

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

AIA MACAU MANAGER'S CHOICE FUND

MANAGEMENT AND PROFESSIONAL SERVICE DETAILS

Management Company

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

Fund Administrator and Custodian

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

Auditor

PricewaterhouseCoopers
14G, Finance and IT Center of Macau
Avenida Doutor Mário Soares No. 320
Macau

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

Auditor's report on the financial statements

We have audited the financial statements of AIA Macau Manager's Choice Fund (the "Fund") set out on pages 4 to 19, which comprise the statement of financial position as at 31st December 2023, 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 other explanatory information.

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 of 8th February as amended by Law No. 10/2001 ("Legal Framework of Private Pension Funds"), and for such internal control as the Management Company determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In addition, the Management Company is responsible for maintaining appropriate records of the activities of the Fund for the year ended 31st December 2023 in accordance with the Legal Framework of Private Pension Funds.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management Company, as well as evaluating the overall presentation of the financial statements.

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

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

Audit Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at 31st December 2023 and of its financial transactions 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.

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 2023 appropriately.

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

Li Ching Lap Bernard
PricewaterhouseCoopers
Certified Public Accountants

Macau, 19th June 2024

AIA MACAU MANAGER'S CHOICE FUND**STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2023**

	Note	2023 MOP	2022 MOP
Assets			
Fund investments			
Investments	5	633,071,674	547,449,192
Amounts receivable on subscription		435,691	937,813
Other receivables and accruals		-	203,192
Cash and bank deposits		1	-
Total assets		<u>633,507,366</u>	<u>548,590,197</u>
Liabilities			
Benefits payable		170,984	69,897
Accrued expenses		15,018	35,033
Total liabilities		<u>186,002</u>	<u>104,930</u>
Net assets		<u>633,321,364</u>	<u>548,485,267</u>
Total units in issue	6	<u>5,019,711</u>	<u>4,621,490</u>
Unit price	6	<u>126.16</u>	<u>118.68</u>

For and on behalf of AIA International Limited Macau Branch

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

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

AIA MACAU MANAGER'S CHOICE FUND**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2023**

	2023 MOP	2022 MOP
Income		
Change in unrealised gains/(losses) on investments	31,914,819	(61,374,181)
Realised gains/(losses) on sale of investments	66,448	(512,340)
Investment income (including interest income)	4,359,361	2,298,459
Exchange losses	(5,045)	-
Total income/(loss)	<u>36,335,583</u>	<u>(59,588,062)</u>
Expenses		
Investment management fee	79,192	33,122
Total expenses	<u>79,192</u>	<u>33,122</u>
Total net income/(loss)	<u>36,256,391</u>	<u>(59,621,184)</u>

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

AIA MACAU MANAGER'S CHOICE FUND**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2023**

	Note	2023 MOP	2022 MOP
Balance at the beginning of the year		548,485,267	514,157,819
Proceeds on subscription	6	99,706,033	133,241,054
Payments on redemption	6	(51,126,327)	(39,292,422)
Net subscription		48,579,706	93,948,632
Total net income/(loss) for the year		36,256,391	-59,621,184
Balance at the end of the year		633,321,364	548,485,267

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

AIA MACAU MANAGER'S CHOICE FUND

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER 2023

	2023 MOP	2022 MOP
Cash flows from operating activities		
Total net income/(loss) for the year	36,256,391	(59,621,184)
Adjustment for:		
Interest on bank deposits	(1)	-
	<u>36,256,390</u>	<u>(59,621,184)</u>
Net increase in investments	(85,622,482)	(33,540,042)
Net decrease/(increase) in other receivables	203,192	(13,681)
Net decrease in accruals and other payables	(20,015)	(73,777)
Cash used in operations	<u>(49,182,915)</u>	<u>(93,248,684)</u>
Interest received on bank deposits	<u>1</u>	<u>-</u>
Net cash used in operating activities	<u>(49,182,914)</u>	<u>(93,248,684)</u>
Cash flows from financing activities		
Proceeds on subscription	100,208,155	132,601,585
Payments on redemption	(51,025,240)	(39,352,901)
Net cash generated from financing activities	<u>49,182,915</u>	<u>93,248,684</u>
Net increase in cash and cash equivalents	<u>1</u>	<u>-</u>
Cash and cash equivalents at the beginning of the year	<u>-</u>	<u>-</u>
Cash and cash equivalents at the end of the year	<u>1</u>	<u>-</u>
Analysis of balance of cash and cash equivalents		
Cash and bank deposits	<u>1</u>	<u>-</u>

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

AIA MACAU MANAGER'S CHOICE FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

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 No. 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 statement is a translation from the original, which was prepared in Chinese and that all possible care has been taken to ensure that the translation is an accurate representation of the original, however, in all matters of interpretation of information, views or opinions, the original language version of the report takes precedence over the translated version.

The financial statements of the Fund for the year ended 31st December 2023 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 from 1st January 2023

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on 1st January 2023 that 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 is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The Fund has not taken the option to irrevocably designate any equity securities as measured at fair value through other comprehensive income. The contractual cash flows of the Fund's debt securities are not solely principal and interest. 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 and financial liabilities on a fair value basis together with other related financial information.

AIA MACAU MANAGER'S CHOICE FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

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.

AIA MACAU MANAGER'S CHOICE FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

2 Summary of significant accounting policies (continued)

(d) Translation of foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

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 “change in unrealised gains/(losses) on investments” and “realised gains/(losses) on sale of investments”.

(e) Redeemable units

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

Should the terms or conditions of the redeemable units change such that they no longer meet the strict criteria set out in IAS 32 (Amendment), the redeemable units shall be reclassified as financial liabilities from the date they cease to meet the criteria. The financial liability shall be measured at the fair value of the instrument on the date of reclassification. Any difference between the carrying amount of the equity instrument and the fair value of the liability on the reclassification date shall 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 overdrafts, 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 2023

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 Critical judgements

In preparing these financial statements, the Management Company has made judgements that affect the application of the Fund's accounting policies and the reported amounts of assets, liabilities, income and expenses.

