

BEI SHAN TANG FOUNDATION
北山堂基金

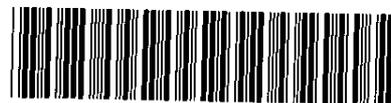
Reports and Financial Statements
For the year ended 31 December 2020

**CERTIFIED
TRUE COPY**



WONG Wai Yan
Secretary

Date: 30 September, 2021



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BEI SHAN TANG FOUNDATION

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REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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BEI SHAN TANG FOUNDATION

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GOVERNORS' REPORT

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

PRINCIPAL ACTIVITIES

During the year, the Foundation continued its charitable activities and invested excess funds for its designated objectives.

BUSINESS REVIEW

Review of the Foundation's activities

The Foundation supports initiatives in the field of Chinese art and culture worldwide through grants towards initiatives such as exhibitions, overseas exchanges and training programs. It also supports education through grants towards scholarships to study abroad and initiatives in the education sector principally in Hong Kong such as promoting Positive Education.

The Foundation invests its capital in a diversified portfolio of global investments including public and private equities, fixed income securities and other non traditional investments which generate income to support grants.

There was no change in the Foundation's core activities in 2020. Its total recurring income and net assets for 2020 remained stable. The Foundation's net assets amounted to HK\$1,285 million at the end of 2020.

In 2020, the Foundation has donated a total sum of HK\$11,316,163 (2019: HK\$26,050,397), details as follows:

	<u>2020 Donations</u>		<u>2019 Donations</u>	
	HK\$	%	HK\$	%
Chinese Art and Culture	6,602,803	58.3	4,721,357	18.1
Education	4,278,360	37.8	6,000,818	23.0
Others	435,000	3.9	15,328,222	58.9
	<u>11,316,163</u>	<u>100.0</u>	<u>26,050,397</u>	<u>100.0</u>

Principal risks and uncertainties facing the Foundation

The principal risk for the Foundation is the financial performance of its investments. However, given the amounts granted by the Foundation are guided by its investment income, there is negligible risk that the Foundation will not be able to meet its financial commitments. Further, as there are no changes to the Foundation's operations and organisational structure, the Foundation does not foresee facing major uncertainties.

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BUSINESS REVIEW - continued

Important events affecting the Foundation since financial year

The COVID 19 pandemic since early 2020 has brought about uncertainties in the Foundation's operating environment and may impact the Foundation's operations and financial position. The development of outbreak is not considered to be an adjusting event nor has it had an impact on the financial results and condition of the Foundation as at 31 December 2020.

The Foundation has been closely monitoring the impact of the developments on the Foundation's operation and will ready to take further appropriate measures as necessary while the situation continues to evolve.

Future development in the Foundation's activities

The governors are pleased with the activities supported by the Foundation and expect the level of grants to increase (decrease) with investment income.

Environmental policies and performance

The Foundation does not have significant environmental policies.

Compliance with relevant laws and regulations

The Foundation complies with all relevant laws and regulations, including but not limited to its Memorandum and Articles of Association, the Inland Revenue Ordinance, Companies Ordinance, Common Reporting Standard and Foreign Account Tax Compliance Act etc.

Key Relationship with employees and beneficiaries

The Foundation's relationship with its employees does not have a significant impact on its operations or financial performance.

The Foundation strives to go beyond the traditional donor/donee relationship with its beneficiaries such that the Foundation's staff often works alongside the beneficiary to ensure an optimal outcome of the sponsored project.

RESULTS

The surplus of the Foundation for the year is set out on page 7 of the financial statements.

DONATIONS

During the year, the Foundation made charitable and other donations amounting to HK\$11,316,163.

EQUIPMENT

Details of the Foundation's equipment are set out in note 7 to the financial statements.

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GOVERNORS

The governors during the year and up to the date of this report were:

Chien Lee (Chairman)
Christopher Wah Chiu Mok
Stephane Bing Hui Bon Hoa
Margaret May Ching Yeung Kao
Kitty Hok Yee Chou
Harold Chung Fong Wong (resigned on 3 April 2020)
Jenny Fong-Suk So
Lawrence Juen-Yee Lau
James Chi Yan Watt
Joseph Lap Bun Tse
Catherine Ka Ki Chan
Bernard Pak Hong Auyang (appointed on 3 April 2020)

Under the provisions of the Foundation's Articles of Association, all governors retire from the Board at the forthcoming Annual General Meeting and all, except Lawrence Juen-Yee Lau, offer themselves for re-election.

