

EAST ASIAN EDUCATIONAL ASSOCIATION
東亞教育促進會

REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020



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EAST ASIAN EDUCATIONAL ASSOCIATION
東亞教育促進會

REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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EAST ASIAN EDUCATIONAL ASSOCIATION

東亞教育促進會

DIRECTORS' REPORT

The directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The Association's activities are to establish, conduct, maintain and superintend non-profit making educational institutions, centers, activities and publications through the receipt of donations and fees. The subsidiary of the Association merely acts as passive asset holding vehicle for the Association and has no business activity.

RESULTS

The results of the Group for the year ended 31 December 2020 are set out in the consolidated statement of income and retained earnings on page 8 of the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Particulars of property, plant and equipment during the year are shown in note 7 to the financial statements.

SHARE CAPITAL

The Association is a charitable institution incorporated in Hong Kong under the Companies Ordinance and limited by guarantee.

DIRECTORS

(1) The directors during the year and up to the date of this report are:-

Dr. Bernardo M. Villegas	
Mr. Joachim Chee Kong Chu	(Resigned on 1 June 2021)
Mr. Pablo Jose Otegui Paullier	
Ms. Bernadette S. Cenzon	
Dr. Steven Ping Kuen Tam	
Dr. Reuben T. Mondejar	
Mr. Anthony Wing Kin Chan	
Mr. Richard S. Roque	
Mr. Augusto Norberto da Roza	
Mr. Derek Kai Pong Sam	
Ms. Wai Mun Ng	
Ms. Jeannie Man Yee So	
Ms. Teresa Wai Ling Wong	
Ms. Ann Mun Wai Sheet	
Mr. Holvert Hung	
Mr. Joseph Kwok Wah Wong	(Appointed on 10 June 2021)
Ms. Joycelyn P. De Castro	(Resigned on 6 July 2020)

In accordance with Articles 38, 39, 40 and 44 of the Association's Articles of Association, Mr. Pablo Jose Otegui Paullier, Ms. Bernadette S. Cenzon, Dr. Steven Ping Kuen Tam, Mr. Richard S. Roque, and Ms. Ann Mun Wai Sheet retire from the board at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

EAST ASIAN EDUCATIONAL ASSOCIATION
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DIRECTORS' REPORT – cont'd

DIRECTORS – cont'd

(2) The directors of the subsidiary during the year and up to the date of this report are:-

Mr. Augusto Norberto da Roza
Mr. Pablo Elton Bulnes
Mr. Eugenio Xalabarder Voltas
Mr. Benedicto Alfonso Fernandez
Mr. Milton Kwan Leung

MANAGEMENT CONTRACTS

The Association did not enter into any contract, other than the contract for service with the directors or any person engaged in the full-time employment with the Association, whereby any individual, firm or body corporate undertakes the management and administration of the whole, or any substantial part of the Association.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

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

BUSINESS REVIEW

Fair View of the Business

Various educational, learning and training related activities have been carried out in accordance with Christian principles and ideals of the Association.

Despite a challenging year, the Association's financial performance and financial position have been sound with a surplus of HK\$0.7M for the year (2019: 0.9M). Total income revenue of HK\$17.7M has been slightly dropped from last year HK\$18.9M. This year donation income of HK\$14.5M accounts for 81% of total income revenue (2019: HK\$15.9M donation income represents 84% of total income). On the other hand, operating expenditures have decreased by 4.9% to HK\$16.4M (2019: HK\$17.3M). Similarly, interest expense has reduced to HK\$0.6M from last year HK\$0.7M.

The Association's statement of financial position indicates net current assets of HK\$21M (2019: HK\$22M) with current ratio of 1.7 (2019: 1.7). Furthermore, the Association has cash and cash equivalents of HK\$47M (2019: HK\$50.6M).