Functional currency

The Management Company of the Fund considers the MOP the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The MOP is the currency in which the Fund measures its performance and reports its results, as well as the currency in which it receives subscriptions from its members. This determination also considers the competitive environment in which the Fund is compared to other Macanese investment products.

4 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 MANAGER'S CHOICE FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

4 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 2023 and 2022, the overall market exposures of the Fund were as follows:

	2023		2022	
	Fair value MOP	% of net assets	Fair value MOP	% of net assets
Guaranteed fund	-	-	165,683,894	30.21
Unit trust	194,141,763	30.65	-	-
Other investment funds	438,929,911	69.31	381,765,298	69.60
Total investments	633,071,674	99.96	547,449,192	99.81

The Fund invests in a guaranteed fund, unit trust and other investment funds.

The return from the guaranteed fund is based on a rate declared by the trustee of the guaranteed fund. The rate is a minimum percentage per annum and is reviewed annually by the trustee of the guaranteed fund and adjusted as required based on the market performance of the guaranteed fund, which is subject to market price risk arising from uncertainties about the future prices of underlying investments of the guaranteed fund. The Management Company considers that any reasonable possible shift in the guaranteed rate of return will not have material impact on the Fund's net assets attributable to members and has therefore not provided a sensitivity analysis in respect of potential movements in the guaranteed rate of return.

The net exposure of the investments in the unit trust to market price risk is MOP194,141,763 (2022: MOP 0). 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 MOP1,941,418 (2022: MOP 0) 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	
		2023 MOP	2022 MOP
	% +/-		
Towers Watson MPF Benchmark (Equity 40% - 60%)	5	20,150,483	15,392,099

AIA MACAU MANAGER'S CHOICE FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

4 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. 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 MOP1 bank balances at 31st December 2023 (2022: MOP 0) 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.

The table below summarises the assets placed with the bank and custodian:

	MOP	Credit rating	Source of credit rating
At 31st December 2023			
<u>Bank and custodian</u>			
Citibank N.A.	<u>633,071,675</u>	<u>A+</u>	<u>S&P</u>
At 31st December 2022			
<u>Bank and custodian</u>			
Citibank N.A.	<u>547,449,192</u>	<u>A+</u>	<u>S&P</u>

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

None of the assets is past due, or past due but not impaired.

AIA MACAU MANAGER'S CHOICE FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

4 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 2023 and 2022, amounts receivable from subscription and other receivables are due to be settled within 1 week. In addition, as at 31st December 2023 and 2022, cash at banks and investments are held with a counterparty with a credit rating of A+. The Management Company considers the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Fund.

(e) Liquidity risk

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

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

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

	Less than 8 days MOP	8 days to 12 months MOP
At 31st December 2023		
Benefits payable	170,984	-
Accrued expenses	-	15,018
	<u>170,984</u>	<u>15,018</u>
At 31st December 2022		
Benefits payable	69,897	-
Accrued expenses	-	35,033
	<u>69,897</u>	<u>35,033</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 2023 and 2022.

AIA MACAU MANAGER'S CHOICE FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

4 Financial risk management (continued)

(e) Liquidity risk (continued)

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

	Less than 1 month MOP
At 31st December 2023	
Total assets	<u>633,507,366</u>
At 31st December 2022	
Total assets	<u>548,590,197</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 4(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:

	2023		2022	
	Monetary MOP	Non-monetary MOP	Monetary MOP	Non-monetary MOP
Hong Kong dollars	1	633,071,674	-	381,765,298
United States dollar	-	-	198,734	165,683,894

The table below summarises the impact on the 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% (2022: 5%) with all other variables held constant.

	2023		2022	
	Impact Monetary MOP	Impact Non-monetary MOP	Impact Monetary MOP	Impact Non-monetary MOP
Hong Kong dollars	-	31,653,584	-	19,088,265
United States dollar	-	-	9,937	8,284,195

AIA MACAU MANAGER'S CHOICE FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

4 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 2023 and 2022:

	Level 2 MOP	Total balance MOP
At 31st December 2023		
Assets		
Investments	633,071,674	633,071,674
At 31st December 2022		
Assets		
Investments	547,449,192	547,449,192

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 2023 and 2022.

AIA MACAU MANAGER'S CHOICE FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

4 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 4(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.

5 Investments

	2023 MOP	2022 MOP
<u>Investment funds</u>		
AIA International US\$ Deposit Administration Fund ¹	-	165,683,894
AIA Manager's Choice Fund ²	438,929,911	381,765,298
AIA Corporate Bond Fund ²	194,141,763	-
	<u>633,071,674</u>	<u>547,449,192</u>

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

² The trustee of AIA Manager's Choice Fund and AIA Corporate 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 99.96% (2022: 99.81%) of net assets attributable to members.

AIA MACAU MANAGER'S CHOICE FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

5 Investments (continued)

The overall market exposure for the underlying investment funds as at 31st December 2023 and 2022 were as follows:

	% of investments of the underlying funds	
	2023	2022
Debt securities	31	30
Investment funds - investing mainly in equities with balance in bonds and cash	69	70
	<u>100</u>	<u>100</u>

	% of investments of the underlying funds	
	2023	2022
Europe	19	26
Hong Kong	30	16
Japan	7	7
North America	28	32
Other Asia	16	18
Other	-	1
	<u>100</u>	<u>100</u>

6 Units in issue

	2023 Units	2022 Units
Balance at the beginning of the year	4,621,490	3,853,678
Units issued	818,409	1,090,847
Units redeemed	<u>(420,188)</u>	<u>(323,035)</u>
Balance at the end of the year	<u>5,019,711</u>	<u>4,621,490</u>
	MOP	MOP
Net assets attributable to members per unit	<u>126.16</u>	<u>118.68</u>

AIA MACAU MANAGER'S CHOICE FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

7 Transactions with related-parties

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

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

8 Taxation

The Fund is established under Decree-Law No. 6/99/M and hence is exempted from Macao complementary tax.