MATERIAL INTERESTS OF GOVERNORS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

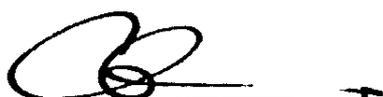
No transaction, arrangement or contract to which the Foundation was a party and in which a governor of the Foundation had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

GOVERNORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

At no time during the year was the Foundation a party to any arrangements to enable the governors of the Foundation to acquire benefits by means of the acquisition of shares in, or debentures of, the Foundation or any other body corporate.

HONORARY AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as honorary auditor of the Foundation.



Chien Lee
GOVERNOR

16 September 2021

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BEI SHAN TANG FOUNDATION

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(Incorporated in Hong Kong with limited liability by guarantee)

Opinion

We have audited the financial statements of Bei Shan Tang Foundation (the "Foundation") set out on pages 7 to 21, which comprise the statement of financial position as at 31 December 2020, and the statement of comprehensive income, statement of changes in reserves 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 Foundation as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standard for Private Entities ("HKFRS for Private Entities") 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 Foundation 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 annual report, but does not include the financial statements and our auditor's report thereon.

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.

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BEI SHAN TANG FOUNDATION - continued

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(Incorporated in Hong Kong with limited liability by guarantee)

Responsibilities of Governors and Those Charged with Governance for the Financial Statements

The governors are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRS for Private Entities 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 are responsible for assessing the Foundation'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 Foundation or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

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 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.

As part of an audit in accordance with HKSAs, we exercise professional judgement 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 Foundation's internal control.

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BEI SHAN TANG FOUNDATION - continued

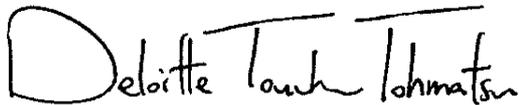
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Auditor's Responsibilities for the Audit of the Financial Statements - continued

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the governors.
- 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 Foundation'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 Foundation 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 those charged with governance 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.



Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
16 September 2021

BEI SHAN TANG FOUNDATION

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STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	<u>2020</u>	<u>2019</u>
	HK\$	HK\$
INCOME		
Dividends	34,163,332	33,874,541
Interest income	336,411	957,785
Net gain on disposal of equipment	-	8,281
Net gain on fair value change of financial assets at fair value through profit or loss	8,434,840	12,182,820
Net gain on disposal of available-for-sale investments	-	369,339
Donation received	12,722,091	12,573,012
Other income	252,750	467,604
	<u>55,909,424</u>	<u>60,433,382</u>
EXPENDITURE		
Consulting fee	372,500	-
Depreciation	70,343	22,199
Donations and sponsorships	11,316,163	26,050,397
Entertainment expenses	37,725	68,720
Exchange loss	897	135,976
Insurance expense	134,695	110,715
Legal and professional fees	129,970	57,930
Net loss on disposal of available-for-sale investment	135,467	-
Office rent	3,019,324	3,031,574
Staff costs and other benefits	5,854,388	4,604,712
Sundry expenses	261,817	427,732
Travel and accommodation	34,459	74,476
	<u>21,367,748</u>	<u>34,584,431</u>
SURPLUS FOR THE YEAR	<u>34,541,676</u>	<u>25,848,951</u>
OTHER COMPREHENSIVE EXPENSES		
Reclassification adjustment upon disposal of available-for-sale investment	164,223	(365,168)
Fair value change of available-for-sale investments	74,338,451	(5,216,504)
OTHER COMPREHENSIVE EXPENSES FOR THE YEAR	<u>74,502,674</u>	<u>(5,581,672)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>109,044,350</u>	<u>20,267,279</u>

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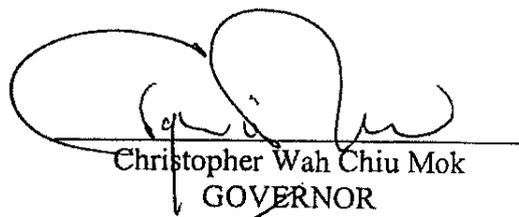
**STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2020**

