

BAI XIAN ASIA INSTITUTE LIMITED
(incorporated in Hong Kong as a company limited by guarantee)

**Governors' Report and
Financial Statements
for The Year Ended 31 December 2020**



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BAI XIAN ASIA INSTITUTE LIMITED

GOVERNORS' REPORT

The Governors present their report and the audited financial statements for the year ended 31 December 2020.

PRINCIPAL ACTIVITY

The principal activity of the Company is implementing scholarship and education programs.

LIABILITY OF MEMBERS

The Company is incorporated under the Hong Kong Companies Ordinance as a company limited by guarantee and accordingly, has no issued share capital. The liability of each of the individual member is limited to HK\$100.

RESULTS

The financial performance of the Company for the year ended 31 December 2020 and the financial position of the Company as at that date are set out in the financial statements on pages 6 to 22.

CHARITABLE DONATIONS

Total donations made by the Company for charitable purposes during the year amounted to US\$1,172,560.

GOVERNORS

The Governors of the Company during the year and up to the date of this report are as follows:

CHAO Wei Ting Ronna
CHAO Kee Tung
LEONG Chi Yan John (resigned on 22 June 2020)
MA Yung Kit
MONG Tak Yeung David
OGINO Masaaki (resigned on 22 June 2020)
WATARI Shinichiro
FUNG Yeh Yi Hao Yvette
SUNG Jean
SONG Bing (appointed on 22 June 2020)
KITAMURA Takanori (appointed on 22 June 2020)

There being no provision in the Company's Articles of Association to the contrary, all Governors continue in office for the forthcoming year.

BAI XIAN ASIA INSTITUTE LIMITED

GOVERNORS' REPORT

MANAGEMENT CONTRACTS

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

PERMITTED INDEMNITY PROVISIONS

At no time during the financial year and up to the date of this Report, there was or is, any permitted indemnity provision being in force for the benefit of any of the Governors of the Company (whether made by the Company or otherwise) or an associated company (if made by the Company).

BUSINESS REVIEW

The Company is exempted from preparing a business review for the financial year.

AUDITOR

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint BDO Limited as auditor.

On behalf of the Governors



CHAO Wei Ting Ronna

Hong Kong, 17 JUN 2021

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF BAI XIAN ASIA INSTITUTE LIMITED**
(incorporated in Hong Kong as a company limited by guarantee)

Opinion

We have audited the financial statements of Bai Xian Asia Institute Limited (the "Company") set out on pages 6 to 22, which comprise the statement of financial position as at 31 December 2020, and the statement of income and expenditure and other comprehensive income, statement of changes in funds and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards 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 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Governors are responsible for the other information. The other information comprises the information included in the Governors' Report.

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.



INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF BAI XIAN ASIA INSTITUTE LIMITED
(incorporated in Hong Kong as a company limited by guarantee)

Governors' Responsibilities for the Financial Statements

The Governors are responsible for the preparation of financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the Governors 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 Governors of the Company 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 Governors 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. This report is made 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 HKSAAs 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.

As part of an audit in accordance with HKSAAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

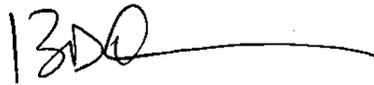
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting 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 Governors.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF BAI XIAN ASIA INSTITUTE LIMITED
(incorporated in Hong Kong as a company limited by guarantee)

Auditor's Responsibilities for the Audit of the Financial Statements - Continued

- conclude on the appropriateness of the Governors' 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 Governors 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.



BDO Limited
Certified Public Accountants
Tam Kwok Yiu
Practising Certificate Number P02575

Hong Kong, 17 JUN 2021

BAI XIAN ASIA INSTITUTE LIMITED

**STATEMENT OF INCOME AND EXPENDITURE
AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	2020 US\$	2019 US\$
Income	5	1,500,000	2,074,161
Other gains	6	684,108	716,155
Administrative expenses		<u>(1,882,070)</u>	<u>(2,226,839)</u>
Surplus before income tax	7	302,038	563,477
Income tax expense	10	<u>-</u>	<u>-</u>
Surplus and total comprehensive income for the year		<u>302,038</u>	<u>563,477</u>

