

**AIA FOUNDATION**  
(Incorporated in Hong Kong with liability limited by guarantee)  
**REPORT OF THE DIRECTORS AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 DECEMBER 2020**

Company No.503678  
Certified True Copy



Pung Pik Belinda Leung  
Company Secretary  
Date: - 4 OCT 2021



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## **AIA FOUNDATION**

### **REPORT OF THE DIRECTORS**

The directors of AIA Foundation (the "Foundation") submit their report together with the audited financial statements for the year ended 31 December 2020.

#### **Principal activities**

The Foundation is a non-profit making organisation. The principal activities of the Foundation are to raise funds and contribute to worthwhile charitable causes. The prime objective of the Foundation is to support projects focusing on education, health, medical, community service and sports programs.

#### **Members**

As at 31 December 2020 and up to the date of this report, the members of the Foundation were listed as below:

- (1) AIA Company Limited; and
- (2) AIA International Limited.

#### **Directors**

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

Mr. Sze-Wing Edmund Tse  
Ms. Pui-Lan Bonnie Tse  
Mr. Jan-Zen Jim  
Ms. Mei-Chong Maylie Lee  
Ms. Mo-Chi Myra Lee (appointed with effect from 1 June 2020)  
Mr. Wai-Cheong Fung (appointed with effect from 1 January 2021)  
Ms. Siu-Yan Grace Li (resigned with effect from 31 May 2020)  
Mr. Knattapisit Krutkrongchai (resigned with effect from 23 December 2020)  
Mr. Peter James Crewe (resigned with effect from 1 January 2021)

In accordance with Article 40 of the Foundation's Articles of Association, all current directors of the Foundation shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

## **AIA FOUNDATION**

### **REPORT OF THE DIRECTORS (CONTINUED)**

#### **Directors' Interests in Transactions, Arrangements and Contracts**

No transactions, arrangements or contracts of significance in relation to the Foundation's business to which the Foundation, any of its members or any subsidiaries of its members was a party and in which a director 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.

#### **Charitable donations**

Charitable donations made by the Foundation during the year included HK\$ 4,641,685 cash donation (2019: HK\$5,056,806) and HK\$7,215 donation-in-kind (2019: Nil).

#### **Directors' Interests in arrangements to acquire shares or debentures of the Foundation or any specified undertaking of the Foundation**

During the year ended 31 December 2020, the following equity-linked schemes of AIA Group Limited ("AIAGL"), the ultimate holding company of the Foundation) subsisted at the end of the year or any time during the year which enabled certain directors of the Foundation, to acquire benefits by means of the acquisition or the award of shares in AIAGL or their equivalent cash value (collectively the "Plans").

##### **(a) Restricted Share Unit Schemes**

The restricted share unit scheme adopted by AIAGL on 28 September 2010 with a term of 10 years from the date of adoption ("2010 RSU Scheme") was terminated with effect from 31 July 2020. AIAGL adopted a new restricted share unit scheme on 1 August 2020 with a term of 10 years from the date of adoption ("2020 RSU Scheme") in place of and under substantially the same terms as the 2010 RSU Scheme.

## **AIA FOUNDATION**

### **REPORT OF THE DIRECTORS (CONTINUED)**

#### **Directors' interests in arrangements to acquire shares or debentures of the Foundation or any specified undertaking of the Foundation (continued)**

(a) Restricted Share Unit Schemes (continued)

Under the 2010 RSU Scheme and the 2020 RSU Scheme, AIAGL may grant restricted share unit(s) ("RSU(s)") to employees, directors (excluding independent non-executive directors) or officers of AIAGL or any of its subsidiaries. However, despite the 2010 RSU Scheme remaining in full force and effect to the extent necessary to give effect to the vesting of any RSUs granted prior to its termination, no further grants will be made under the 2010 RSU Scheme. The objectives of the 2010 RSU Scheme and the 2020 RSU Scheme are to retain participants, align their interests with those of AIAGL's shareholders and reward the creation of sustainable value for shareholders through the grant of AIAGL's shares to participants when rigorous performance conditions have been achieved.

(b) Share Option Schemes

The share option scheme adopted by AIAGL on 28 September 2010 has a term of 10 years from the date of adoption ("2010 SO Scheme"). AIAGL has adopted a new share option scheme with a term of 10 years ("2020 SO Scheme") and terminated the 2010 SO Scheme, both with effect from 29 May 2020.