9 Approval of financial statements

The financial statements were approved by the Management Company on 19th June 2024.

AIA MACAU HONG KONG EQUITY FUND
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST DECEMBER 2023

AIA MACAU HONG KONG EQUITY FUND

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

AIA MACAU HONG KONG EQUITY FUND

MANAGEMENT AND PROFESSIONAL SERVICE DETAILS

Management Company

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

Fund Administrator and Custodian

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

Auditor

PricewaterhouseCoopers
14G, Finance and IT Center of Macau
Avenida Doutor Mário Soares No. 320
Macau

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

Auditor's report on the financial statements

We have audited the financial statements of AIA Macau Hong Kong Equity Fund (the "Fund") set out on pages 4 to 19, which comprise the statement of financial position as at 31st December 2023, 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 other explanatory information.

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 of 8th February as amended by Law No. 10/2001 ("Legal Framework of Private Pension Funds"), and for such internal control as the Management Company determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In addition, the Management Company is responsible for maintaining appropriate records of the activities of the Fund for the year ended 31st December 2023 in accordance with the Legal Framework of Private Pension Funds.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management Company, as well as evaluating the overall presentation of the financial statements.

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

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

Audit Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at 31st December 2023 and of its financial transactions 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.

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 2023 appropriately.

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

Li Ching Lap Bernard
PricewaterhouseCoopers
Certified Public Accountants

Macau, 19th June 2024

AIA MACAU HONG KONG EQUITY FUND

STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2023

	Note	2023 MOP	2022 MOP
Assets			
Fund investments			
Investments	5	222,161,421	184,314,209
Amounts receivable on subscription		529,690	170,480
Other receivables and accruals		26,622	102,082
Cash and bank deposits		1	-
Total assets		<u>222,717,734</u>	<u>184,586,771</u>
Liabilities			
Benefits payable		324,743	1,013,655
Accrued expenses		12,782	19,029
Total liabilities		<u>337,525</u>	<u>1,032,684</u>
Net assets		<u>222,380,209</u>	<u>183,554,087</u>
Total units in issue	6	<u>2,367,578</u>	<u>1,813,033</u>
Unit price	6	<u>93.92</u>	<u>101.24</u>

For and on behalf of AIA International Limited Macau Branch

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

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

AIA MACAU HONG KONG EQUITY FUND**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2023**

	2023 MOP	2022 MOP
Income		
Change in unrealised losses on investments	(16,490,168)	(5,228,335)
Realised losses on sale of investments	(2,285,100)	(2,914,456)
Investment income (including interest income)	1,895,267	750,309
Exchange losses	<u>(3,635)</u>	<u>-</u>
Total losses	<u><u>(16,883,636)</u></u>	<u><u>(7,392,482)</u></u>
Expenses		
Investment management fee	<u>5,173</u>	<u>12,089</u>
Total expenses	<u><u>5,173</u></u>	<u><u>12,089</u></u>
Total net loss	<u><u>(16,888,809)</u></u>	<u><u>(7,404,571)</u></u>

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

AIA MACAU HONG KONG EQUITY FUND

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2023

	Note	2023 MOP	2022 MOP
Balance at the beginning of the year		183,554,087	111,911,710
Proceeds on subscription	6	113,546,401	113,942,227
Payments on redemption	6	(57,831,470)	(34,895,279)
Net subscription		55,714,931	79,046,948
Total net loss for the year		(16,888,809)	(7,404,571)
Balance at the end of the year		222,380,209	183,554,087

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

AIA MACAU HONG KONG EQUITY FUND

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER 2023

	2023 MOP	2022 MOP
Cash flows from operating activities		
Total net loss for the year	(16,888,809)	(7,404,571)
Adjustment for:		
Interest on bank deposits	(1)	-
	(16,888,810)	(7,404,571)
Net increase in investments	(37,847,212)	(72,693,391)
Net decrease/(increase) in other receivables	75,460	(53,719)
Net (decrease)/increase in accruals and other payables	(6,247)	14,264
Cash used in operations	(54,666,809)	(80,137,417)
Interest received on bank deposits	1	-
Net cash used in operating activities	(54,666,808)	(80,137,417)
Cash flows from financing activities		
Proceeds on subscription	113,187,191	114,108,507
Payments on redemption	(58,520,382)	(33,971,090)
Net cash generated from financing activities	54,666,809	80,137,417
Net increase in cash and cash equivalents	1	-
Cash and cash equivalents at the beginning of the year	-	-
Cash and cash equivalents at the end of the year	1	-
Analysis of balance of cash and cash equivalents		
Cash and bank deposits	1	-

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

AIA MACAU HONG KONG EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

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 No. 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 statement is a translation from the original, which was prepared in Chinese and that all possible care has been taken to ensure that the translation is an accurate representation of the original, however, in all matters of interpretation of information, views or opinions, the original language version of the report takes precedence over the translated version.

The financial statements of the Fund for the year ended 31st December 2023 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 from 1st January 2023

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on 1st January 2023 that 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 is primarily focused on fair value information and uses that information to assess the assets’ performance and to make decisions. The Fund has not taken the option to irrevocably designate any equity securities as measured at fair value through other comprehensive income. The contractual cash flows of the Fund’s debt securities are not solely principal and interest. 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 and financial liabilities on a fair value basis together with other related financial information.

AIA MACAU HONG KONG EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

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.

AIA MACAU HONG KONG EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

2 Summary of significant accounting policies (continued)

(d) Translation of foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

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 “change in unrealised losses on investments” and “realised gains/(losses) on sale of investments”.

(e) Redeemable units

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

Should the terms or conditions of the redeemable units change such that they no longer meet the strict criteria set out in IAS 32 (Amendment), the redeemable units shall be reclassified as financial liabilities from the date they cease to meet the criteria. The financial liability shall be measured at the fair value of the instrument on the date of reclassification. Any difference between the carrying amount of the equity instrument and the fair value of the liability on the reclassification date shall 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 overdrafts, 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 2023

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 Critical judgements

In preparing these financial statements, the Management Company has made judgements that affect the application of the Fund's accounting policies and the reported amounts of assets, liabilities, income and expenses.