We are committed to building an environmentally-friendly organization. Appropriate environmental friendly measures have been proactively applied in the operations. Human resources are one of the greatest assets (including contributions from volunteers and staff). In relation to human resources, the requirements of the ordinances relating to safety, personal data privacy and discrimination as well as terms and conditions of employment have been observed, so as to safeguard the interests and well-being of all the relevant parties.

EAST ASIAN EDUCATIONAL ASSOCIATION
東亞教育促進會

DIRECTORS' REPORT – cont'd

BUSINESS REVIEW – cont'd

Fair View of the Business – cont'd

In response to the coronavirus pandemic, we have taken necessary measures to protect the safety of all involved individuals, particularly our volunteers, staff and participants in activities. Applicable arrangements have also been made to mitigate interruptions to our operations.

The directors understand the importance of key relationships and involvement with various groups of stakeholders for the organizational success. Appropriate means have been established to strengthen the communications and relevant relationship developments.

Principal Risks and Uncertainties

Most main risks can be considered as Socio-Economic and include:

Outbreak of highly contagious disease

With the pandemic still raging around, the outlook for the coming year remains under the control of uncertain external factors.

Economic confidence

Participation in the activities is very much discretionary and in hard economic times there is significant risk of less participation resulting in less revenue.

Decline in donations

Donations are important to our organization. The current year's ratio of donation income to the total expenditures is 0.85 (2019: 0.88). When the economic climate is bad, donations will be harder to find.

Risks involving construction works

The longer the time frame for completion, the higher level of risk exposures will be (including but not limited to increase in construction costs, governmental policy and regulatory issues, project management, and contractual and other legal matters). All such risks can result in adverse consequences.

Geographical impacts in managing overseas branch

Geographical factors can have unfavourable impacts in managing overseas branch operations and safeguarding the Association's assets held under overseas branch.

Reputation risk

Reputation is a precious asset for charitable organizations. Potential undesirable perceptions can undermine supports obtained by the Association that are primarily given on the basis of the Association being an honorable and effective one, and hence may jeopardize the Association.

EAST ASIAN EDUCATIONAL ASSOCIATION
東亞教育促進會

DIRECTORS' REPORT – cont'd

BUSINESS REVIEW – cont'd

Significant Events Since the Year End

There has been no unusual event of significant since the end of the year under review.

AUDITOR

The financial statements have been audited by G Tong & Co., who will retire at the forthcoming annual general meeting of the Association and, being eligible, will offer themselves for re-appointment.

On behalf of the Board


Augusto Norberto da Roza
Director
23 August 2021

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
EAST ASIAN EDUCATIONAL ASSOCIATION 東亞教育促進會**
(Incorporated in Hong Kong and limited by guarantee)

Opinion

We have audited the consolidated financial statements of EAST ASIAN EDUCATIONAL ASSOCIATION (the "Association") and its subsidiary (together "the Group") set out on pages 8 to 23, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of income and retained earnings and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standard for Private Entities (Revised) ("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 ("HKSAs") 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 Group 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 directors are responsible for the other information. The other information comprises the information included in the directors' report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 and Those Charged with Governance for the Consolidated Financial Statements

The directors are responsible for the preparation of the consolidated 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 directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group'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 Group or to cease operations, or have no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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.

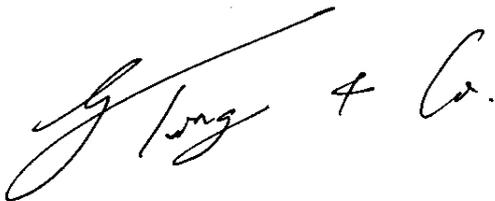
As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 Group's internal control.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
– cont'd

- 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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.