BAI XIAN ASIA INSTITUTE LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	2020 US\$	2019 US\$
Non-current assets			
Plant and equipment	11	<u>4,922</u>	<u>4,313</u>
Total non-current assets		<u>4,922</u>	<u>4,313</u>
Current assets			
Investments at fair value through profit or loss	12	10,830,035	10,243,888
Other receivables and deposits	13	11,920	153,167
Cash and bank balances		<u>1,314,158</u>	<u>1,449,646</u>
Total current assets		<u>12,156,113</u>	<u>11,846,701</u>
Current liabilities			
Other payables and accruals		<u>(58,123)</u>	<u>(50,140)</u>
Total current liabilities		<u>(58,123)</u>	<u>(50,140)</u>
Net current assets		<u>12,097,990</u>	<u>11,796,561</u>
NET ASSETS		<u>12,102,912</u>	<u>11,800,874</u>
Representing:			
Operating fund	14	349,942	498,991
Scholarship fund	14	799,599	934,659
Endowment fund	14	<u>10,953,371</u>	<u>10,367,224</u>
TOTAL FUNDS		<u>12,102,912</u>	<u>11,800,874</u>

On behalf of the Governors



CHAO Wei Ting Ronna
Governor



CHAO Kee Tung
Governor

BAI XIAN ASIA INSTITUTE LIMITED
STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Operating fund US\$ (note 14)	Scholarship fund US\$ (note 14)	Endowment fund US\$ (note 14)	Total US\$
As at 1 January 2019	403,204	887,990	9,946,203	11,237,397
Surplus and total comprehensive income for the year	<u>95,787</u>	<u>46,669</u>	<u>421,021</u>	<u>563,477</u>
As at 31 December 2019 and 1 January 2020	498,991	934,659	10,367,224	11,800,874
Surplus/(Deficit) and total comprehensive income for the year	<u>(149,049)</u>	<u>(135,060)</u>	<u>586,147</u>	<u>302,038</u>
As at 31 December 2020	<u><u>349,942</u></u>	<u><u>799,599</u></u>	<u><u>10,953,371</u></u>	<u><u>12,102,912</u></u>

BAI XIAN ASIA INSTITUTE LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020	2019
	US\$	US\$
Cash flows from operating activities		
Surplus before income tax expense	302,038	563,476
Adjustments for:		
Depreciation on plant and equipment	5,930	6,573
Dividend income	-	(3,635)
Interest income	(387,720)	(400,477)
Service charge on investments at fair value through profit or loss	51,941	49,938
Fair value gain on investments at fair value through profit or loss	<u>(233,294)</u>	<u>(312,043)</u>
Operating deficit before working capital changes	(261,105)	(96,168)
Increase/(Decrease) in other receivables	141,247	(64,193)
Increase in other payables and accruals	<u>7,983</u>	<u>12,477</u>
Net cash used in operating activities	<u>(111,875)</u>	<u>(147,884)</u>
Cash flows from investing activities		
Interest income	2,713	3,174
Purchase of plant and equipment	(6,539)	(3,968)
Increase in investments at fair value through profit or loss	(264,580)	-
Proceeds from disposal of investments at fair value through profit or loss	<u>244,793</u>	<u>242,022</u>
Net cash (used in)/ generated from investing activities	<u>(23,613)</u>	<u>241,228</u>
Net (decrease)/increase in cash and cash equivalents	(135,488)	93,344
Cash and cash equivalents at beginning of year	<u>1,449,646</u>	<u>1,356,302</u>
Cash and cash equivalents at end of year		
- representing cash and bank balances	<u><u>1,314,158</u></u>	<u><u>1,449,646</u></u>

BAI XIAN ASIA INSTITUTE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

1. GENERAL

Bai Xian Asia Institute Limited is a company limited by guarantee and incorporated in Hong Kong. Its registered office and principal place of business is located at 10/F Novel Industrial Building, 850-870 Lai Chi Kok Road, Cheung Sha Wan, Kowloon, Hong Kong.

The principal activity of the Company is implementing scholarship and education programs.

Each member of the Company undertakes to contribute an amount not exceeding HK\$100 to the assets of the Company in the event of its being wound up. The Company had 5 members as at 31 December 2020.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(a) New and amended HKFRSs that are mandatorily effective for the current year

In the current year, the Company has applied for the first time the following new and amended HKFRSs issued by Hong Kong Institute of Certified Public Accountants, which are relevant to and effective for the Company’s financial statements for the annual period beginning on 1 January 2020:

- The Conceptual Framework for Financial Reporting (Revised)
- Amendments to HKAS 1 and HKAS 8 — Definition of Material

The application of these new and amended HKFRSs have no material impact on the Company’s financial positions and performance for the current and prior years.