Functional currency

The Management Company of the Fund considers the MOP the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The MOP is the currency in which the Fund measures its performance and reports its results, as well as the currency in which it receives subscriptions from its members. This determination also considers the competitive environment in which the Fund is compared to other Macanese investment products.

4 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 HONG KONG EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

4 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 2023 and 2022, the overall market exposures of the Fund were as follows:

	2023		2022	
	Fair value MOP	% of net assets	Fair value MOP	% of net assets
Guaranteed fund	-	-	64,358,563	35.06
Unit trust	89,178,452	40.10	-	-
Other investment funds	132,982,969	59.80	119,955,646	65.35
Total investments	222,161,421	99.90	184,314,209	100.41

The Fund invests in a guaranteed fund, unit trust and other investment funds.

The return from the guaranteed fund is based on a rate declared by the trustee of the guaranteed fund. The rate is a minimum percentage per annum and is reviewed annually by the trustee of the guaranteed fund and adjusted as required based on the market performance of the guaranteed fund, which is subject to market price risk arising from uncertainties about the future prices of underlying investments of the guaranteed fund. The Management Company considers that any reasonable possible shift in the guaranteed rate of return will not have material impact on the Fund's net assets attributable to members and has therefore not provided a sensitivity analysis in respect of potential movements in the guaranteed rate of return.

The net exposure of the investments in the unit trust to market price risk is MOP89,178,452 (2022: MOP 0). 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 MOP891,785 (2022: MOP 0) 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	
	% +/-	2023 MOP	2022 MOP
FTSE MPF			
Hong Kong Index			
(Total Return)	5	6,075,366	5,253,100

AIA MACAU HONG KONG EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

4 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. 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 MOP1 bank balances at 31st December 2023 (2022: MOP 0) 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.

The table below summarises the assets placed with the bank and custodian:

	MOP	Credit rating	Source of credit rating
At 31st December 2023			
<u>Bank and custodian</u>			
Citibank N.A.	<u>222,161,422</u>	<u>A+</u>	<u>S&P</u>
At 31st December 2022			
<u>Bank and custodian</u>			
Citibank N.A.	<u>184,314,209</u>	<u>A+</u>	<u>S&P</u>

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

None of the assets is past due, or past due but not impaired.

AIA MACAU HONG KONG EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

4 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 2023 and 2022, amounts receivable from subscription and other receivables are due to be settled within 1 week. In addition, as at 31st December 2023 and 2022, cash at banks and investments are held with a counterparty with a credit rating of A+. The Management Company considers the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Fund.

(e) Liquidity risk

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

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

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

	Less than 8 days MOP	8 days to 12 months MOP
At 31st December 2023		
Benefits payable	324,743	-
Accrued expenses	-	12,782
	<u>324,743</u>	<u>12,782</u>
At 31st December 2022		
Benefits payable	1,013,655	-
Accrued expenses	-	19,029
	<u>1,013,655</u>	<u>19,029</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 2023 and 2022.

AIA MACAU HONG KONG EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

4 Financial risk management (continued)

(e) Liquidity risk (continued)

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

	Less than 1 month MOP
At 31st December 2023	
Total assets	<u>222,717,734</u>
At 31st December 2022	
Total assets	<u>184,586,771</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 4(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:

	2023		2022	
	Monetary MOP	Non-monetary MOP	Monetary MOP	Non-monetary MOP
Hong Kong dollars	1	222,161,421	-	119,955,646
United States dollar	-	-	74,169	64,358,563

The table below summarises the impact on the 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% (2022: 5%) with all other variables held constant.

	2023		2022	
	Impact Monetary MOP	Impact Non-monetary MOP	Impact Monetary MOP	Impact Non-monetary MOP
Hong Kong dollars	-	11,108,071	-	5,997,782
United States dollar	-	-	3,708	3,217,928

AIA MACAU HONG KONG EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

4 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 2023 and 2022:

	Level 2	Total balance
	MOP	MOP
At 31st December 2023		
Assets		
Investments	<u>222,161,421</u>	<u>222,161,421</u>
At 31st December 2022		
Assets		
Investments	<u>184,314,209</u>	<u>184,314,209</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 2023 and 2022.

AIA MACAU HONG KONG EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

4 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 4(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.

5 Investments

	2023 MOP	2022 MOP
<u>Investment funds</u>		
AIA International US\$ Deposit Administration Fund ¹	-	64,358,563
AIA Corporate Bond Fund ²	89,178,452	-
AIA Hong Kong Equity Fund ²	132,982,969	119,955,646
	<u>222,161,421</u>	<u>184,314,209</u>

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

² The trustee of AIA Corporate Bond Fund and 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 99.90% (2022: 100.41%) of net assets attributable to members.

AIA MACAU HONG KONG EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

5 Investments (continued)

The overall market exposure for the underlying investment funds as at 31st December 2023 and 2022 were as follows:

	% of investments of the underlying funds	
	2023	2022
Debt securities	40	35
Investment funds - investing mainly in equities with balance in bonds and cash	60	65
	100	100

	% of investments of the underlying funds	
	2023	2022
Europe	5	13
Hong Kong	59	46
Japan	1	1
North America	4	3
Other Asia	31	36
Other	-	1
	100	100

6 Units in issue

	2023 Units	2022 Units
Balance at the beginning of the year	1,813,033	1,028,789
Units issued	1,137,856	1,132,334
Units redeemed	(583,311)	(348,090)
Balance at the end of the year	2,367,578	1,813,033

	MOP	MOP
Net assets attributable to members per unit	93.92	101.24

AIA MACAU HONG KONG EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

7 Transactions with related-parties

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

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

8 Taxation

The Fund is established under Decree-Law No. 6/99/M and hence is exempted from Macao complementary tax.

9 Approval of financial statements

The financial statements were approved by the Management Company on 19th June 2024.