	<u>NOTES</u>	<u>2020</u> HK\$	<u>2019</u> HK\$
Non-current assets			
Equipment	7	595,320	248,793
Other assets	8	4	4
Available-for-sale investments	9	1,133,858,008	1,022,572,352
Prepayment for fund investment		-	15,573,880
Rental and other deposit		984,608	729,583
		<u>1,135,437,940</u>	<u>1,039,124,612</u>
Current assets			
Deposits, other receivables and prepayments	10	735,664	606,006
Available-for-sale investments	9	6,006,511	2,244,463
Financial assets at fair value through profit or loss	11	102,611,588	94,176,748
Cash and cash equivalents	10	40,313,427	39,994,106
		<u>149,667,190</u>	<u>137,021,323</u>
Current liabilities			
Other payables		-	85,155
Net current assets			
		<u>149,667,190</u>	<u>136,936,168</u>
		<u>1,285,105,130</u>	<u>1,176,060,780</u>
Reserves			
Accumulated fund		952,289,225	917,747,549
Investment revaluation reserve		332,815,905	258,313,231
		<u>1,285,105,130</u>	<u>1,176,060,780</u>

The financial statements on pages 7 to 21 were approved and authorised for issue by the Board of Governors on 16 September 2021 and are signed on its behalf by:



Chien Lee
GOVERNOR



Christopher Wah Chiu Mok
GOVERNOR

BEI SHAN TANG FOUNDATION

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STATEMENT OF CHANGES IN RESERVES
FOR THE YEAR ENDED 31 DECEMBER 2020

	<u>Accumulated</u> <u>fund</u> HK\$	<u>Investment</u> <u>revaluation</u> <u>reserve</u> HK\$	<u>Total</u> HK\$
At 1 January 2019	891,898,598	263,894,903	1,155,793,501
Reclassification adjustment upon disposal of available-for-sale investments	-	(365,168)	(365,168)
Fair value change of available-for-sale investments	-	(5,216,504)	(5,216,504)
Surplus for the year	25,848,951	-	25,848,951
Surplus and total comprehensive income (expense) for the year	25,848,951	(5,581,672)	20,267,279
At 31 December 2019	917,747,549	258,313,231	1,176,060,780
Reclassification adjustment upon disposal of available-for-sale investments	-	164,223	164,223
Fair value change of available-for-sale investments	-	74,338,451	74,338,451
Surplus for the year	34,541,676	-	34,541,676
Surplus and total comprehensive income for the year	34,541,676	74,502,674	109,044,350
At 31 December 2020	952,289,225	332,815,905	1,285,105,130

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BEI SHAN TANG FOUNDATION

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**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020**

	<u>2020</u> HK\$	<u>2019</u> HK\$
OPERATING ACTIVITIES		
Surplus for the year	34,541,676	25,848,951
Adjustments for:		
Dividend income	(34,163,332)	(33,874,541)
Depreciation	70,343	22,199
Fair value change of financial assets at fair value through profit or loss	(8,434,840)	(12,182,820)
Interest income	(336,411)	(957,785)
Net gain on disposal of equipment	-	(8,281)
Net loss (gain) on disposal of available-for-sale investments	135,467	(369,339)
Operating cash flows before movement in working capital	(8,187,097)	(21,521,616)
(Increase) decrease in deposits, other receivables and prepayments	(384,683)	237,520
(Decrease) increase in other payables	(85,155)	53,155
NET CASH USED IN OPERATING ACTIVITIES	<u>(8,656,935)</u>	<u>(21,230,941)</u>
INVESTING ACTIVITIES		
Purchase of equipment	(416,870)	(243,306)
Increase in prepayment for fund investment	-	(15,573,880)
Purchase of available-for-sale investments	(27,609,024)	(21,848,506)
Proceeds from disposal of equipment	-	14,000
Proceeds from disposal of available-for-sale investments	2,195,200	3,745,207
Dividends and distributions received from available-for-sale investments	34,470,539	35,223,196
Interest received	336,411	957,785
NET CASH FROM INVESTING ACTIVITIES	<u>8,976,256</u>	<u>2,274,496</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	319,321	(18,956,445)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	<u>39,994,106</u>	<u>58,950,551</u>
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by cash and cash equivalents	<u>40,313,427</u>	<u>39,994,106</u>

BEI SHAN TANG FOUNDATION

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

1. GENERAL

Bei Shan Tang Foundation (the "Foundation") is a company incorporated in Hong Kong with liability limited by guarantee. The address of the registered office and principal place of business of the Foundation is located at 1401C, Lee Garden Two, 28 Yun Ping Road, Hong Kong.

The principal activities of the Foundation are support of charitable activities and investments for its designated objectives.

The financial statements are presented in Hong Kong dollars ("HK\$"), which is the same as the functional currency of the Foundation.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standard for Private Entities issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. The financial statements have been prepared under the historical cost convention, except for available-for-sale investments and financial assets at fair value through profit or loss which are measured at fair value.

Revenue recognition

Dividend income from investment is recognised when the shareholders' rights to receive payment has been established.

