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TSE KOON HAN ADA

Director and Company Secretary

**ASIAN YOUTH ORCHESTRA LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 OCTOBER 2020**



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## **ASIAN YOUTH ORCHESTRA LIMITED**

### **DIRECTORS' REPORT**

The directors submit their report together with the audited financial statements of Asian Youth Orchestra Limited (the "Company" or "AYO") for the year ended 31 October 2020.

#### **Principal activities**

The principal activities of the Company are to manage and develop a three-week rehearsal camp followed by a three-week international concert tour which involves musicians who are selected through highly competitive auditions held throughout the region to promote the appreciation of music in the region. However, the 2020 AYO Rehearsal Camp and Tour was cancelled due to the coronavirus pandemic.

#### **Results**

The results of the Company for the year are set out in the statement of comprehensive income on page 9 of the financial statements.

#### **Funds and reserves**

Movements in the funds and reserves of the Company during the year are set out on pages 10 and 11 to the financial statements.

#### **Directors**

The directors during the year and up to the date of this report are:

Dr. CHEN Darwin  
Mr. CHEW Fook Aun  
Ms. CHIU Wing Kwan Winnie  
Dr. CHUNG Roy  
Dr. FUNG Yuk Lun Allen  
Prof. LEUNG Gabriel Matthew  
Dr. LI Kwok Po  
Mr. LIN Yan Jun  
Mr. LIU Yuen Sung  
Mr. SIU Yat  
Mr. THOMPSON James Edward  
Ms. TSE Koon Hang Ada  
Mr. HOGG Rupert

(Resigned on 14 November 2019)

There being no provision in the Company's Articles of Association for retirement by rotation, all current directors continue in office.

Mr. HOGG Rupert resigned as a director of the Company. He has confirmed that he has no disagreement with the Board and nothing relating to the affairs of the Company needed to be brought to the attention of the members of the Company.

#### **Directors' material interests in transactions, arrangements and contracts that are significant in relation to the Company's business**

Other than the transactions disclosed in note 22(b) to the financial statements, no other contracts of significance in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## **ASIAN YOUTH ORCHESTRA LIMITED**

### **DIRECTORS' REPORT (CONTINUED)**

#### **Directors' interests in the shares and debentures of the Company or any specified undertaking of the Company**

At no time during the year was the Company a party to any arrangement to enable the directors of the Company to hold any interests in the shares or debentures of the Company or its specified undertakings.

#### **Management contracts**

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

#### **Business review**

##### *Operation highlights and key performance indicators*

The Asian Youth Orchestra is a tuition-free cultural exchange summer program that annually offers exceptional opportunities for study and performance in an international environment to Asia's brightest young musicians, offering opportunities for advanced study, performance and international concert touring. AYO is a winner of the 2015 Nikkei Asia Prize for Culture, and 2010 recipient of Japan's prestigious Praemium Imperiale Grant for Young Artists. It is a tax-exempt non-profit Hong Kong company limited by guarantee qualified under Section 88 of the Hong Kong Inland Revenue Ordinance.

Due to the coronavirus pandemic, the 2020 AYO Rehearsal Camp and Tour was cancelled.

A Board of highly respected Hong Kong businessmen and women governs the Company. Current Board Chairman is Mr. James Edward Thompson, Chairman of Crown Worldwide Holdings Limited. A staff of three manages day-to-day operations of the Orchestra.

Annual funding for the AYO was derived from contributions, sponsorships, concert ticket sales and student fees offsetting operating expenses for administration, Rehearsal Camp and Tour.

Over the course of its 30-year history some 22,000 musicians, ranging in age from 17 to 27, have auditioned for AYO. Those selected for the full scholarship program have studied with an exceptional artist-faculty of principal musicians from the Baltimore, Boston, Chicago and San Francisco symphony orchestras, Rome Opera, the Vienna Volksoper, the Bergamo Festival Orchestra (Italy), Milan's alla Scala Opera, Brussels' Monnaie Opera, the Triple Helix Trio and the Boston and Peabody music conservatories.

Over 30 years the Orchestra has performed with cellists Yo-Yo Ma, Steven Isserlis, Mischa Maisky, Wang Jian and Alisa Weilerstein, violinists Gidon Kremer, Gil Shaham, Benny Yu-Chien Tseng, Elmar Oliveira, Sarah Chang, Young Uck Kim, Stefan Jackiw and Cho-Liang Lin, soprano Elly Ameling, the Beaux Arts Trio, pianists Alicia de Larrocha, Anna Tsybuleva, Cecile Licad, Leon Fleisher and Jean Louis Steurman are among those who have performed with AYO under the direction of principal conductor James Judd, music director emeritus Sergiu Comissiona, Alexander Schneider, Tan Dun, and the orchestra's co-founders, Yehudi Menuhin and Richard Pontziou.

Since its inaugural performances in 1990, the award-winning Orchestra has played some over 400 concerts in Asia, Europe, the US and Australia to an audience of more than one million concertgoers. Millions more have seen and heard the orchestra around the world on CNN, CNBC, NHK and Radio and Television Hong Kong.

## **ASIAN YOUTH ORCHESTRA LIMITED**

### **DIRECTORS' REPORT (CONTINUED)**

#### **Business review (Continued)**

##### Principal risks and uncertainties facing the Company

As a non-profit company limited by guarantee, the AYO's greatest challenge has always been its ability to raise funds to support its activities. Even after 30 years, this continues to be a major challenge.

Given the fact the Orchestra's participants are selected from 11 countries and territories in the region, an additional risk is, and always has been, the possibility that political tensions and armed conflict in the region might result in the denial of visas or permission from authorities to perform if such performances were to include the participation of musicians from some countries.

The Orchestra's activities have been guided since its founding by the Orchestra's founder, Mr. Richard Pontzious. It is with deepest sadness that Mr. Richard Pontzious, aged 76, passed away on 25 December 2020. The task of finding a successor looms large on the Board's agenda.

##### An account of key relationships with employees, customers, suppliers and others that have a significant impact on the Company and on which its success depends

The Company's activities have been guided by its founder, Mr. Richard Pontzious. Sponsors and contributors enjoy a personal level of trust and confidence in him. His departure from the Company is likely to have a disruption to our fundraising efforts.

The Company's General Manager, Mr. Keith Lau, has been with the organization for over 20 years and is greatly admired by the Orchestra's Board, artistic staff and the Orchestra members themselves and his colleagues. His understanding of the project and his commitment to "getting the job done" at the highest level of excellence is recognised as exceptional.

The success of the Company has been driven by the ability of its founder and artistic director to offer a highly respected artistic "product" unique to the region. This success involves the participation of many layers of volunteers across the region who support as they can, the world-class learning opportunities made available by the Company to every young musician chosen to take part in the Orchestra's activities. Constant recognition of their support is key to the ongoing health of the Company.

##### Compliance with relevant laws and regulations

The Company is committed to operate in compliance with all relevant laws and regulations.

##### Environmental awareness

The Company has always been making sure that its operations are environmentally friendly. Encouragement of usage of recycling materials such as paper, stationeries and other materials were emphasized in all aspects from office utilisation to programme implementation.