AIA MACAU AMERICAN EQUITY FUND
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST DECEMBER 2023

AIA MACAU AMERICAN EQUITY FUND

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

AIA MACAU AMERICAN EQUITY FUND

MANAGEMENT AND PROFESSIONAL SERVICE DETAILS

Management Company

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

Fund Administrator and Custodian

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

Auditor

PricewaterhouseCoopers
14G, Finance and IT Center of Macau
Avenida Doutor Mário Soares No. 320
Macau

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

Auditor's report on the financial statements

We have audited the financial statements of AIA Macau American Equity Fund (the "Fund") set out on pages 4 to 19, which comprise the statement of financial position as at 31st December 2023, 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 other explanatory information.

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 of 8th February as amended by Law No. 10/2001 ("Legal Framework of Private Pension Funds"), and for such internal control as the Management Company determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In addition, the Management Company is responsible for maintaining appropriate records of the activities of the Fund for the year ended 31st December 2023 in accordance with the Legal Framework of Private Pension Funds.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management Company, as well as evaluating the overall presentation of the financial statements.

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

**INDEPENDENT AUDITOR'S REPORT
TO THE MANAGEMENT COMPANY OF AIA MACAU AMERICAN EQUITY FUND
(Continued)**

Audit Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at 31st December 2023 and of its financial transactions 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.

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 2023 appropriately.

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

Li Ching Lap Bernard
PricewaterhouseCoopers
Certified Public Accountants

Macau, 19th June 2024

AIA MACAU AMERICAN EQUITY FUND

STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2023

	Note	2023 MOP	2022 MOP
Assets			
Fund investments			
Investments	5	357,617,036	235,514,228
Amounts receivable on subscription		789,285	137,509
Other receivables and accruals		627,749	450,388
Cash and bank deposits		1	-
Total assets		359,034,071	236,102,125
Liabilities			
Benefits payable		251,207	491,784
Accrued expenses		21,032	23,332
Total liabilities		272,239	515,116
Net assets		358,761,832	235,587,009
Total units in issue	6	2,360,005	1,881,658
Unit price	6	152.01	125.20

For and on behalf of AIA International Limited Macau Branch

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

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

AIA MACAU AMERICAN EQUITY FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER 2023

	2023 MOP	2022 MOP
Income		
Change in unrealised gains/(losses) on investments	50,706,373	(28,814,743)
Realised gains on sale of investments	2,298,798	894,480
Investment income (including interest income)	2,470,259	1,072,365
Exchange losses	(3,885)	-
Rebate income	284,749	306,307
Total income/(loss)	<u>55,756,294</u>	<u>(26,541,591)</u>
Expenses		
Investment management fee	30,612	6,299
Total expenses	<u>30,612</u>	<u>6,299</u>
Total net income/(loss)	<u>55,725,682</u>	<u>(26,547,890)</u>

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

AIA MACAU AMERICAN EQUITY FUND

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2023

	Note	2023 MOP	2022 MOP
Balance at the beginning of the year		235,587,009	171,824,812
Proceeds on subscription	6	122,210,740	127,397,787
Payments on redemption	6	(54,761,599)	(37,087,700)
Net subscription		67,449,141	90,310,087
Total net income/(loss) for the year		55,725,682	(26,547,890)
Balance at the end of the year		358,761,832	235,587,009

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

AIA MACAU AMERICAN EQUITY FUND

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER 2023

	2023 MOP	2022 MOP
Cash flows from operating activities		
Total net income/(loss) for the year	55,725,682	(26,547,890)
Adjustment for:		
Interest on bank deposits	(1)	-
	55,725,681	(26,547,890)
Net increase in investments	(122,102,808)	(63,365,924)
Net increase in other receivables	(177,361)	(378,793)
Net (decrease)/increase in accruals and other payables	(2,300)	6,112
Cash used in operations	(66,556,788)	(90,286,495)
Interest received on bank deposits	1	-
Net cash used in operating activities	(66,556,787)	(90,286,495)
Cash flows from financing activities		
Proceeds on subscription	121,558,964	127,738,898
Payments on redemption	(55,002,176)	(37,452,403)
Net cash generated from financing activities	66,556,788	90,286,495
Net increase in cash and cash equivalents	1	-
Cash and cash equivalents at the beginning of the year	-	-
Cash and cash equivalents at the end of the year	1	-
Analysis of balance of cash and cash equivalents		
Cash and bank deposits	1	-

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

AIA MACAU AMERICAN EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

1 The Fund

AIA International Limited Macau Branch (the “Management Company”) established AIA Macau American Equity Fund (the “Fund”) on 4th April 2019 under the provisions of Article 14 paragraphs 1 and 3 of Decree-Law No. 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 statement is a translation from the original, which was prepared in Chinese and that all possible care has been taken to ensure that the translation is an accurate representation of the original, however, in all matters of interpretation of information, views or opinions, the original language version of the report takes precedence over the translated version.

The financial statements of the Fund for the year ended 31st December 2023 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 from 1st January 2023

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on 1st January 2023 that 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 is primarily focused on fair value information and uses that information to assess the assets’ performance and to make decisions. The Fund has not taken the option to irrevocably designate any equity securities as measured at fair value through other comprehensive income. The contractual cash flows of the Fund’s debt securities are not solely principal and interest. 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 and financial liabilities on a fair value basis together with other related financial information.

AIA MACAU AMERICAN EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

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.

AIA MACAU AMERICAN EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

2 Summary of significant accounting policies (continued)

(d) Translation of foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

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 “change in unrealised gains/(losses) on investments” and “realised gains/(losses) on sale of investments”.

(e) Redeemable units

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

Should the terms or conditions of the redeemable units change such that they no longer meet the strict criteria set out in IAS 32 (Amendment), the redeemable units shall be reclassified as financial liabilities from the date they cease to meet the criteria. The financial liability shall be measured at the fair value of the instrument on the date of reclassification. Any difference between the carrying amount of the equity instrument and the fair value of the liability on the reclassification date shall 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 overdrafts, 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 2023

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 Critical judgements

In preparing these financial statements, the Management Company has made judgements that affect the application of the Fund's accounting policies and the reported amounts of assets, liabilities, income and expenses.