(b) New and amended HKFRSs in issue but not yet effective

The following new and amended HKFRSs, potentially relevant to the Company’s financial statements, have been issued, but are not yet effective and have not been early adopted by the Company. The Company’s current intention is to apply these changes on the date they become effective.

Annual Improvements to HKFRSs (2018 - 2020 Cycle)	Annual improvement project ¹
Amendments to HKFRS 16	COVID-19-Related Rent Concessions ²

¹ Effective for annual periods beginning on or after 1 January 2022.

² Effective for annual periods beginning on or after 1 June 2020.

The Governors anticipate that the application of these new and amended HKFRSs will have no material impact on the Company’s financial performance and positions and/or the disclosures to the financial statements of the Company.

BAI XIAN ASIA INSTITUTE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

3. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (hereinafter collectively referred to as the “HKFRSs”) and the provisions of the Hong Kong Companies Ordinance which concern the preparation of financial statements.

(b) Basis of measurement

The financial statements have been prepared under the historical cost basis except for investments at fair value through profit or loss.

(c) Functional and presentation currency

The financial statements are presented in United States dollars (“US\$”), which is the functional currency of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of plant and equipment includes its purchase price and the costs 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 the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in the statement of income and expenditure during the financial year in which they are incurred.

Plant and equipment are depreciated so as to write off their cost or valuation net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting year. The principal annual depreciation rate is 33¹/₃%.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset’s estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in statement of income and expenditure on disposal.

BAI XIAN ASIA INSTITUTE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

4. SIGNIFICANT ACCOUNTING POLICIES – Continued

(b) Impairment of plant and equipment

At the end of each reporting period, the Company reviews the carrying amounts of plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(c) Financial instruments

(i) Financial assets at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Interest income, foreign exchange gains and losses, impairment, and gain or loss on derecognition are recognised in the statement of income and expenditure.

Excepted credit losses on financial assets at amortised cost are assessed on a forward-looking basis depending on whether there has been a significant increase in credit risk.

(ii) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Change in fair value, dividend and interest income are recognised in the statement of income and expenditure.

(iii) Financial liabilities

Financial liabilities at amortised cost, including other payables, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

BAI XIAN ASIA INSTITUTE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

4. SIGNIFICANT ACCOUNTING POLICIES – Continued

(d) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts (if any) which are repayable on demand.

(e) Recognition of income

Donations are recognised as income when the right to receive payment is established.

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

Dividend income is recognised when the right to receive the dividend is established.

(f) Foreign currency

Transactions entered into by the Company in currencies other than the currency of the primary economic environment in which it operates (the “functional currency”) are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in the statement of income and expenditure in the year in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the statement of income and expenditure for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

BAI XIAN ASIA INSTITUTE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

4. SIGNIFICANT ACCOUNTING POLICIES – Continued

(g) Employee benefits

(i) Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the reporting period in which the employees render the related service. Short term employee benefits are recognised in the reporting period when the employees render the related service.

(ii) Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in the statement of income and expenditure when the services are rendered by the employees.

(h) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

BAI XIAN ASIA INSTITUTE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

4. SIGNIFICANT ACCOUNTING POLICIES – Continued

(i) Related parties

- (a) A person or a close member of that person's family is related to the Company if that person:
- (i) has control or joint control over the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of key management personnel of the Company's parent.
- (b) An entity is related to the Company if any of the following conditions apply:
- (i) The entity and the Company are members of the same group.
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Company or an entity related to the Company.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

BAI XIAN ASIA INSTITUTE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

5. INCOME

Income represents donations received during the year.

6. OTHER GAINS

	2020	2019
	US\$	US\$
Fair value gain on investments	233,294	312,043
Interest income	387,720	400,477
Dividend income	-	3,635
Government grant (note)	<u>63,094</u>	<u>-</u>
	<u>684,108</u>	<u>716,155</u>

The government grants of US\$63,094 (2019: Nil) obtained from the Employment Support Scheme launched by the Hong Kong SAR Government supporting, which the Company had to commit to spend the grants on payroll expenses, and not reduce employee head count below prescribed levels for a specified period of time. The Company does not have other unfulfilled obligations relating to this government grant.