##### Subsequent events

Details of significant subsequent event are disclosed in note 23 to the financial statements.

#### **Permitted indemnity provisions**

At no time during the financial year and up to the date of this Directors' Report, there was or is, any permitted indemnity provision being in force for the benefit of any of the directors of the Company.

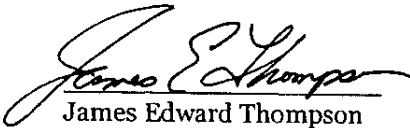
**ASIAN YOUTH ORCHESTRA LIMITED**

**DIRECTORS' REPORT (CONTINUED)**

**Auditors**

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board



James Edward Thompson  
Chairman

Hong Kong, 04 FEB 2021

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF ASIAN YOUTH ORCHESTRA LIMITED**  
(Incorporated in Hong Kong with limited guarantee)

**Opinion**

*What we have audited*

The financial statements of Asian Youth Orchestra Limited (the "Company") set out on pages 8 to 36, which comprise:

- the balance sheet as at 31 October 2020;
- the statement of comprehensive income for the year then ended;
- the statement of changes in funds for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

*Our opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 October 2020, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

**Basis for Opinion**

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

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

*Independence*

We are independent of the Company in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

**Other Information**

The directors are responsible for the other information. The other information comprises the information included in the directors' report but does not include the financial statements and our auditor's report thereon.



羅兵咸永道

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF ASIAN YOUTH ORCHESTRA LIMITED (CONTINUED)**  
(Incorporated in Hong Kong with limited guarantee)

**Other Information (Continued)**

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Directors for the Financial Statements**

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

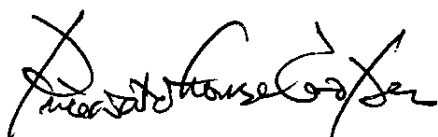
**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF ASIAN YOUTH ORCHESTRA LIMITED (CONTINUED)**  
(Incorporated in Hong Kong with limited guarantee)

**Auditor's Responsibilities for the Audit of the Financial Statements (Continued)**

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 04 FEB 2021

**ASIAN YOUTH ORCHESTRA LIMITED**

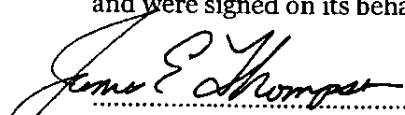
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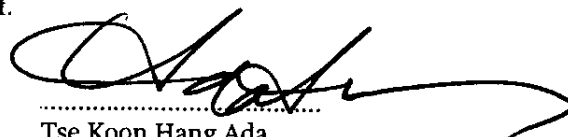
**BALANCE SHEET**

	Note	As at 31 October		As at
		2020	2019 (Restated)	1 November 2018 (Restated)
<b>ASSETS</b>				
<b>Non-current assets</b>				
Instruments and equipment	4	33,269	22,388	36,149
Right-of-use assets	5	474,426	-	-
Financial assets at fair value through other comprehensive income	6	5,283,750	7,144,800	5,871,360
Rental deposits	8	146,733	-	136,932
<b>Total non-current assets</b>		<b>5,938,178</b>	<b>7,167,188</b>	<b>6,044,441</b>
<b>Current assets</b>				
Accounts receivable and other receivables	8	444,334	2,191,680	1,536,174
Cash and cash equivalents	9	4,870,468	3,581,219	5,723,644
<b>Total current assets</b>		<b>5,314,802</b>	<b>5,772,899</b>	<b>7,259,818</b>
<b>Total assets</b>		<b>11,252,980</b>	<b>12,940,087</b>	<b>13,304,259</b>
<b>FUNDS</b>				
Initial fund		780	780	780
Designated funds	2.13			
- Cash reserve fund	10(a)	2,000,000	2,000,000	2,000,000
- Ella Cheong fund	10(b)	1,000,000	1,000,000	-
Permanent endowment funds	2.14 and 11	2,450,000	2,450,000	2,450,000
Investment revaluation reserve	12	(347,957)	1,691,082	1,830,474
Accumulated surplus		5,406,315	5,651,825	5,914,317
<b>Total funds</b>		<b>10,509,138</b>	<b>12,793,687</b>	<b>12,195,571</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Lease liabilities	13	71,077	-	-
<b>Total non-current liabilities</b>		<b>71,077</b>	<b>-</b>	<b>-</b>
<b>Current liabilities</b>				
Accruals and other payables	14	294,709	146,400	1,108,688
Lease liabilities	13	378,056	-	-
<b>Total current liabilities</b>		<b>672,765</b>	<b>146,400</b>	<b>1,108,688</b>
<b>Total liabilities</b>		<b>743,842</b>	<b>146,400</b>	<b>1,108,688</b>
<b>Total funds and liabilities</b>		<b>11,252,980</b>	<b>12,940,087</b>	<b>13,304,259</b>

The above balance sheet should be read in conjunction with the accompanying notes.

The financial statements on pages 8 to 36 were approved by the Board of Directors on **04 FEB 2021** and were signed on its behalf.

  
James Edward Thompson  
Director

  
Tse Koon Hang Ada  
Director

**ASIAN YOUTH ORCHESTRA LIMITED**  
(All amounts in Hong Kong dollars unless otherwise stated)

**STATEMENT OF COMPREHENSIVE INCOME**

	Note	Year ended 31 October	
		2020	2019
<b>Income</b>			
Income from supporters	2.15		
Sponsorships (refunded)/received		(44,415)	5,444,676
Grant from The Home Affairs Bureau of the Government of the Hong Kong Special Administrative Region ("HAB")		-	357,300
Donations		2,122,440	3,382,000
Scholarships		-	1,513,200
		<u>2,078,025</u>	<u>10,697,176</u>
Performance fees	2.15	-	434,217
Student fees	2.15	26,354	743,324
Ticket sales	2.15	-	464,353
Interest income	2.18	1,418	3,737
Dividend income from financial assets at fair value through other comprehensive income	2.17	360,000	359,245
Subsidies received from the Employment Support Scheme launched by the Government of the Hong Kong Special Administrative Region	2.16	87,500	-
COVID-19-related rent concessions received	17(c)	16,027	-
Miscellaneous		-	145,989
Exchange gains		979	82,786
		<u>2,570,303</u>	<u>12,930,827</u>
<b>Total income</b>			
<b>Expenditure</b>			
Tour expenses		230,451	6,244,337
Employee benefit expenses	15	1,836,454	1,990,363
Rehearsal camp expenses		74,098	3,300,767
Administrative expenses	16	611,304	620,135
Accounts receivables written off	8	22,000	-
Depreciation on instruments and equipment	4	11,772	13,761
Professional fees		2,127	23,956
Finance costs	18	27,607	-
		<u>2,815,813</u>	<u>12,193,319</u>
<b>Total expenditure</b>			
<b>(Deficit)/surplus for the year</b>		(245,510)	737,508
<b>Other comprehensive deficit for the year</b>			
<u>Items that will not be reclassified to surplus or deficit</u>			
Changes in fair value of equity investments at fair value through other comprehensive income	6	(2,039,039)	(139,392)
		<u>(2,039,039)</u>	<u>(139,392)</u>
<b>Total comprehensive (deficit)/surplus for the year</b>		<u>(2,284,549)</u>	<u>598,116</u>