Under the 2010 SO Scheme and the 2020 SO Scheme, AIAGL may grant share options ("SO(s)") to employees, directors (excluding independent non-executive directors) or officers of AIAGL or any of its subsidiaries. Following the termination of the 2010 SO Scheme, no further SOs can be granted thereunder. However, the 2010 SO Scheme shall remain in full force and effect for all SOs granted prior to its termination. The objective of the 2010 SO Scheme and the 2020 SO Scheme is to align participants' interests with those of AIAGL's shareholders by allowing participants to share in the long-term, sustainable value created for AIAGL's shareholders.

## **AIA FOUNDATION**

### **REPORT OF THE DIRECTORS (CONTINUED)**

#### **Directors' interests in arrangements to acquire shares or debentures of the Foundation or any specified undertaking of the Foundation (continued)**

##### **(c) Employee Share Purchase Plans**

The employee share purchase plan adopted by AIAGL on 25 July 2011 has a term of 10 years from the date of adoption ("2011 ESPP"). In view of the pending expiry of the 2011 ESPP, AIAGL adopted a new employee share purchase plan on 1 August 2020 with a term of 10 years from the date of adoption ("2020 ESPP") in place of the 2011 ESPP. The 2011 ESPP was terminated with effect from 31 October 2020.

Under the 2011 ESPP and the 2020 ESPP, eligible employees of AIAGL or any of its subsidiaries may elect to purchase AIAGL's shares and, through the grant of matching restricted stock purchase units, receive one matching share for every two shares purchased and held until the end of the vesting period. The objectives of 2011 ESPP and 2020 ESPP are designed to facilitate and encourage long-term AIAGL share ownership by employees and to encourage employee retention.

During the year, all the directors of the Foundation except Mr. Sze-Wing Edmund Tse, had interests in one or more of the Plans and had acquired benefits by means of the acquisition of shares of AIAGL pursuant to one or more of the Plans.

Apart from the above, at no time during the year was the Foundation, its fellow subsidiaries or its holding company a party to any arrangement to enable the directors of the Foundation to acquire benefits by means of the acquisition of shares in or debentures of, the Foundation or any other body corporate.

#### **Auditors**

The financial statements have been audited by PricewaterhouseCoopers who will retire and, being eligible, offer themselves for re-appointment, and a resolution to this effect will be proposed at the forthcoming annual general meeting.

**AIA FOUNDATION**

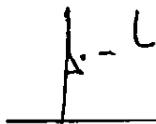
**REPORT OF THE DIRECTORS (CONTINUED)**

**Permitted indemnity**

Pursuant to the Foundation's Articles of Association, subject to the relevant statutes, every director shall be indemnified out of the assets of the Foundation against all liability incurred by him/her as such director in defending any proceedings, whether civil or criminal.

During the year, AIA Company Limited, a member of the Foundation, paid insurance premiums in respect of a Directors and Officers Liability insurance contract, which insures directors and officers of the Foundation against certain liabilities arising in the course of their duties to the Foundation.

On behalf of the Board



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Pui-Lan Bonnie Tse  
Director



**INDEPENDENT AUDITOR'S REPORT  
TO THE BOARD OF DIRECTORS OF AIA FOUNDATION  
(Incorporated in Hong Kong with liability limited by guarantee)**

**Opinion**

*What we have audited*

The financial statements of AIA Foundation (the "Foundation") set out on pages 10 to 20, which comprise:

- the statement of financial position as at 31 December 2020;
- the statement of comprehensive income for the year then ended;
- the statement of changes in accumulated 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 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 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 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.



羅兵咸永道

**INDEPENDENT AUDITOR'S REPORT  
TO THE BOARD OF DIRECTORS OF AIA FOUNDATION (CONTINUED)**  
(Incorporated in Hong Kong with liability limited by guarantee)

**Other Information**

The directors are responsible for the other information. The other information comprises the information included in the report of the directors, 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.

**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 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 directors either intend to liquidate the Foundation 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 BOARD OF DIRECTORS OF AIA FOUNDATION (CONTINUED)**  
(Incorporated in Hong Kong with liability limited by guarantee)

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

As part of an audit in accordance with HKSAs, we exercise professional judgment 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 Foundation'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 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.