Functional currency

The Management Company of the Fund considers the MOP the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The MOP is the currency in which the Fund measures its performance and reports its results, as well as the currency in which it receives subscriptions from its members. This determination also considers the competitive environment in which the Fund is compared to other Macanese investment products.

4 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 2023

4 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 2023 and 2022, the overall market exposures of the Fund were as follows:

	2023		2022	
	Fair value MOP	% of net assets	Fair value MOP	% of net assets
Guaranteed fund	-	-	84,581,333	35.90
Unit trust	123,285,553	34.36	-	-
Other investment funds	234,331,483	65.32	150,932,895	64.07
Total investments	357,617,036	99.68	235,514,228	99.97

The Fund invests in a guaranteed fund, unit trust and other investment funds.

The return from the guaranteed fund is based on a rate declared by the trustee of the guaranteed fund. The rate is a minimum percentage per annum and is reviewed annually by the trustee of the guaranteed fund and adjusted as required based on the market performance of the guaranteed fund, which is subject to market price risk arising from uncertainties about the future prices of underlying investments of the guaranteed fund. The Management Company considers that any reasonable possible shift in the guaranteed rate of return will not have material impact on the Fund's net assets attributable to members and has therefore not provided a sensitivity analysis in respect of potential movements in the guaranteed rate of return.

The net exposure of the investments in the unit trust to market price risk is MOP123,285,553 (2022: MOP 0). 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 MOP1,232,856 (2022: MOP 0) 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	
		2023	2022
	% +/-	MOP	MOP
S&P 500 Net Total Return Index	5	1,366,176	829,249

AIA MACAU AMERICAN EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

4 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. 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 MOP1 bank balances at 31st December 2023 (2022: MOP 0) 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.

The table below summarises the assets placed with the bank and custodian:

	MOP	Credit rating	Source of credit rating
At 31st December 2023			
<u>Bank and custodian</u>			
Citibank N.A.	<u>357,617,037</u>	<u>A+</u>	<u>S&P</u>
At 31st December 2022			
<u>Bank and custodian</u>			
Citibank N.A.	<u>235,514,228</u>	<u>A+</u>	<u>S&P</u>

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

None of the assets is past due, or past due but not impaired.

AIA MACAU AMERICAN EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

4 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 2023 and 2022, amounts receivable from subscription and other receivables are due to be settled within 1 week. In addition, as at 31st December 2023 and 2022, cash at banks and investments are held with a counterparty with a credit rating of A+. The Management Company considers the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Fund.

(e) Liquidity risk

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

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

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

	Less than 8 days MOP	8 days to 12 months MOP
At 31st December 2023		
Benefits payable	251,207	-
Accrued expenses	-	21,032
	<u>251,207</u>	<u>21,032</u>
At 31st December 2022		
Benefits payable	491,784	-
Accrued expenses	-	23,332
	<u>491,784</u>	<u>23,332</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 2023 and 2022.

AIA MACAU AMERICAN EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

4 Financial risk management (continued)

(e) Liquidity risk (continued)

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

	Less than 1 month MOP
At 31st December 2023	
Total assets	359,034,071
At 31st December 2022	
Total assets	236,102,125

(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 4(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:

	2023		2022	
	Monetary MOP	Non-monetary MOP	Monetary MOP	Non-monetary MOP
Hong Kong dollars	1	123,285,553	-	-
United States dollar	-	234,331,483	-	235,514,228

The table below summarises the impact on the 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% (2022: 5%) with all other variables held constant.

	2023		2022	
	Impact Monetary MOP	Impact Non-monetary MOP	Impact Monetary MOP	Impact Non-monetary MOP
Hong Kong dollars	-	6,164,278	-	-
United States dollar	-	11,716,574	-	11,775,711

AIA MACAU AMERICAN EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

4 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 2023 and 2022:

	Level 2	Total balance
	MOP	MOP
At 31st December 2023		
Assets		
Investments	<u>357,617,036</u>	<u>357,617,036</u>
At 31st December 2022		
Assets		
Investments	<u>235,514,228</u>	<u>235,514,228</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 2023 and 2022.

AIA MACAU AMERICAN EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

4 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 4(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.

5 Investments

Investment funds	2023 MOP	2022 MOP
AIA International US\$ Deposit Administration Fund ¹	-	84,581,333
AIA American Equity Fund ²	234,331,483	150,932,895
AIA Corporate Bond Fund ²	123,285,553	-
	<u>357,617,036</u>	<u>235,514,228</u>

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

² The trustee of AIA American Equity Fund and AIA Corporate 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 99.68% (2022: 99.97%) of net assets attributable to members.

AIA MACAU AMERICAN EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

5 Investments (continued)

The overall market exposure for the underlying investment funds as at 31st December 2023 and 2022 were as follows:

	% of investments of the underlying funds	
	2023	2022
Debt securities	34	35
Investment funds - investing mainly in equities with balance in bonds and cash	66	65
	100	100

	% of investments of the underlying funds	
	2023	2022
Europe	3	12
Hong Kong	19	7
Japan	1	1
North America	68	66
Other Asia	9	13
Other	-	1
	100	100

6 Units in issue

	2023 Units	2022 Units
Balance at the beginning of the year	1,881,658	1,208,162
Units issued	878,150	956,078
Units redeemed	(399,803)	(282,582)
Balance at the end of the year	2,360,005	1,881,658
	MOP	MOP
Net assets attributable to members per unit	152.01	125.20

AIA MACAU AMERICAN EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

7 Transactions with related-parties

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

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

8 Taxation

The Fund is established under Decree-Law No. 6/99/M and hence is exempted from Macao complementary tax.

9 Approval of financial statements

The financial statements were approved by the Management Company on 19th June 2024.