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

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**ASIAN YOUTH ORCHESTRA LIMITED**

(All amounts in Hong Kong dollars unless otherwise stated)

**STATEMENT OF CHANGES IN FUNDS**

	Designated funds							Total fund
	Initial fund	Cash reserve fund	Ella Cheong fund	Permanent endowment funds	Investment revaluation reserve	Accumulated surplus		
<b>Balance at 1 November 2018, as previously presented</b>	780	2,000,000	-	-	1,830,474	5,914,317	9,745,571	
Prior year adjustments (note 2.3)	-	-	-	2,450,000	-	-	2,450,000	
<b>Balance at 1 November 2018, as restated</b>	780	2,000,000	-	2,450,000	1,830,474	5,914,317	12,195,571	
Total comprehensive income for the year	-	-	-	-	-	737,508	737,508	
- Surplus for the year	-	-	1,000,000	-	-	(1,000,000)	-	
- Transferred from accumulated surplus (note 10)	-	-	-	-	-	-	-	
- Fair value loss on financial assets at fair value through other comprehensive income (note 6)	-	-	-	-	(139,392)	-	(139,392)	
	-	-	1,000,000	-	(139,392)	(262,492)	598,116	
<b>Balance at 31 October 2019, as restated</b>	780	2,000,000	1,000,000	2,450,000	1,691,082	5,651,825	12,793,687	

**ASIAN YOUTH ORCHESTRA LIMITED**

(All amounts in Hong Kong dollars unless otherwise stated)

**STATEMENT OF CHANGES IN FUNDS (CONTINUED)**

	Designated funds						Total fund
	Initial fund	Cash reserve fund	Ella Cheong fund	Permanent endowment funds	Investment revaluation reserve	Accumulated surplus	
<b>Balance at 1 November 2019, as previously presented</b>	780	2,000,000	1,000,000	-	1,691,082	5,651,825	10,343,687
Prior year adjustments (note 2.3)	-	-	-	2,450,000	-	-	2,450,000
<b>Balance at 1 November 2019, as restated</b>	780	2,000,000	1,000,000	2,450,000	1,691,082	5,651,825	12,793,687
Total comprehensive income for the year	-	-	-	-	-	(245,510)	(245,510)
- Deficit for the year	-	-	-	-	-	(245,510)	(245,510)
- Fair value loss on financial assets at fair value through other comprehensive income (note 6)	-	-	-	-	(2,039,039)	-	(2,039,039)
	-	-	-	-	(2,039,039)	(245,510)	(2,284,549)
<b>Balance at 31 October 2020</b>	780	2,000,000	1,000,000	2,450,000	(347,957)	5,406,315	10,509,138

The above statement of changes in funds should be read in conjunction with the accompanying notes.

**ASIAN YOUTH ORCHESTRA LIMITED**  
(All amounts in Hong Kong dollars unless otherwise stated)

**STATEMENT OF CASH FLOWS**

	Note	Year ended 31 October	
		2020	2019
<b>Cash flows from operating activities</b>			
Net cash generated from/(used in) operations	17(a)	1,522,942	(1,092,575)
Net cash generated from/(used in) operating activities		<u>1,522,942</u>	<u>(1,092,575)</u>
<b>Cash flows from investing activities</b>			
Purchases of financial assets at fair value through other comprehensive income	6	(177,989)	(1,412,832)
Interest received		1,418	3,737
Dividend received		360,000	359,245
Purchases of instruments and equipment	4	(41,373)	-
Net cash generated from/(used in) investing activities		<u>142,056</u>	<u>(1,049,850)</u>
<b>Cash flows from financing activities</b>			
Capital element of lease payments	17(d)	(349,353)	-
Interest element of lease payments	17(d)	(26,396)	-
Net cash used in financing activities		<u>(375,749)</u>	<u>-</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u>1,289,249</u>	<u>(2,142,425)</u>
Cash and cash equivalents at beginning of the year		<u>3,581,219</u>	<u>5,723,644</u>
<b>Cash and cash equivalents at end of the year</b>	9	<u><u>4,870,468</u></u>	<u><u>3,581,219</u></u>

The above statement of cash flows should be read in conjunction with the accompanying notes.

**ASIAN YOUTH ORCHESTRA LIMITED**  
(All amounts in Hong Kong dollars unless otherwise stated)

**NOTES TO THE FINANCIAL STATEMENTS**

**1 General information**

The principal activities of Asian Youth Orchestra Limited (the “Company”) are to manage and develop a three-week rehearsal camp followed by a three-week international concert tour which involves musicians who are selected through highly competitive auditions held throughout the region to promote the appreciation of music in the region. However, the 2020 AYO Rehearsal Camp and Tour was cancelled due to the coronavirus pandemic.

The Company is incorporated in Hong Kong and limited by guarantee. The address of its registered office is Suite 15A, One Capital Place, 18 Luard Road, Wanchai, Hong Kong.

Under the provisions of the Company’s Articles of Association, every member shall, in the event of the Company being wound up, contribute to the assets of the Company to the extent of HK\$100. As at 31 October 2020, the Company had 12 (2019: 12) members.

These financial statements are presented in Hong Kong dollars (“\$”) unless otherwise stated.

**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.

**2.1 Basis of preparation**

The financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. There are no areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements.

- (a) New standards, amendments and interpretations to existing HKFRSs (collectively, the “Amendments”) adopted by the Company

The Company has applied the following Amendments for the first time for its annual reporting period commencing on 1 November 2019:

Annual Improvements Project	Annual Improvements 2015 - 2017 cycle
HKFRS 16	Leases
HK(IFRIC) Int 23	Uncertainty over Income Tax Treatments
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures

The adoption of these Amendments did not have any material impact on the current period or any prior period and is not likely to affect future periods except for HKFRS 16 as set out in note 2.2.

The Company elected to adopt HKFRS 16 (Amendment) “Covid-19-Related Rent Concessions” early. The impact on the adoption is set out in note 2.2 (f).

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**ASIAN YOUTH ORCHESTRA LIMITED**  
(All amounts in Hong Kong dollars unless otherwise stated)

**NOTES TO THE FINANCIAL STATEMENTS**

**2 Summary of significant accounting policies (Continued)**

**2.1 Basis of preparation (Continued)**

(b) Amendments that are not yet effective and have not been early adopted by the Company

Certain Amendments have been published that are mandatory for the Company's reporting periods beginning on or after 1 November 2020. The following Amendments are relevant and applicable to the Company; however, they have not been early adopted in these financial statements:

Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting <sup>1</sup>
HKFRS 3 (Amendments)	Definition of Business <sup>1</sup>
HKAS 1 and HKAS 8 (Amendments)	Definition of Material <sup>1</sup>
HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform – Phase 2 <sup>2</sup>
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before intended use <sup>3</sup>
HKAS 37 (Amendments)	Onerous Contracts – Cost to Fulfilling a Contract <sup>3</sup>
HKFRS 3 (Amendments)	Reference to Conceptual Framework <sup>3</sup>
Annual Improvements to HKFRS Standards 2018-2020 Cycle	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41 <sup>3</sup>
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current <sup>4</sup>
HKFRS 17	Insurance Contracts <sup>4</sup>
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures <sup>5</sup>

Note:

- (1) Effective for the Company's financial period beginning on 1 November 2020
- (2) Effective for the Company's financial period beginning on 1 November 2021
- (3) Effective for the Company's financial period beginning on 1 November 2022
- (4) Effective for the Company's financial period beginning on 1 November 2023
- (5) Effective for the Company's financial period beginning on or after a date to be determined

The Company has already commenced an assessment of the impact of these Amendments. According to the preliminary assessment made by the directors, no significant impact on the financial performance and position of the Company is expected when they become effective.