羅兵咸永道

**INDEPENDENT AUDITOR'S REPORT  
TO THE BOARD OF DIRECTORS OF ALA FOUNDATION (CONTINUED)**  
(Incorporated in Hong Kong with liability limited by guarantee)

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.

A handwritten signature in cursive script that reads "PricewaterhouseCoopers".

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 19 April 2021

**AIA FOUNDATION****STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	2020 HK\$	2019 HK\$
<b>Revenue</b>			
Donations	8	5,515,480	5,567,553
Bank interest income		18	6
Other income		450	-
<b>Total revenue</b>		<u>5,515,948</u>	<u>5,567,559</u>
<b>Expenses</b>			
Sponsorships, scholarships and program expenditures		(5,520,524)	(5,934,345)
Auditor's remuneration		(34,600)	(35,000)
Other operating expenses		(76,841)	(1,460)
<b>Total expenses</b>		<u>(5,631,965)</u>	<u>(5,970,805)</u>
Deficit for the year		(116,017)	(403,246)
Accumulated funds brought forward		<u>1,487,780</u>	<u>1,891,026</u>
Accumulated funds carried forward		<u>1,371,763</u>	<u>1,487,780</u>

The notes on pages 14 to 20 are an integral part of these financial statements.

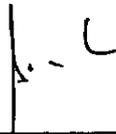
**AIA FOUNDATION**

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

	Note	2020 HK\$	2019 HK\$
<b>ASSETS</b>			
<b>Current assets</b>			
Amount due from a member	8(c)	-	27,115
Cash and cash equivalents	4	<u>1,864,523</u>	<u>2,052,497</u>
<b>Total assets</b>		<u>1,864,523</u>	<u>2,079,612</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accruals		34,000	35,000
Accounts payable		<u>458,760</u>	<u>556,832</u>
<b>Total liabilities</b>		<u>492,760</u>	<u>591,832</u>
<b>ACCUMULATED FUNDS</b>			
Accumulated funds	5	<u>1,371,763</u>	<u>1,487,780</u>
<b>Total accumulated funds</b>		<u>1,371,763</u>	<u>1,487,780</u>
<b>Total liabilities and accumulated funds</b>		<u>1,864,523</u>	<u>2,079,612</u>

The notes on pages 14 to 20 are an integral part of these financial statements.

The financial statements on pages 10 to 20 were approved by the Board of Directors on 19 April 2021 and were signed on its behalf

  
\_\_\_\_\_  
Pui-Lan Bonnie Tse  
Director

  
\_\_\_\_\_  
Mo-Chi Myra Lee  
Director

**AIA FOUNDATION**

**STATEMENT OF CHANGES IN ACCUMULATED FUNDS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

	2020 HK\$	2019 HK\$
As at 1 January	1,487,780	1,891,026
Deficit for the year	<u>(116,017)</u>	<u>(403,246)</u>
As at 31 December	<u>1,371,763</u>	<u>1,487,780</u>

The notes on pages 14 to 20 are an integral part of these financial statements.

**AIA FOUNDATION**

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

	2020 HK\$	2019 HK\$
<b>Cash flows from operating activities</b>		
Bank interest received	18	6
Operating expenses paid	(104,243)	(33,747)
Other income	450	-
	<u>                    </u>	<u>                    </u>
<b>Net cash used in operating activities</b>	<u>(103,775)</u>	<u>(33,741)</u>
<b>Cash flows from financing activities</b>		
Donations received	5,542,595	8,112,636
Sponsorships, scholarships and program expenditures paid	<u>(5,626,794)</u>	<u>(6,336,002)</u>
	<u>                    </u>	<u>                    </u>
<b>Net cash (used in)/from financing activities</b>	<u>(84,199)</u>	<u>1,776,634</u>
Net (decrease)/increase in cash and cash equivalents	(187,974)	1,742,893
<b>Cash and cash equivalents at the beginning of the year</b>	<u>2,052,497</u>	<u>309,604</u>
<b>Cash and cash equivalents at the end of the year</b>	<u>1,864,523</u>	<u>2,052,497</u>

The notes on pages 14 to 20 are an integral part of these financial statements.