Donation income is recognised when the amounts are received or receivable from the donors.

Interest income is accrued on a time apportionment basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Equipment

Equipment are stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

Impairment on assets

At the end of the reporting period, the Foundation reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount 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 immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so 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 immediately in profit or loss.

Other assets

Donated non-financial assets are included in other assets at a nominal value of HK\$1 at the date of receipt. At the end of each reporting period subsequent to initial recognition, donated non-financial assets are carried at nominal value.

Financial instruments

The Foundation has chosen to apply the recognition and measurement provision of Hong Kong Accounting Standard ("HKAS") 39 "Financial Instruments: Recognition and Measurement" and the disclosure requirements of Sections 11 and 12 to account for all of its financial instruments.

Financial assets and financial liabilities are recognised on the statement of financial position when an entity becomes a party to the contractual provisions of the instrument. The Foundation has elected to account for its financial assets and financial liabilities at fair value on initial recognition. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets and financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets and financial liabilities at fair value through profit or loss are recognised immediately in surplus or deficit.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets

The Foundation's financial assets are mainly financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The Foundation has elected to adopt the accounting policies in respect of each category of financial assets as set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt investments.

Financial assets at FVTPL

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Foundation manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Financial assets at FVTPL - continued

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Foundation's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in surplus or deficit in the period in which they arise. The net gain or loss recognised in surplus or deficit excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including deposits and other receivables and cash and cash equivalents) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as such or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. The Foundation classified financial instruments that the Foundation acquired for long term investments as available-for-sale financial assets.

At the end of the reporting period subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in other comprehensive income and accumulated in the investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in investment revaluation in reserve is reclassified to surplus or deficit (see accounting policy on impairment of financial assets below).

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all loans and receivables and available-for-sale debt investments, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets. Subsequent recoveries of amounts previously written off are credited to surplus or deficit.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through surplus or deficit to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in surplus or deficit in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

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2. **BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued**

Financial instruments - continued

Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities at amortised cost

Financial liabilities, representing other payables, are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial assets and liabilities

The Foundation derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in other comprehensive income and accumulated in reserve is recognised in surplus or deficit.

The Foundation derecognises a financial liability when, and only when, the Foundation's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in surplus or deficit.

Foreign currencies translation

Functional and presentation currency

Items included in the financial statements of the Foundation are measured using the currency of the primary economic environment in which the Foundation operates (the functional currency).

The financial statements are presented in HK\$, which the Foundation's functional and presentation currency.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

Foreign currencies translation - continued

Transactions and balances

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

Employee benefit costs

Employee entitlements

Employee entitlements to annual leave are recognised when they accrue to employees.

Pension obligations

The Foundation operates a defined contribution scheme in Hong Kong, which comply with all the respective requirements under the Mandatory Provident Fund Schemes Ordinance. All the assets under the schemes are held separately from the Foundation under independently administrated fund.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments, of which the Foundation is the lessee, are recognised as an expense on a straight-line basis over the lease term.

3. CATEGORIES OF FINANCIAL INSTRUMENTS

	<u>2020</u> HK\$	<u>2019</u> HK\$
Financial assets		
Loans and receivables (including cash and cash equivalents)	42,018,796	56,112,050
Available-for-sale investments	1,139,864,519	1,024,816,815
Financial assets at fair value through profit or loss	<u>102,611,588</u>	<u>94,176,748</u>
Financial liabilities		
Amortised cost	<u>-</u>	<u>85,155</u>

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4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of the Foundation's accounting policies, which are described in note 2, the governors of the Foundation are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Fair value of Lee Hysan Company Limited's shares

Lee Hysan Company Limited ("LHC") is classified as available-for-sale investments. LHC is a private company and its shares are not listed on any stock exchanges.

Having considered the liquidity of shares of LHC, and the assessment of the present status of as well as the expected future benefits associated with the LHC shares, the governors decided to apply a marketability discount on the net assets value of the LHC shares to determine the estimated fair value of these shares. The fair value of LHC shares may change if the marketability discount applied changes there is no change in the marketability discount applied in determining the fair value of the interest in shares of LHC as at 31 December 2020 and 2019.

5. GOVERNORS' EMOLUMENTS (ALSO REGARDED AS KEY MANAGEMENT COMPENSATION)

None of the governors received or will receive any fees or other emoluments in respect of their services to the Foundation during both years.

6. TAXATION

The Foundation is exempt from Hong Kong Profits Tax under Section 88 of the Inland Revenue Ordinance. Accordingly, no provision for taxation is required.