**2.2 Changes in accounting policies**

This note explains the impact of the adoption of HKFRS 16 "Leases" on the Company's financial statements.

The Company has adopted HKFRS 16 from 1 November 2019 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The Company adopted HKFRS 16 using the modified retrospective approach which means that the reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet as of 1 November 2019 and that comparatives will not be restated.

On adoption of HKFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's weighted average incremental borrowing rate as of 1 November 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 November 2019 was 5.25% per annum.

**ASIAN YOUTH ORCHESTRA LIMITED**  
(All amounts in Hong Kong dollars unless otherwise stated)

**NOTES TO THE FINANCIAL STATEMENTS**

**2 Summary of significant accounting policies (Continued)**

**2.2 Changes in accounting policies (Continued)**

(a) Practical expedients applied

In applying HKFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 November 2019 as short-term leases; and
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application.

The Company has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Company relied on its assessment made applying HKAS 17 and Interpretation 4 “Determining whether an Arrangement contains a Lease”. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16.

(b) Measurement of lease liabilities

Operating lease commitments disclosed as at 31 October 2019 (note 20)	87,586
Less: short-term leases with remaining lease term ending on or before 31 October 2020	(87,586)
	<hr/>
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 November 2019	-
	<hr/>
<b>Lease liabilities recognised at 1 November 2019</b>	<b>-</b>
	<hr/> <hr/>

(c) Measurement of right-of-use assets

The associated right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued payments relating to that lease recognised in the balance sheet as at 1 November 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

(d) Impact of the adoption of HKFRS 16 on the Company’s balance sheet on 1 November 2019

There was no impact on accumulated surplus on 1 November 2019.

(e) Impact of the adoption of HKFRS 16 on the Company’s financial results and cash flows

There is no material impact on the deficit for the year.

In the statement of cash flows, the Company as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows unaffected, the adoption of HKFRS 16 therefore results in a change in presentation of cash flows within the statement of cash flows.

**ASIAN YOUTH ORCHESTRA LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**

**2 Summary of significant accounting policies (Continued)**

**2.2 Changes in accounting policies (Continued)**

(f) Impact of early adoption of HKFRS 16 (Amendment) “Covid-19-Related Rent Concessions”

The Company has early adopted HKFRS 16 (Amendment) “Covid-19-Related Rent Concessions” retrospectively from 1 November 2019. The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID-19 is a lease modification. Lessees adopting this election may account for qualifying rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (ii) any reduction in lease payments affects only payments due on or before 30 June 2021; and
- (iii) there is no substantive change to other terms and conditions of the lease.

The Company has applied the practical expedient to all qualifying COVID-19-related rent concessions. Rent concessions totalling HK\$16,027 have been accounted for as negative variable lease payments and recognised as income in the statement of comprehensive income, with a corresponding adjustment to the lease liability. There is no impact on the opening balance of equity at 1 November 2019.

**2.3 Prior year adjustments**

In previous years, the permanent endowment funds (note 11) were disclosed as non-current liabilities in the financial statements. During the year, after re-visiting the nature of these amounts with the donors, the directors are of the view that these amounts are in substance total funds in nature for initial endowment of the Company and earmarked for investment purpose to produce investment income for the Company’s long term operation; and the amounts are not required to return to the donors. Accordingly, these amounts were reclassified to total funds from non-current liabilities. The effects of the prior year adjustments on the balance sheet of the Company are as follows:

	As previously reported	Prior year adjustments	As restated
<b>As at 1 November 2018</b>			
Total funds – permanent endowment funds	9,745,571	2,450,000	12,195,571
Non-current liabilities – permanent endowment funds	2,450,000	(2,450,000)	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>As at 31 October 2019</b>			
Total funds – permanent endowment funds	10,343,687	2,450,000	12,793,687
Non-current liabilities – permanent endowment funds	2,450,000	(2,450,000)	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>

**ASIAN YOUTH ORCHESTRA LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**

**2 Summary of significant accounting policies (Continued)**

**2.4 Foreign currency translation**

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at period-end exchange rates are generally recognised in the surplus or deficit.

**2.5 Instruments and equipment**

Instruments and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised. All other repairs and maintenance are expensed in the statement of comprehensive income during the financial period in which they are incurred.

Depreciation on instruments and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

- Instruments	10 years
- Office equipment	5 years
- Computer equipment	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.6).

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

**ASIAN YOUTH ORCHESTRA LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**

**2 Summary of significant accounting policies (Continued)**

**2.6 Impairment of non-financial assets**

Assets subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

**2.7 Financial assets**

**(a) Classification**

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through other comprehensive income ("OCI"), and
- those to be measured at amortised cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of cash flows.

For investments in equity instruments that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI"), gains and losses will be recorded in OCI.

For financial assets measured at amortised cost, gains and losses will be recorded in the statement of comprehensive income.

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

**(b) Recognition and derecognition**

Regular way purchases and sale of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

**(c) Measurement**

At initial recognition, the Company measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

**(i) Debt instruments**

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are subsequently measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in comprehensive income and presented in other gains/(losses). Impairment losses are presented as separate line item in the statement of comprehensive income.

**ASIAN YOUTH ORCHESTRA LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**

**2 Summary of significant accounting policies (Continued)**

**2.7 Financial assets (Continued)**

(c) Measurement (Continued)

(ii) Equity instruments

Where the Company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to comprehensive income following the derecognition of the investment. Dividends from such investments continue to be recognised in comprehensive income as other income when the Company's right to receive payments is established. Impairment losses (and reversal of impairment losses) on equity investments at FVOCI are not reported separately from other changes in fair value.

(d) Impairment

The Company assesses on a forward looking basis the expected credit loss ("ECL") associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For accounts receivable, the Company applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Impairment on other financial assets is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

**2.8 Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

**2.9 Accounts receivable and other receivables**

Accounts receivable include amounts due from donors. If collection of receivables is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Company holds the receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less provision for impairment.

**2.10 Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**ASIAN YOUTH ORCHESTRA LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**

**2 Summary of significant accounting policies (Continued)**

**2.11 Other payables**

Other payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**2.12 Employee benefits**

**(a) Short-term obligations**

Liabilities for wages and salaries, including non-monetary benefits and accumulating annual leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of the employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

**(b) Pension obligations**

The Company operates two defined contribution pension schemes. The assets of the schemes are held in separate trustee-administered funds. Both the Company and the employees are required to contribute based on a fixed percentage of the employee's relevant income.