AIA MACAU CONSERVATIVE FUND

REPORT AND FINANCIAL STATEMENTS

**FOR THE PERIOD FROM 3RD JULY 2023 (COMMENCEMENT OF OPERATIONS) TO
31ST DECEMBER 2023**

AIA MACAU CONSERVATIVE FUND

CONTENTS	Pages
Management and professional service details	1
Independent auditor's report	2 to 3
Statement of financial position	4
Statement of comprehensive income	5
Statement of changes in equity	6
Statement of cash flows	7
Notes to the financial statements	8 to 18

AIA MACAU CONSERVATIVE FUND

MANAGEMENT AND PROFESSIONAL SERVICE DETAILS

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
14G, Finance and IT Center of Macau
Avenida Doutor Mário Soares No. 320
Macau

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

Auditor's report on the financial statements

We have audited the financial statements of AIA Macau Conservative Fund (the "Fund") set out on pages 4 to 18, which comprise the statement of financial position as at 31st December 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period from 3rd July 2023 (commencement of operations) to 31st December 2023, and a summary of significant accounting policies and other explanatory information.

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 of 8th February as amended by Law No. 10/2001 ("Legal Framework of Private Pension Funds"), and for such internal control as the Management Company determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In addition, the Management Company is responsible for maintaining appropriate records of the activities of the Fund for the period ended 31st December 2023 in accordance with the Legal Framework of Private Pension Funds.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 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 CONSERVATIVE FUND
(CONTINUED)**

Audit Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at 31st December 2023 and of its financial transactions and cash flows for the period from 3rd July 2023 (commencement of operations) to 31st December 2023 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.

Report on Notice No. 011/2021-AMCM

In our opinion, the accounting books of the Fund record the activities of the Fund for the period from 3rd July 2023 (commencement of operations) to 31st December 2023 appropriately.

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

Li Ching Lap Bernard
PricewaterhouseCoopers
Certified Public Accountants

Macau, 19th June 2024

AIA MACAU CONSERVATIVE FUND**STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2023**

	Note	2023 MOP
Assets		
Fund investments		
Investments	5	26,055,932
Amounts receivable on subscription		143,688
Other receivables and accruals		1,113,160
Cash and bank deposits		166,843
Total assets		<u>27,479,623</u>
Liabilities		
Benefits payable		1,331,503
Accrued expenses		21,440
Total liabilities		<u>1,352,943</u>
Net assets		<u>26,126,680</u>
Total units in issue	6	<u>259,461</u>
Unit price	6	<u>100.69</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 18 are an integral part of these financial statements.

AIA MACAU CONSERVATIVE FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM 3RD JULY 2023 (COMMENCEMENT OF OPERATIONS) TO 31ST DECEMBER 2023

	3rd July 2023 (commencement of operations) to 31st December 2023 MOP
Income	
Change in unrealised gains on investments	199,955
Realised losses on sale of investments	(4,101)
Exchange losses	<u>(4)</u>
Total income	<u>195,850</u>
Expenses	
Investment management fee	<u>56,757</u>
Total expenses	<u>56,757</u>
Total net income	<u>139,093</u>

The notes on pages 8 to 18 are an integral part of these financial statements.

AIA MACAU CONSERVATIVE FUND

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD FROM 3RD JULY 2023 (COMMENCEMENT OF OPERATIONS) TO 31ST DECEMBER 2023

	3rd July 2023 (commencement of operations) to 31st December 2023	
	Note	MOP
Balance at the beginning of the period		-
Proceeds on subscription	6	36,776,365
Payments on redemption	6	(10,788,778)
Net subscription		25,987,587
Total net income for the period		139,093
Balance at the end of the period		26,126,680

The notes on pages 8 to 18 are an integral part of these financial statements.

AIA MACAU CONSERVATIVE FUND

STATEMENT OF CASH FLOWS

FOR THE PERIOD FROM 3RD JULY 2023 (COMMENCEMENT OF OPERATIONS) TO 31ST DECEMBER 2023

	3rd July 2023 (commencement of operations) to 31st December 2023 MOP
Cash flows from operating activities	
Total net income for the period	139,093
	<u>139,093</u>
Net increase in investments	(26,055,932)
Net increase in receivables from the sale of investments	(1,113,160)
Net increase in accruals and other payables	21,440
Net cash used in operating activities	<u>(27,008,559)</u>
Cash flows from financing activities	
Proceeds on subscription	36,632,677
Payments on redemption	(9,457,275)
Net cash generated from financing activities	<u>27,175,402</u>
Net increase in cash and cash equivalents	166,843
Cash and cash equivalents at the beginning of the period	-
Cash and cash equivalents at the end of the period	<u><u>166,843</u></u>
Analysis of balance of cash and cash equivalents	
Cash and bank deposits	<u><u>166,843</u></u>

The notes on pages 8 to 18 are an integral part of these financial statements.

AIA MACAU CONSERVATIVE FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 3RD JULY 2023 (COMMENCEMENT OF OPERATIONS) TO 31ST DECEMBER 2023

1 The Fund

AIA International Limited Macau Branch (the “Management Company”) established AIA Macau Conservative Fund (the “Fund”) on 3rd July 2023 under the provisions of Article 14 paragraphs 1 and 3 of Decree-Law No. 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 periods presented, unless otherwise stated.

(a) Basis of preparation

The financial statement is a translation from the original, which was prepared in Chinese and that all possible care has been taken to ensure that the translation is an accurate representation of the original, however, in all matters of interpretation of information, views or opinions, the original language version of the report takes precedence over the translated version.

The financial statements of the Fund for the period from 3rd July 2023 (commencement of operations) to 31st December 2023 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.

(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 is primarily focused on fair value information and uses that information to assess the assets’ performance and to make decisions. The Fund has not taken the option to irrevocably designate any equity securities as measured at fair value through other comprehensive income. The contractual cash flows of the Fund’s debt securities are not solely principal and interest. 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 and financial liabilities on a fair value basis together with other related financial information.