BEI SHAN TANG FOUNDATION

北山堂基金

7. EQUIPMENT

	<u>Equipment</u> HK\$
COST	
At 1 January 2019	75,400
Addition	243,306
Disposal	<u>(49,000)</u>
At 1 January 2020	269,706
Addition	<u>416,870</u>
At 31 December 2020	<u>686,576</u>
ACCUMULATED DEPRECIATION	
At 1 January 2019	41,995
Charge for the year	22,199
Eliminated upon disposal	<u>(43,281)</u>
At 1 January 2020	20,913
Charge for the year	<u>70,343</u>
At 31 December 2020	<u>91,256</u>
CARRYING AMOUNTS	
At 31 December 2020	<u>595,320</u>
At 31 December 2019	<u>248,793</u>

Equipment is depreciated on a straight-line basis at 20% per annum.

8. OTHER ASSETS

Other assets represent the paintings and calligraphy donated by the Estate of Mr. Jung Sen Lee and Lee's family. These paintings, calligraphy and furnitures are maintained for public exhibition, education and research in furtherance of public service, rather than for financial gain.

In conformity with accounting policy generally followed by industry on collection of arts, the Foundation adopted an accounting policy of initially recognising each batch of donated non-financial assets at a nominal value of HK\$1 at the date of receipt.

9. AVAILABLE-FOR-SALE INVESTMENTS

	<u>2020</u> HK\$	<u>2019</u> HK\$
Listed investments at fair value:		
Equity securities listed in Hong Kong	65,793,750	74,319,750
Equity securities listed outside Hong Kong	11,947,453	5,648,620
	<u>77,741,203</u>	<u>79,968,370</u>
Unlisted investments at fair value:		
Fund investments	758,091,981	622,486,111
Debt securities	6,006,511	2,244,463
Equity securities	298,024,824	320,117,871
	<u>1,062,123,316</u>	<u>944,848,445</u>
Total	<u>1,139,864,519</u>	<u>1,024,816,815</u>
Analysed for reporting purposes as:		
Current assets	6,006,511	2,244,463
Non-current assets	1,133,858,008	1,022,572,352
Total	<u>1,139,864,519</u>	<u>1,024,816,815</u>

Details of listed equity securities are as follows:

<u>Name of equity securities listed in and outside Hong Kong</u>	<u>No. of shares held</u>		<u>Market value</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u> HK\$	<u>2019</u> HK\$
Swire Pacific Limited 'B' shares	1,350,000	1,350,000	9,787,500	15,741,000
Tracker Fund of Hong Kong	1,900,000	1,900,000	52,060,000	54,055,000
Swire Properties Limited	175,000	175,000	3,946,250	4,523,750
Ishare Gold Trust	85,000	50,000	11,947,453	5,648,620
			<u>77,741,203</u>	<u>79,968,370</u>

At the end of the reporting period, all available-for-sale investments are measured at fair value. Fair values of those listed equity investments are determined by reference to quoted market prices at the end of the reporting period.

Fair values of the unlisted fund investments and debt securities are determined by reference to the quoted market prices from banks and brokers.

The unlisted equity investments represent the investment in unlisted equity securities issued by LHC, a private entity incorporated in Jersey. They are measured at fair value at the end of the reporting period.

BEI SHAN TANG FOUNDATION

北山堂基金

10. OTHER CURRENT FINANCIAL ASSETS

Other receivables comprise mainly amounts receivable from third parties.

Bank balances are mainly cash in current accounts with banks and time deposits.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Details of financial assets at fair value through profit or loss are as follows:

<u>Name of price index</u>	<u>No. of shares held</u>		<u>Market value</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
			<u>HK\$</u>	<u>HK\$</u>
Guggenheim S & P Equal Weight (RSP)	96,500	96,500	94,802,657	86,617,463
I Shares S & P Global Europe350 Index (IEV)	20,800	20,800	7,808,931	7,559,285
			102,611,588	94,176,748

12. CAPITAL COMMITMENTS

	<u>2020</u>	<u>2019</u>
	<u>HK\$</u>	<u>HK\$</u>
Commitments in respect of the contributions to fund investments that are contracted but not provided for	23,644,412	25,135,759

13. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Foundation has future minimum lease payments under a non-cancellable operating lease which fall due as follows:

	<u>2020</u>	<u>2019</u>
	<u>HK\$</u>	<u>HK\$</u>
Within one year	2,578,080	984,879
In the second to fifth year	3,544,860	-
	6,122,940	984,879

Lease is negotiated for a term of three years and rental is fixed over the lease term.

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