The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

**(c) Bonus plans**

The expected cost of bonus payments is recognised as a liability and an expense when the Company has a present legal or constructive obligation as a result of services rendered by the employees and a reliable estimate of the obligation can be made.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

**2.13 Designated funds**

These funds are set aside by the Company from the accumulated surplus for designated purposes. They can be transferred to/from the accumulated surplus at the discretion of the directors to support the operation of the Company. The income and expenditure relating to these designated funds are directly dealt with in the statement of comprehensive income.

**2.14 Permanent endowment funds**

Permanent endowment funds are funded from endowment donations which are earmarked for investment purpose to produce investment income for the Company's long term operation. Such donations must be maintained intact in the "permanent endowment funds" while the investment income can be used for the operation of the Company and is dealt with in the statement of comprehensive income.

**ASIAN YOUTH ORCHESTRA LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**

**2 Summary of significant accounting policies (Continued)**

**2.15 Revenue recognition**

The Company's income is mainly derived from sponsorships, grants, donations, scholarships, performance fees, student fees and ticket sales.

The Company recognises revenue when the performance obligation is satisfied and the customer obtains control over the service. When the performance obligation is satisfied, revenue is recognised at the amount of the transaction price that is allocated to that performance obligation. Further details of the Company's revenue recognition are as follows:

- Income from supporters are recognised as income at a point in time upon receipt except for donations specified by donors and set aside by the Company as project funds and donation funds not yet utilised are shown as liabilities in the balance sheet. The reimbursable project costs are shown as current assets in the balance sheet. The income and expenditure relating to these funds are dealt with in the statement of comprehensive income.
- Performance fees and ticket sales are recognised at a point in time when the related concert performance has been delivered.
- Based on the management's assessment, student fees are recognised over time as the customer simultaneously receives and consumes the benefit provided by the Company's performance as the Company performs. This means that students can continuously benefit from participation in the rehearsal camp and tour performance with the major international solo artists and conductors.

**2.16 Government grants**

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

**2.17 Dividend income**

Dividend income is recognised when the rights to receive payment is established.

**2.18 Interest income**

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in the statement of comprehensive income as part of other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

**2.19 Leases – as a lessee**

As explained in note 2.2 above, the Company has changed its accounting policy for leases where the Company is the lessee. The new policy is described below and the impact of the change in note 2.2.

**ASIAN YOUTH ORCHESTRA LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**

**2 Summary of significant accounting policies (Continued)**

**2.19 Leases (Continued)**

Accounting policies applied until 31 October 2019

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Company as lessee were classified as operating leases (note 20). Payments made under operating leases (net of any incentives received from the lessor) were charged to comprehensive income on a straight-line basis over the period of the lease.

Accounting policies applied from 1 November 2019

From 1 November 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Company under residual value guarantees;
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs, and
- restoration costs.

**ASIAN YOUTH ORCHESTRA LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**

**2 Summary of significant accounting policies (Continued)**

**2.19 Leases (Continued)**

Accounting policies applied from 1 November 2019 (Continued)

Right-of-use assets are generally amortised over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is amortised over the underlying asset's useful life.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the statement of comprehensive income.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in-substance fixed payments.

When the lease liability is reassessed, the corresponding adjustment is reflected in the right-of-use asset, or comprehensive income if the right-of-use asset is already reduced to zero.

**3 Financial and funds risk management**

**3.1 Financial risk factors**

The Company's activities expose it to a variety of financial risks, including foreign exchange risk, price risk, credit risk, liquidity risk and cash flow and fair value interest rate risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

(a) Foreign exchange risk

Foreign exchange risk arises where future commercial transactions, recognised assets and liabilities are denominated in a currency that is not the Company's functional currency. The Company mainly operates in Hong Kong and is exposed to foreign exchange risks mainly arising from its financial assets and liabilities denominated in United States dollars ("US\$") and Japanese Yen ("JPY"). In the opinion of the directors, Hong Kong dollars ("HK\$") are reasonably stable with the United States dollars under the Linked Exchange Rate System, and accordingly, the Company does not have any significant foreign exchange risk relating to United States dollars.

The following table indicates the approximate change in the Company's (deficit)/surplus for the year in response to reasonably possible changes in Japanese Yen which the Company has significant exposure at the balance sheet date. Other components of equity would not be affected by changes in the foreign exchange rates.

	<u>Impact on deficit (2019: surplus) for</u>	
	2020	2019
JPY to HK\$:		
Appreciates by 10%	(68,000)	86,000
Depreciates by 10%	68,000	(86,000)
	<u>                    </u>	<u>                    </u>

(b) Price risk

The Company is exposed to equity securities price risk because there are investments held by the Company classified as financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Company sets limits for its investments.

**ASIAN YOUTH ORCHESTRA LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**

**3 Financial and funds risk management (Continued)**

**3.1 Financial risk factors (Continued)**

(b) Price risk (Continued)

Equity investments held by the Company are publicly traded, the fair value is determined with reference to quoted market price. At the balance sheet date, if the equity price has increased/decreased by 5% with all other variables held constant, the other comprehensive deficit (2019: other comprehensive deficit) for the year would have been approximately HK\$264,000 (2019: HK\$357,000) lower/higher mainly as a result of net fair value gains/losses on the Company's financial assets at fair value through other comprehensive income.

(c) Credit risk

The credit risk of the Company's financial assets, which mainly comprise accounts receivable, amount due from HAB, rental deposits and other receivables and cash and cash equivalents, arises from potential default of the counterparties, with maximum exposure equal to the carrying amounts of these instruments.

(i) Risk management

The Company manages the credit risk in respect of cash and cash equivalents by placing them with reputable financial institutions. There has been no recent history of default in relation to these financial institutions.

For accounts receivable, the Company has monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

The Company closely monitors amount due from HAB and other financial assets at amortised cost. The Company does not expect any losses arising from non-performance by these counterparties as frequent and timely settlements have been made by these counterparties.

(ii) Impairment of financial assets

While cash and cash equivalents, amount due from HAB and other financial assets at amortised cost are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

For accounts receivable, the Company applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all accounts receivable. For deposits and other receivables, the impairment is measured as either 12-month expected credit losses or lifetime expected losses, depending on whether there has been a significant increase in credit risk since initial recognition. The Company measures the expected credit losses on a combination of both individual and collective basis.

Measurement of expected credit loss on individual basis

The accounts receivable relating to debtors which are in known financial difficulties or with significant doubt on collection of receivables are identified and assessed individually for provision for impairment allowance.

As at 31 October 2020, there was no loss allowance for individually assessed accounts receivable (2019: nil).

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**NOTES TO THE FINANCIAL STATEMENTS**

**3 Financial and funds risk management (Continued)**

**3.1 Financial risk factors (Continued)**

(c) Credit risk (Continued)

Measurement of expected credit loss on collective basis

The Company then determines the provision for expected credit losses by grouping the remaining accounts receivable based on shared credit risk characteristics and collectively assessed for likelihood of recovery, taking into account the nature of the debtor, its geographical location and its ageing category, and applying expected credit loss rates to the respective gross carrying amounts of the accounts receivable.