G TONG & CO.
Certified Public Accountants
23 August 2021

EAST ASIAN EDUCATIONAL ASSOCIATION
東亞教育促進會

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED 31 DECEMBER 2020

	NOTE	2020 HK\$	2019 HK\$
INCOME REVENUE			
Activity fees		142,612	755,765
Anti-epidemic fund relief		962,413	-
Bank interest income		111	3,827
Donations received		14,462,534	15,913,617
Management fee		1,497,000	1,497,000
Other income		10,846	14,303
Rental income		532,716	683,968
Sales of books		149,952	84,127
		<u>17,758,184</u>	<u>18,952,607</u>
OPERATING EXPENDITURES			
Activities		283,598	603,901
Audit fee		38,000	38,000
Bank charges		32,594	37,278
Building management		700,219	667,265
Cleaning		81,572	78,168
Depreciation		6,437,921	7,161,080
Donations paid		1,230,012	535,384
Food		36,710	95,961
Insurance		182,555	163,348
Legal and professional fees		986,037	1,264,493
Management fee		-	407,186
Postage and courier		6,636	2,702
Printing, publishing and website		310,225	127,228
Rent and rates		544,353	586,573
Repairs and maintenance		477,261	243,743
Retirement benefits scheme contribution		199,653	183,942
Salaries and allowances		4,352,031	4,261,273
Sundry expenses		57,271	130,741
Telephone		78,786	78,270
Travelling expenses		126,129	309,371
Utility expenses		265,549	300,684
		<u>16,427,112</u>	<u>17,276,591</u>
FINANCE COSTS	3	<u>659,503</u>	<u>772,430</u>
SURPLUS FOR THE YEAR		671,569	903,586
RETAINED EARNINGS AT 1 JANUARY		<u>138,623,518</u>	<u>137,719,932</u>
RETAINED EARNINGS AT 31 DECEMBER		<u>139,295,087</u>	<u>138,623,518</u>

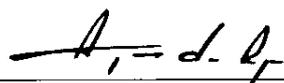
The accompanying notes form an integral part of these financial statements.

EAST ASIAN EDUCATIONAL ASSOCIATION
東亞教育促進會

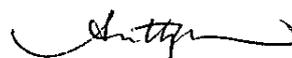
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	NOTES	2020 HK\$	2019 HK\$
ASSETS			
<i>Current Assets</i>			
Bank balances and cash		46,989,817	50,595,343
Loans receivable	6	2,439,000	2,390,820
Deposits and sundry receivables		284,083	700,065
		<u>49,712,900</u>	<u>53,686,228</u>
<i>Non-Current Assets</i>			
Property, plant and equipment	7	124,611,120	130,662,056
Investment in bond	9	3,104,000	3,104,000
Other loans receivable	11	13,193,313	13,193,313
		<u>140,908,433</u>	<u>146,959,369</u>
TOTAL ASSETS		<u>190,621,333</u>	<u>200,645,597</u>
LIABILITIES AND EQUITY			
<i>Current Liabilities</i>			
Bank loans (secured)	12	26,058,318	28,375,958
Loan from a related party	13	150,000	150,000
Loans from other parties	14	2,131,424	2,807,834
Sundry payables and accrued charges		105,001	188,784
		<u>28,444,743</u>	<u>31,522,576</u>
<i>Non-Current Liabilities</i>			
Deferred income	8	22,881,413	30,499,413
<i>Total Liabilities</i>		<u>51,326,156</u>	<u>62,021,989</u>
<i>Equity</i>			
Guarantee fund	15	90	90
Retained earnings		139,295,087	138,623,518
		<u>139,295,177</u>	<u>138,623,608</u>
TOTAL LIABILITIES AND EQUITY		<u>190,621,333</u>	<u>200,645,597</u>

The financial statements on pages 8 to 23 were approved by the Board of Directors on 23 August 2021 and are signed on its behalf by:



Augusto Norberto da Roza
 Director



Anthony Wing Kin Chan
 Director

The accompanying notes form an integral part of these financial statements.