7. SURPLUS BEFORE INCOME TAX

Surplus before income tax is arrived at after charging:

	2020	2019
	US\$	US\$
Auditor's remuneration	8,514	8,639
Depreciation of plant and equipment	5,930	6,573
Scholarship payments	1,172,560	851,246
Exchange loss	711	2,739
Employee costs (note 8)	421,899	459,666

BAI XIAN ASIA INSTITUTE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

8. EMPLOYEE COSTS

Employee costs (including Governors' emoluments) comprise:

	2020	2019
	US\$	US\$
Salaries and bonuses	405,425	440,099
Contribution to defined contribution retirement plans	15,958	16,519
Other short-term employee benefits	<u>516</u>	<u>3,048</u>
	<u><u>421,899</u></u>	<u><u>459,666</u></u>

9. GOVERNORS' EMOLUMENTS

No emolument was paid or payable to the Governors during the year (2019: Nil).

10. INCOME TAX EXPENSE

The Company is exempt from Hong Kong Profits Tax under Section 88 of the Hong Kong Inland Revenue Ordinance as a charitable entity.

11. PLANT AND EQUIPMENT

	Furniture and fixtures	Computer hardware and software	Total
	US\$	US\$	US\$
Cost			
At 1 January 2019	42,591	28,373	70,964
Additions	<u>2,430</u>	<u>1,538</u>	<u>3,968</u>
At 31 December 2019 and 1 January 2020	45,021	29,911	74,932
Additions	<u>714</u>	<u>5,825</u>	<u>6,539</u>
At 31 December 2020	<u><u>45,735</u></u>	<u><u>35,736</u></u>	<u><u>81,471</u></u>
Accumulated depreciation			
At 1 January 2019	38,490	25,556	64,046
Charge for the year	<u>3,802</u>	<u>2,771</u>	<u>6,573</u>
At 31 December 2019 and 1 January 2020	42,292	28,327	70,619
Charge for the year	<u>2,590</u>	<u>3,340</u>	<u>5,930</u>
At 31 December 2020	<u><u>44,882</u></u>	<u><u>31,667</u></u>	<u><u>76,549</u></u>
Net book value			
At 31 December 2020	<u><u>853</u></u>	<u><u>4,069</u></u>	<u><u>4,922</u></u>
At 31 December 2019	<u><u>2,729</u></u>	<u><u>1,584</u></u>	<u><u>4,313</u></u>

BAI XIAN ASIA INSTITUTE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

12. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 US\$	2019 US\$
At 1 January	10,243,888	9,822,866
Dividend income	-	3,635
Interest income	385,007	397,304
Service charge	(51,941)	(49,938)
Deposits	264,580	-
Disposal	(244,793)	(242,022)
Fair value gain	233,294	312,043
At 31 December	<u>10,830,035</u>	<u>10,243,888</u>

The Company invests in an investment fund holding fixed deposits, equity and fixed income investments, and mutual funds. The investment fund was designated upon recognition as financial assets at fair value through profit or loss.

As at 31 December 2020 and 2019, the investment fund was related to specific appropriation from endowment fund and cannot be used for regular operating purpose.

13. OTHER RECEIVABLES AND DEPOSITS

	2020 US\$	2019 US\$
Amount due from Bai Xian Education Foundation Limited	-	140,277
Deposits	11,920	11,873
Interest receivable	-	1,017
	<u>11,920</u>	<u>153,167</u>

For the year ended 31 December 2019, the amount due from Bai Xian Education Foundation Limited was unsecured, interest-free and repayable on demand.

14. FUNDS

Funds of the Company are broadly grouped under three categories as follows:

(i) Operating fund

Operating fund represents income and expenditure applicable to the Company's regular operations.

BAI XIAN ASIA INSTITUTE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

14. FUNDS - Continued

(ii) Scholarship fund

Scholarship fund represents donations restricted for supporting the Company's scholarships.

(iii) Endowment fund

Endowment fund represents donations which are being held intact to build up a steady stream of income to support, and restricted for, the scholarship programs of the Company.

15. COMMITMENTS

- (a) The Company entered into agreements with several universities to provide scholarships. The Governors considered the following commitments in respect of scholarships that will be granted to existing approved scholars till the completion of their studies.