The expected credit loss rates are based on historical credit losses experienced in the past one year and are adjusted to reflect current and forward-looking information on factors affecting the ability of the debtors to settle the receivables.

Impairment losses on accounts receivable are presented as a separate line in the comprehensive income. When an account receivable is uncollectible, it is written off against the allowance account for accounts receivable. Subsequent recoveries of amounts previously written off are credited against the same line item.

As at 31 October 2020, there was no loss allowance for accounts receivable assessed collectively (2019: nil).

(d) Liquidity risk

The Company adopts a prudent liquidity risk management by maintaining sufficient cash and bank balances and fundings to meet its liabilities as and when they fall due and to continue operating for the foreseeable future. Accordingly, the directors are of the opinion that, the Company does not have significant liquidity risk.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying values as the impact of discounting is not significant.

	2020	2019
<b>Less than one year</b>		
Accruals and other payables (note 14)	177,209	146,400
Undiscounted lease liabilities (note 13)	391,776	-
	<hr/>	<hr/>
	568,985	146,400
<b>More than one year and less than five years</b>		
Undiscounted lease liabilities (note 13)	71,232	-
	<hr/>	<hr/>
	640,217	146,400
	<hr/> <hr/>	<hr/> <hr/>

(e) Cash flow and fair value interest rate risk

The Company's interest rate risk arises from bank deposits. The bank deposits at market interest rates expose the Company to cash flow interest rate risk. However, the interest income from bank deposits are insignificant to the Company, and accordingly, the directors consider that the Company's income and operating cash flows are substantially independent of changes in market interest rates.

**ASIAN YOUTH ORCHESTRA LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**

**3 Financial and funds risk management (Continued)**

**3.1 Financial risk factors (Continued)**

(e) Cash flow and fair value interest rate risk (Continued)

No sensitivity analysis or other qualitative or quantitative disclosure relating to cash flow and fair value interest rate risk are presented as the directors consider there is no material financial risk exposure to the Company.

**3.2 Funds risk management**

The funds include the initial fund, designated funds, permanent endowment funds, investment revaluation reserve and accumulated surplus. The Company's objectives when managing funds are to safeguard the Company's ability to continue as a going concern. The Company's overall strategy remains unchanged from the prior years.

In order to maintain or adjust the fund structure, the Company may appeal for donations from the Hong Kong Government and general public.

**3.3 Fair value estimation**

(a) Fair value hierarchy

The table below analyses the Company's financial instruments carried at fair value as at the balance sheet date by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

- 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 following table presents the Company's assets that are measured at fair value at the balance sheet date.

	2020	2019
<b>Financial assets included in level 1</b>		
- Financial assets at fair value through other comprehensive income (note 6)	<u>5,283,750</u>	<u>7,144,800</u>

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

- (b) The carrying values of receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

**3.4 Offsetting financial assets and financial liabilities**

No financial assets and financial liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements as at the balance sheet date.

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(All amounts in Hong Kong dollars unless otherwise stated)

**NOTES TO THE FINANCIAL STATEMENTS**

**4 Instruments and equipment**

	Instruments	Office equipment	Computer equipment	Total
<b>At 1 November 2018</b>				
Cost	219,383	92,421	22,299	334,103
Accumulated depreciation	(211,314)	(64,341)	(22,299)	(297,954)
Net book amount	<u>8,069</u>	<u>28,080</u>	<u>-</u>	<u>36,149</u>
<b>Year ended 31 October 2019</b>				
Opening net book amount	8,069	28,080	-	36,149
Depreciation	(4,401)	(9,360)	-	(13,761)
Closing net book amount	<u>3,668</u>	<u>18,720</u>	<u>-</u>	<u>22,388</u>
<b>At 31 October 2019</b>				
Cost	219,383	92,421	22,299	334,103
Accumulated depreciation	(215,715)	(73,701)	(22,299)	(311,715)
Net book amount	<u>3,668</u>	<u>18,720</u>	<u>-</u>	<u>22,388</u>
<b>Year ended 31 October 2020</b>				
Opening net book amount	3,668	18,720	-	22,388
Addition	-	33,600	7,773	41,373
Disposals (note 17(b))				
- Cost	-	(46,800)	-	(46,800)
- Accumulated depreciation	-	28,080	-	28,080
Depreciation	(3,668)	(6,160)	(1,944)	(11,772)
Closing net book amount	<u>-</u>	<u>27,440</u>	<u>5,829</u>	<u>33,269</u>
<b>At 31 October 2020</b>				
Cost	219,383	79,221	30,072	328,676
Accumulated depreciation	(219,383)	(51,781)	(24,243)	(295,407)
Net book amount	<u>-</u>	<u>27,440</u>	<u>5,829</u>	<u>33,269</u>

Depreciation expense of HK\$11,772 (2019: HK\$13,761) has been expensed in statement of comprehensive income.

**5 Right-of-use assets**

	Office premises
<b>At 1 November 2019 (on adoption of HKFRS 16)</b>	
Cost	-
Accumulated amortisation	-
Net book amount	<u>-</u>
<b>Year ended 31 October 2020</b>	
Opening net book amount	-
Addition	813,302
Amortisation (note 16)	(338,876)
Closing net book amount	<u>474,426</u>

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**ASIAN YOUTH ORCHESTRA LIMITED**  
(All amounts in Hong Kong dollars unless otherwise stated)

**NOTES TO THE FINANCIAL STATEMENTS**

**5 Right-of-use assets (Continued)**

	Office premises
<b>At 31 October 2020</b>	
Cost	813,302
Accumulated amortisation	(338,876)
	<hr/>
Net book amount	474,426
	<hr/> <hr/>

The Company leases office premises. Rental contracts are typically made for fixed period of 2 years with no extension options. Lease terms are negotiated on an individual basis and contain a range of different terms and conditions. The lease agreements do not impose covenants, but lease assets may not be used as security for borrowing purposes.

Details of the maturity analysis of lease liabilities and total cash outflow for lease in 2020 is set out in notes 13 and 17(d) respectively.

**6 Financial assets at fair value through other comprehensive income**

	2020	2019
<u>Listed securities in Hong Kong</u>		
At beginning of the year	7,144,800	5,871,360
Additions	177,989	1,412,832
Fair value losses transferred to investment revaluation reserve (note 12)	(2,039,039)	(139,392)
	<hr/>	<hr/>
At end of the year	5,283,750	7,144,800
	<hr/> <hr/>	<hr/> <hr/>

The carrying values of the financial assets at fair value through other comprehensive income are denominated in Hong Kong dollars.

The maximum exposure to credit risk at the reporting date is the fair value of the securities.