## **AIA FOUNDATION**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **1 General information**

The Foundation is a non-profit making organisation incorporated in Hong Kong. The principal activities of the Foundation are to raise funds and contribute to worthwhile charitable causes with the prime objective of supporting projects focusing on education, health, medical, community services and sports programs. Pursuant to the Foundation's Articles of Association, the income and property of the Foundation may be applied solely towards the promotion of the objects of the Foundation.

The address of its registered office has been changed from 12/F, AIA Financial Centre, 712 Prince Edward Road East, Kowloon, Hong Kong to 11/F, AIA Hong Kong Tower, 734 King's Road, Quarry Bay, Hong Kong with effective from 17 April 2020.

Pursuant to the Foundation's Articles of Association, every member shall, in the event of the Foundation being wound up, contribute to the assets of the Foundation an amount not exceeding HK\$10. As at 31 December 2020, the Foundation has two members.

The financial statements are presented in Hong Kong dollars ("HK\$"), unless otherwise stated.

#### **2 Summary of significant accounting policies**

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

##### **(a) Basis of preparation**

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the requirements of the Hong Kong Companies Ordinance. The financial statements are prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Foundation's accounting policies.

##### **New and amended standards adopted by the Foundation**

The following relevant new amendments to standards have been adopted for the first time for the financial year ended 31 December 2020 and have no material impact to the Foundation:

- Amendments to HKAS 1 and HKAS 8, Definition of Material
- Revised Conceptual Framework for Financial Reporting

## AIA FOUNDATION

### NOTES TO THE FINANCIAL STATEMENTS

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

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

Other than those disclosed, other new standards, amendments or interpretations to standards would not have any material impact to the financial statements.

##### **New standards and interpretations not yet adopted by the Foundation**

The following relevant new amendments to standards have been issued but are not effective for the financial year ended 31 December 2020 and have not been early adopted.

The Foundation has assessed the impact of these amendments to standards on its financial position and results of operations and they are not expected to have a material impact on the financial position or results of operations of the Foundation but may require additional disclosures:

- Amendments to HKAS 1, Classification of Liabilities as Current or Non-current (2023).

Other new standards, amendments or interpretations to standards would also not have any material impact to the financial statements.

##### (b) Foreign currency translation

###### (i) 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 is the Foundation's functional and presentation currency.

###### (ii) Transactions and balances

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies into functional currency, are recognised in the statement of comprehensive income.

##### (c) Financial assets

###### (i) At initial recognition

At initial recognition, the Foundation measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial assets.

## AIA FOUNDATION

### NOTES TO THE FINANCIAL STATEMENTS

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

##### (c) Financial assets (continued)

###### (ii) At subsequent measurement

###### Financial assets at amortised cost

The Foundation's business model in managing its financial assets involves collecting the contractual cash flows from these financial assets which represents solely payment of principal and interest.

These assets mainly comprise of cash and cash equivalents and other receivables.

Accordingly, subsequent to initial measurement, the Foundation measures its financial assets at amortised cost. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis.

A gain or loss on a financial asset that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in the statement of comprehensive income when the asset is derecognised or impaired. Interest income from these financial assets are recognised using the effective interest method.

The Foundation assesses on forward looking basis the expected credit losses associated with its financial assets carried at amortised cost.

For other receivables, the Foundation applied the simplified approach permitted by HKFRS 9 Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

##### (d) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities at acquisition of three months or less. Cash and cash equivalents are assessed for expected credit losses in accordance with the policy set out in note 2(e).

##### (e) Impairment of financial assets

The Foundation assesses at the end of each reporting period whether there is any objective evidence that its assets are impaired. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the assets (a "loss event") and that loss event has an impact on the estimated future cash flows of the asset that can be reliably estimated.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

## **AIA FOUNDATION**

### **NOTES TO THE FINANCIAL STATEMENTS**

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

##### **(f) Accruals and other payables**

Accruals and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

##### **(g) Provisions**

Provisions are recognised when the Foundation has a present legal or constructive obligation as a result of past events. It is probable that an outflow of economic resources will be required to settle the obligations; and a reliable estimate of the amount of the obligation can be made. Provisions are not made for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to a passage of time is recognised as interest expense.

##### **(h) Revenue recognition**

###### **(a) Donation**

Donation income is recognised when the right to receive payment is established.