AIA MACAU CONSERVATIVE FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 3RD JULY 2023 (COMMENCEMENT OF OPERATIONS) TO 31ST DECEMBER 2023

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.

AIA MACAU CONSERVATIVE FUND

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM 3RD JULY 2023 (COMMENCEMENT OF OPERATIONS) TO 31ST DECEMBER 2023

2 Summary of significant accounting policies (continued)

(d) Translation of foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the period 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/(losses)”.

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 “change in unrealised gains on investments” and “realised gains/(losses) on sale of investments”.

(e) Redeemable units

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

Should the terms or conditions of the redeemable units change such that they no longer meet the strict criteria set out in IAS 32 (Amendment), the redeemable units shall be reclassified as financial liabilities from the date they cease to meet the criteria. The financial liability shall be measured at the fair value of the instrument on the date of reclassification. Any difference between the carrying amount of the equity instrument and the fair value of the liability on the reclassification date shall 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 overdrafts, if any, are shown in current liabilities in the statement of financial position.

(h) Other receivables

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

AIA MACAU CONSERVATIVE FUND

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM 3RD JULY 2023 (COMMENCEMENT OF OPERATIONS) TO 31ST DECEMBER 2023

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 Critical judgements

In preparing these financial statements, the Management Company has made judgements that affect the application of the Fund's accounting policies and the reported amounts of assets, liabilities, income and expenses.

Functional currency

The Management Company of the Fund considers the MOP the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The MOP is the currency in which the Fund measures its performance and reports its results, as well as the currency in which it receives subscriptions from its members. This determination also considers the competitive environment in which the Fund is compared to other Macanese investment products.

4 Financial risk management

(a) Strategy in using financial instruments

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

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

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

AIA MACAU CONSERVATIVE FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 3RD JULY 2023 (COMMENCEMENT OF OPERATIONS) TO 31ST DECEMBER 2023

4 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 2023, the overall market exposures of the Fund were as follows:

	2023	
	Fair value MOP	% of net assets
Other investment funds	26,055,932	99.73
Total investments	26,055,932	99.73

The net exposure of the investments in the other investment funds to market price risk is MOP26,055,932. 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 MOP260,559 in the Fund's net assets attributable to members.

(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 MOP166,843 at 31st December 2023 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 CONSERVATIVE FUND

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM 3RD JULY 2023 (COMMENCEMENT OF OPERATIONS) TO 31ST DECEMBER 2023

4 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 bank and custodian:

	MOP	Credit rating	Source of credit rating
At 31st December 2023			
<u>Bank and custodian</u>			
Citibank N.A.	26,222,775	A+	S&P

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

None of the assets is past due, or 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 2023 amounts receivable from subscription and other receivables are due to be settled within 1 week. In addition, as at 31st December 2023, cash at banks and investments are held with a counterparty with a credit rating of A+. The Management Company considers the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Fund.

(e) Liquidity risk

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

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

AIA MACAU CONSERVATIVE FUND

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM 3RD JULY 2023 (COMMENCEMENT OF OPERATIONS) TO 31ST DECEMBER 2023

4 Financial risk management (continued)

(e) Liquidity risk (continued)

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

	Less than 8 days MOP	8 days to 12 months MOP
At 31st December 2023		
Benefits payable	1,331,503	-
Accrued expenses	-	21,440
	<u>1,331,503</u>	<u>21,440</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 2023.

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

	Less than 1 month MOP
At 31st December 2023	
Total assets	<u>27,479,623</u>

AIA MACAU CONSERVATIVE FUND

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM 3RD JULY 2023 (COMMENCEMENT OF OPERATIONS) TO 31ST DECEMBER 2023

4 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 4(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:

	2023	
	Monetary MOP	Non-monetary MOP
Hong Kong dollars	166,843	27,169,093

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

	2023	
	Impact Monetary MOP	Impact Non-monetary MOP
Hong Kong dollars	8,342	1,358,455

(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 CONSERVATIVE FUND

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM 3RD JULY 2023 (COMMENCEMENT OF OPERATIONS) TO 31ST DECEMBER 2023

4 Financial risk management (continued)

(g) Fair value estimation (continued)

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

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

The following table analyses within the fair value hierarchy the Fund’s financial assets (by class) measured at fair value at 31st December 2023:

	Level 2 MOP	Total balance MOP
At 31st December 2023		
Assets		
Investments	26,055,932	26,055,932

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 period from 3rd July 2023 (commencement of operations) to 31st December 2023.

(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 period 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 4(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 CONSERVATIVE FUND

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM 3RD JULY 2023 (COMMENCEMENT OF OPERATIONS) TO 31ST DECEMBER 2023

5 Investments

	2023
<u>Investment funds</u>	MOP
Schroder Institutional Pooled Fund	
HK Money Market Fund B Accumulation HKD	26,055,932
	26,055,932

The maximum exposure to loss from these investment funds is equal to their total carrying amounts which represent 99.73% of net assets attributable to members.

The overall market exposure for the underlying investment funds as at 31st December 2023 was as follows:

	<u>% of investments of the underlying funds</u> 2023
Investment funds - investing mainly in bonds and money market instruments	100%
	100%
	<u>% of investments of the underlying funds</u> 2023
Hong Kong	36
China	26
Other Asia	35
Europe	3
	100

AIA MACAU CONSERVATIVE FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 3RD JULY 2023 (COMMENCEMENT OF OPERATIONS) TO 31ST DECEMBER 2023

6 Units in issue

	3rd July 2023 (commencement of operations) to 31st December 2023
	Units
Balance at the beginning of the period	-
Units issued	367,058
Units redeemed	<u>(107,597)</u>
Balance at the end of the period	<u>259,461</u>
	MOP
Net assets attributable to members per unit	<u>100.69</u>

7 Transactions with related-parties

Except as disclosed in note 5, the Fund had no material related-party transactions and balances during the period.

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

8 Taxation

The Fund is established under Decree-Law No. 6/99/M and hence is exempted from Macao complementary tax.

9 Approval of financial statements

The financial statements were approved by the Management Company on 19th June 2024.