**7 Financial instruments by category**

The Company's financial instruments include the following:

	<u>As at 31 October 2020</u>		
	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total
<b>Financial assets</b>			
Accounts receivable and other receivables (note 8)	-	573,619	573,619
Financial assets at fair value through other comprehensive income (note 6)	5,283,750	-	5,283,750
Cash and cash equivalents (note 9)	-	4,870,468	4,870,468
	<hr/>	<hr/>	<hr/>
Total financial assets	5,283,750	5,444,087	10,727,837
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**ASIAN YOUTH ORCHESTRA LIMITED**  
(All amounts in Hong Kong dollars unless otherwise stated)

**NOTES TO THE FINANCIAL STATEMENTS**

**7 Financial instruments by category (Continued)**

	<u>As at 31 October 2019</u>		Total
	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	
<b>Financial assets</b>			
Accounts receivable and other receivables (note 8)	-	2,046,130	2,046,130
Financial assets at fair value through other comprehensive income (note 6)	7,144,800	-	7,144,800
Cash and cash equivalents (note 9)	-	3,581,219	3,581,219
<b>Total financial assets</b>	<u>7,144,800</u>	<u>5,627,349</u>	<u>12,772,149</u>

	2020	2019
<b>Financial liabilities - other financial liabilities at amortised cost</b>		
Accruals and other payables (note 14)	177,209	146,400
Lease liabilities (note 13)	449,133	-
	<u>626,342</u>	<u>146,400</u>

**8 Accounts receivable and other receivables**

	2020	2019
Accounts receivable	50,000	1,355,740
Amount due from HAB (note)	-	357,300
Rental deposits	146,733	136,497
Other receivables (note 22(c))	376,886	196,593
Financial assets, maximum exposure to credit risk	573,619	2,046,130
Prepayments	17,448	145,550
	<u>591,067</u>	<u>2,191,680</u>
Less: Non-current rental deposits	(146,733)	-
	<u>444,334</u>	<u>2,191,680</u>

Note: The amount due was unsecured, interest free and receivable upon satisfaction from HAB with the statement of comprehensive income and a full project report of the Company in respect of the sponsored cost for performances in Hong Kong to Beijing, Shanghai, Tianjin, Nanjing, Taipei, Chiayi City, Seoul, Fukuoka, Kumamoto and Tokyo from 9 August 2019 to 1 September 2019.

During the year, accounts receivable amounted to HK\$22,000 (2019: nil) was written off as the balance was overdue for more than one year and it was expected that the amount cannot be received.

As at 31 October 2020, there were no other past due or impaired assets. The Company does not hold any collateral as security.

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**ASIAN YOUTH ORCHESTRA LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**

**8 Accounts receivable and other receivables (Continued)**

The carrying values of accounts receivable and other receivables approximate their fair values as at the balance sheet date, and are denominated in the following currencies:

	2020	2019
Hong Kong dollars	580,960	2,083,973
United States dollars	10,107	10,107
Other currencies	-	97,600
	<u>591,067</u>	<u>2,191,680</u>

**9 Cash and cash equivalents**

	2020	2019
Cash at banks and in hand	<u>4,870,468</u>	<u>3,581,219</u>
Maximum exposure to credit risk	<u>4,861,628</u>	<u>3,571,728</u>

The carrying amounts of cash and cash equivalents are denominated in the following currencies:

	2020	2019
Hong Kong dollars	3,970,600	2,685,924
United States dollars	82,285	79,890
Japanese Yen	675,364	760,940
Other currencies	142,219	54,465
	<u>4,870,468</u>	<u>3,581,219</u>

**10 Designated funds**

(a) Cash reserve fund

It represents general reserve set aside by the Company to meet future operation.

(b) Ella Chong fund

The Company set aside this fund and income derived from this fund would be used to support special projects such as for minorities and scholarships.

**ASIAN YOUTH ORCHESTRA LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**

**11 Permanent endowment funds**

	Note	31 October		As at
		2020	2019	1 November 2018
Lee Hysan Foundation Fund	(a)	1,000,000	1,000,000	1,000,000
Natasha Wilson Asian Youth Orchestra Scholarship Fund	(b)	1,000,000	1,000,000	1,000,000
Dr. Helmut Sohmen Asian Youth Orchestra Scholarship Fund	(c)	450,000	450,000	450,000
Total permanent endowment funds		<u>2,450,000</u>	<u>2,450,000</u>	<u>2,450,000</u>

**Note:**

- (a) Lee Hysan Foundation Fund was established in 1991 with an initial endowment of HK\$1,000,000.
- (b) Natasha Wilson Asian Youth Orchestra Scholarship Fund was established in 1992 with an initial endowment of HK\$1,000,000.
- (c) Dr. Helmut Sohmen Asian Youth Orchestra Scholarship Fund was established in April 2009 with an initial endowment of HK\$450,000.

**12 Investment revaluation reserve**

	2020	2019
At beginning of the year	1,691,082	1,830,474
Fair value losses (note 6)	(2,039,039)	(139,392)
At end of the year	<u>(347,957)</u>	<u>1,691,082</u>

**13 Lease liabilities**

	As at 31 October 2020	As at 1 November 2019
Current	378,056	-
Non-current	71,077	-
	<u>449,133</u>	<u>-</u>
Minimum lease payments		
- Within one year	391,776	-
- Over one year and less than five years	71,232	-
	<u>463,008</u>	<u>-</u>
Less: total future interest expenses	(13,875)	-
Present value of lease liabilities	<u>449,133</u>	<u>-</u>

The carrying amounts of lease liabilities are denominated in Hong Kong dollars.

The nature of the Company's leasing activities by type of right-of-use assets recognised on balance sheet are detailed in note 5.

The lessee's incremental borrowing rate applied to the lease liabilities on 1 November 2019 was 5.25% per annum. 0 0 1 7

**ASIAN YOUTH ORCHESTRA LIMITED**  
(All amounts in Hong Kong dollars unless otherwise stated)

**NOTES TO THE FINANCIAL STATEMENTS**

**14 Accruals and other payables**

	2020	2019
Accruals	76	24,987
Other payables	177,133	121,413
	<u>177,209</u>	<u>146,400</u>
Financial liabilities	177,209	146,400
Deferred income	117,500	-
	<u>294,709</u>	<u>146,400</u>

The carrying values of accruals and other payables approximate their fair values as at the balance sheet date, and are denominated in the following currencies:

	2020	2019
Hong Kong dollars	173,365	25,056
United States dollars	121,344	121,344
	<u>294,709</u>	<u>146,400</u>

**15 Employee benefit expenses**

	2020	2019
Salaries, bonus and allowances	1,808,254	1,786,363
Pension costs		
- Mandatory Provident Fund	28,200	28,500
- Other defined contribution pension scheme	-	175,500
	<u>1,836,454</u>	<u>1,990,363</u>

**16 Administrative expenses**

	2020	2019
Operating lease rentals (including non-lease components)		
- office premises	73,426	352,210
Amortisation charge on right-of-use assets (note 5)	338,876	-
Loss on disposals of equipments and instrument (note 17(b))	18,720	-
Other expenses	180,282	267,925
	<u>611,304</u>	<u>620,135</u>