###### **(b) Bank interest income**

Bank interest income is recognised on a time-proportion basis, using the effective interest method.

##### **(i) Related party transactions**

Transactions with related parties are recorded at amounts mutually agreed and transacted between the parties to the arrangement.

## AIA FOUNDATION

### NOTES TO THE FINANCIAL STATEMENTS

#### 3 Financial risk management

The Foundation is exposed to a variety of financial risks: credit risk, interest-rate risk and liquidity risk.

Risk management is carried out by the management to identify, evaluate and hedge financial risks in close co-operation with the Foundation's operating units.

##### (a) Credit risk

The Foundation's credit risk primarily arises from cash and cash equivalents and other receivables. The Foundation considers credit risk associated with balances held at banks to be minimal, as cash is held with reputable financial institutions in Hong Kong and the exposure to credit risk is assessed to be low.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position. The Company does not provide any guarantees which would expose the Company to credit risk.

##### *Impairment of financial assets*

##### Other receivables

The Foundation has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Foundation will measure the loss allowance based on lifetime rather than 12-month expected credit losses.

Management considers that credit risk on other receivables has not increased significantly since the initial recognition with reference to the counterparty historical default rate and current financial position. The impairment provision is determined based on the 12-month expected credit losses which is close to zero.

While cash and cash equivalents are subject to impairment requirement of HKFRS 9, the identified impairment loss was immaterial.

##### (b) Interest rate risk

The Foundation is exposed to cash flow interest rate risk in relation to variable-rate bank balances. No sensitivity analysis is presented since the directors of the Foundation consider that the cash flow interest rate risk only exposes the Foundation to interest rate risk at a limited level.

##### (c) Liquidity risk

In management of the liquidity risk, the Foundation monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Foundation's operations and mitigates the effects of fluctuations in cash flows.

## AIA FOUNDATION

### NOTES TO THE FINANCIAL STATEMENTS

#### 3 Financial risk management (continued)

##### (c) Liquidity risk (continued)

At the end of the reporting period, the Foundation's remaining contractual maturity for its financial liabilities are all due within one year. In the opinion of the directors, the difference between the carrying amounts of the financial liabilities and the undiscounted cash flows based on the earliest date on which the Foundation can be required to pay is insignificant and therefore, no further analysis of liquidity risk is presented.

##### (d) Capital management

The Foundation's objectives when managing capital are to safeguard the Foundation's ability to continue as a going concern in order to support projects focusing on education, health, medical, community service and sports programs.

The Foundation's capital structure is regularly reviewed and managed with due regard to the capital management practices of the Foundation. Adjustments are made to the capital structure in light of changes in economic conditions affecting the Foundation, to the extent that these do not conflict with the directors' fiduciary duties towards the Foundation.

##### (e) Offsetting financial assets and financial liabilities

No disclosure of the offsetting of financial assets and financial liabilities is made as there are no netting arrangements in place during the year.

#### 4 Cash and cash equivalents

	2020 HK\$	2019 HK\$
Cash at bank	<u>1,864,523</u>	<u>2,052,497</u>

#### 5 Accumulated funds

The Foundation is limited by guarantee and does not have a share capital. The accumulated funds balance represents the net position of income and expenditures recognised by the Foundation since incorporation.

#### 6 Benefits and interests of Directors

Directors' benefits and interests disclosed pursuant to section 383 of the Companies Ordinance (Cap. 622) and Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) were nil for directors and for management during the year (2019: nil).

## AIA FOUNDATION

### NOTES TO THE FINANCIAL STATEMENTS

#### 7 Taxation

No Hong Kong profits tax is provided in the financial statements as the Foundation is exempted from taxation under the provision of Section 88 of the Inland Revenue Ordinance (Cap. 112) (2019: nil).

#### 8 Related-party transactions

During the year, the Foundation had the following material transactions with its related parties:

(a) Donation from a member of the Foundation

	2020 HK\$	2019 HK\$
Donation from AIA International Limited	<u>5,505,480</u>	<u>5,567,553</u>

(b) AIA International Limited, a member of the Foundation, provided free accounting and administrative services to the Foundation.

(c) Amount due from a member

	2020 HK\$	2019 HK\$
Amount due from AIA International Limited	<u>-</u>	<u>27,115</u>

The amount due from a member is unsecured, interest free and has no fixed term of repayment.