	2020	2019
	US\$	US\$
Contracted for but not provided for in these financial statements	<u>777,089</u>	<u>1,185,424</u>

- (b) On 1 January 2018, the Company entered into a funding agreement with a related company, Bai Xian Education Foundation Limited, for receiving operations funding of US\$750,000 per annum until 31 December 2020.

On 1 January 2021, a new funding agreement with Bai Xian Education Foundation Limited was signed for receiving operations funding of US\$750,000 per annum until 31 December 2023.

The Governors considered the funds to be received under the non-cancellable funding agreement are as follows:

	2020	2019
	US\$	US\$
Not later than one year	750,000	750,000
Later than one year but not later than five years	<u>1,500,000</u>	<u>-</u>
	<u>2,250,000</u>	<u>750,000</u>

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16. RELATED PARTY TRANSACTIONS

- (a) During the year, the Company received donations of US\$1,500,000 (2019: US\$2,073,664) from a related company, Bai Xian Education Foundation Limited.

Details of amount due from Bai Xian Education Foundation Limited are disclosed in note 13.

- (b) The Governors did not receive any remuneration for the year. The remuneration of other members of key management during the year were as follows:

	2020	2019
	US\$	US\$
Salaries	46,904	65,607

17. FINANCIAL RISK MANAGEMENT

The main risks arising from the Company's financial instruments are market risks (including foreign exchange risk and investment price risk), liquidity risk and credit risk. The policies for managing these risks are summarised below:

(a) Market risks

(i) Foreign exchange risk

The currency giving rises to foreign currency risk is primarily Hong Kong dollar. The following table details the Company's exposure at the end of the reporting year to currency risk arising from assets or liabilities denominated in a currency other than its functional currency.

	Assets		Liabilities	
	2020	2019	2020	2019
	US\$	US\$	US\$	US\$
Hong Kong dollar	207,761	122,044	(33,259)	(50,139)

Hong Kong dollar is pegged to US dollar and would not give rise to significant foreign exchange risk. Accordingly, no sensitivity analysis has been prepared.

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17. FINANCIAL RISK MANAGEMENT – Continued

(a) Market risks - Continued

(ii) Investment price risk

The Company's investments at fair value through profit or loss are exposed to price risk. The investment policy is to have a diversified investment portfolio with an investment price risk exposure at an acceptable level in the Company's circumstances.

Sensitivity analysis

A sensitivity analysis on investment price risk has been performed on the Company's investments whose fair value or future cash flows will fluctuate because of changes in their corresponding or underlying assets' prices. If the prices of the investments had been 5% higher, the surplus for the year would increase by US\$541,502. 5% lower prices would increase the deficit for the year by the same amount.

(b) Liquidity risk

The Company's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term.

Analysed below is the Company's contractual maturities of all financial liabilities at the year end. When the creditor has a choice of when the liability is settled, the liability is classified on the basis of the earliest date on which the Company can be required to pay.

	On demand or within 1 year US\$
2020	
Other payables	<u> -</u>
2019	
Other payables	<u> 1,819</u>

(c) Credit risk

The major exposure to credit risk arises from bank balances and other receivables, with the maximum exposure equal to the carrying amount of these financial assets on the statement of financial position.

The Governors considered credit risk arising from bank balances is minimal since they are placed with financial institutions of high credit rating. For other receivables, the Governors considered the expected credit loss is minimal.

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18. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The Governors considered that the carrying amounts of the financial assets and financial liabilities of the Company approximated their fair values at the end of the year.

The following table shows the carrying amount and fair values of financial assets and liabilities as defined in note 4(c).

	2020	2019
	US\$	US\$
Financial assets		
Financial assets at fair value through profit or loss		
- Investments	<u>10,830,035</u>	<u>10,243,888</u>
Finance assets at amortised cost		
- Other receivables and deposits	11,920	153,167
- Cash and bank balances	<u>1,314,158</u>	<u>1,449,646</u>
	<u>1,326,078</u>	<u>1,602,813</u>
Financial liabilities		
Financial liabilities at amortised cost		
- Other payables	<u>-</u>	<u>1,819</u>

As at 31 December 2020, the Company's investments (note 12) measured at fair value were determined with reference to inputs that were not based on observable market data (unobservable inputs) (i.e. Level 3 of the fair value hierarchy as defined by HKFRS 13). There were no transfers to and from Level 3 of the fair value hierarchy during the year.

19. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Governors on **17 JUN 2021**