**ASIAN YOUTH ORCHESTRA LIMITED**  
(All amounts in Hong Kong dollars unless otherwise stated)

**NOTES TO THE FINANCIAL STATEMENTS**

**17 Notes to the statement of cash flows**

(a) Net cash generated from/(used in) operating activities

	2020	2019
(Deficit)/surplus for the year	(245,510)	737,508
Adjustments for:		
- Depreciation (note 4)	11,772	13,761
- Dividend income	(360,000)	(359,245)
- Interest income	(1,418)	(3,737)
- Finance cost	27,607	-
- Amortisation charge of right-of-use assets (note 5)	338,876	-
- Loss on disposals of instruments and equipment (note (b))	18,720	-
- COVID-19-related rent concessions received (note (c))	(16,027)	-
Changes in working capital:		
- Accounts receivable and other receivables	1,600,613	(518,574)
- Accruals and other payables	148,309	(962,288)
Net cash generated from/(used in) operation	<u>1,522,942</u>	<u>(1,092,575)</u>

(b) In the statement of cash flows, proceeds from disposals of instruments and equipment are analysed as follows:

	2020	2019
Net book amount (note 4)	18,270	-
Loss on disposal of instrument and equipment (note 16)	(18,270)	-
Proceeds from disposal of property, plant and equipment	<u>-</u>	<u>-</u>

(c) Major non-cash transaction

The additions of right-of-use assets (note 5) are non-cash financing activities.

During the year, the Company received rent concession in the form of a discount on fixed payments during the period of severe social distancing and travel restriction measures introduced to contain the spread of COVID-19.

(d) Reconciliation of liabilities arising from financing activities during the year.

	Lease liabilities
<b>At 1 November 2019 (on adoption of HKFRS 16)</b>	-
Non-cash movement	
- additional lease liabilities	813,302
- accrued interest expenses	27,607
- COVID-19-related rent concessions received	(16,027)
Cash flows from financing activities	
- payment for lease liabilities	(349,353)
- interest paid	(26,396)
<b>At 31 October 2020</b>	<u>449,133</u>

**ASIAN YOUTH ORCHESTRA LIMITED**  
(All amounts in Hong Kong dollars unless otherwise stated)

**NOTES TO THE FINANCIAL STATEMENTS**

**18 Finance costs**

	2020	2019
Interest expenses on lease liabilities	27,607	-
	<u>27,607</u>	<u>-</u>

**19 Taxation**

The Company, being a registered charitable organisation, is exempted from Hong Kong profits tax under Section 88 of the Hong Kong Inland Revenue Ordinance.

**20 Operating lease commitments**

From 1 November 2019, the Company has recognised certain leases as right-of-use assets and lease liabilities on adoption of HKFRS 16 except for short-term and low-value leases, see notes 5 and 13 for further information. At 31 October 2019, the Company had future aggregate minimum lease payments under non-cancellable operating leases in respect of office premises as follows:

	2020	2019
No later than one year	-	87,586
	<u>-</u>	<u>87,586</u>

**21 Benefits and interests of directors**

The following disclosures are made pursuant to section 383(1)(a) to (f) of the Hong Kong Companies Ordinance (Cap. 622) and Parts 2 to 4 of the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G):

- (a) During the year, no emoluments, retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable (2019: nil) with respect to their services as directors of the Company or in connection with the management of affairs of the Company. Also, no emoluments was paid or payable in respect of accepting office as directors. No consideration was provided to or receivable by third parties for making available directors' services (2018: nil). There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2019: nil).
- (b) No director of the Company had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Company's business to which the Company was or is a party that subsisted at the end of the year or at any time during the year (2019: nil).

**22 Related party transactions**

- (a) Key management compensation in respect of services to the Company included in employee benefit expenses and tour expenses is as follows:

	2020	2019
Salaries and allowances	1,571,527	1,615,250
Pension costs:		
- Mandatory Provident Fund Scheme	18,000	18,000
- Other defined contribution pension scheme	-	175,500
Performance fees included in tour expenses	-	476,000
	<u>1,589,527</u>	<u>2,284,750</u>

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**NOTES TO THE FINANCIAL STATEMENTS**

**22 Related party transactions (Continued)**

(b) Transactions with related parties:

	Note	2020	2019
Donations income from:			
- AIA Foundation	(i)	30,000	30,000
- Bank of East Asia Limited	(ii)	-	100,000
- Bright Future Charitable Foundation	(iii)	330,000	135,000
- Cathay Pacific Airways Limited	(iv)	-	100,000
- Crown Foundation Limited	(v)	350,000	100,000
- Edmund and Peggy Tse Foundation Limited	(vi)	70,000	70,000
- Key management		150,000	348,500
		<u>150,000</u>	<u>348,500</u>
Scholarships income from:			
- Bright Future Charitable Foundation	(iii)	-	330,000
- Crown Foundation Limited	(v)	-	66,000
- Financial Times (HK) Limited	(vii)	-	22,000
- Key management		-	22,000
		<u>-</u>	<u>22,000</u>
Sponsorships income from:			
- Bank of East Asia Limited	(ii)	-	350,000
- Cathay Pacific Airways Limited	(iv)	-	800,011
- Crown Foundation Limited	(v)	-	350,000
- Key management		-	300,000
		<u>-</u>	<u>300,000</u>

Notes:

- (i) AIA Foundation has a director, Ms. Tse Koon Hang Ada, in common with the Company.
- (ii) Bank of East Asia Limited has a director, Mr. Li Kwok Po, in common with the Company.
- (iii) Bright Future Charitable Foundation has a director, Dr. Roy Chung, in common with the Company.
- (iv) Cathay Pacific Airways Limited has a director Mr. Rupert Hogg, in common with the Company.
- (v) Crown Foundation Limited has a director, Mr. James Edward Thompson, in common with the Company.
- (vi) Edmund and Peggy Tse Foundation Limited has a director, Ms. Tse Koon Hang Ada, in common with the Company.
- (vii) Financial Times (HK) Limited has an ex-director, Ms. Angela Ruth Mackay, in common with the Company.

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(All amounts in Hong Kong dollars unless otherwise stated)

**NOTES TO THE FINANCIAL STATEMENTS**

**22 Related party transactions (Continued)**

(c) Balance with a related party

Details of amount due from a related company included in accounts receivables and other receivables are as follows:

Name	Maximum amount outstanding during the year	2020	2019
9F Primasia Securities Limited	376,886	376,886	196,593

The related company has a director, Mr. Lin Yan Jun, in common with the Company.

The balance is unsecured, interest-bearing at 0.001% per annum and repayable on demand. It is used for the advance to the securities dealer company for purchase of financial assets at fair value through other comprehensive income on behalf of the Company. The balance is neither past due nor impaired and the related company has no past default history.

The carrying amount approximates its fair value as at the balance sheet date and is denominated in the following currencies:

	2020	2019
Hong Kong dollars	366,779	186,486
United States dollars	10,107	10,107
	<u>376,886</u>	<u>196,593</u>

**23 Subsequent event**

Subsequent to the balance sheet date, on 25 December 2020, the Company's founder and key management, Mr. Richard Pontzious, was deceased. The Company has already commenced an assessment of the impact of his departure on the financial performance and position of the Company. As at the date on which this set of financial statements were authorised for issue, the Company is not aware of any material uncertainties that call into question the Company's ability to continue as a going concern.