EAST ASIAN EDUCATIONAL ASSOCIATION
東亞教育促進會

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

	2020	2019
	HKS	HKS
Cash inflows from operating activities		
Surplus from operations	671,569	903,586
Adjusted for:		
Depreciation	6,437,921	7,161,080
Interest income	(111)	(3,827)
Interest expense	659,022	759,784
Operating surplus before working capital changes	<u>7,768,401</u>	<u>8,820,623</u>
Decrease in deposits and sundry receivables	415,982	2,742
Decrease in sundry payables and accrued charges	(83,783)	(85,858)
(Decrease) increase in deferred income	<u>(7,618,000)</u>	<u>23,986,315</u>
Cash generated from operations	<u>482,600</u>	<u>32,723,822</u>
Cash flows from investing activities		
Bank interest received	111	3,827
Repayments from loans receivable	6,820	16,590
Study loans granted	(55,000)	(67,000)
Repayments from other loans receivable	-	3,258,310
Other loans advanced	-	(2,971,800)
Purchases of fixed assets	(386,985)	(1,237,845)
Application of project deposits	-	872,560
Net cash used in investing activities	<u>(435,054)</u>	<u>(125,358)</u>
Financing activities		
Loans repaid		
- Bank loans	(2,317,640)	(2,576,868)
- Related party	-	(150,000)
- Others	(776,410)	(1,401,554)
Loan provided to the Association	100,000	-
Interest paid	(659,022)	(759,784)
Net cash used in financing activities	<u>(3,653,072)</u>	<u>(4,888,206)</u>
(Decrease) increase in cash and cash equivalents	<u>(3,605,526)</u>	<u>27,710,258</u>
Cash and cash equivalents at 1 January	<u>50,595,343</u>	<u>22,885,085</u>
Cash and cash equivalents at 31 December		
represented by cash at banks and on hand	<u>46,989,817</u>	<u>50,595,343</u>

The accompanying notes form an integral part of these financial statements.

EAST ASIAN EDUCATIONAL ASSOCIATION
東亞教育促進會

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

1. GENERAL

East Asian Educational Association (the “Association”) is a company incorporated in Hong Kong and limited by guarantee. The Association is mainly operating in Hong Kong with registered office at 103 Austin Road, Tsim Sha Tsui, Kowloon, Hong Kong.

The Association is a non-profit making body for the purpose of advancing and furthering education, learning and the training of characters in accordance with Christian principles and ideals. The subsidiary merely acts as passive asset holding vehicle for the Association during the construction in progress and has no business activity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and in accordance with the Hong Kong Financial Reporting Standard for Private Entities (Revised) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance.

The principal accounting policies adopted are set out below.

Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Association and its subsidiary. A subsidiary is an entity (including special purpose entity) over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities, generally but not necessarily accompanying a shareholding of more than half of the voting power. The subsidiary is fully consolidated from the date on which control is transferred to the Group and is de-consolidated from the date that control ceases.

All intragroup transactions, balances, income and expenses are eliminated, if any. Accounting policies of the subsidiary have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Association’s statement of financial position, the investment in subsidiary is stated at cost less provision for impairment loss. The results of the subsidiary are accounted for by the Association on the basis of dividends received and receivable.

EAST ASIAN EDUCATIONAL ASSOCIATION
東亞教育促進會

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

Revenue recognition

Income from donations and grants is recognized on an accrual basis.

Interest income is recognized as it accrues using the effective interest method.

Sales of books are recognized when books are delivered and title has been passed.

Rental income is recognized when services are provided.

Other kinds of income are recognized on an accrual basis.

Revenue is measured at the fair value of the net consideration received or receivable.

Investment in associate

An associate is an entity, including an unincorporated entity such as a partnership, over which the Association has significant influence and that is neither subsidiary nor an interest in a joint venture. The Association has elected to account for its investment in associate at cost less any accumulated impairment losses and there is no published price quotation available for the Association's associate.

Dividend income from the investment in associate is recognized when the Association's right to receive payment has been established and is included in "other income", if any.

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and any identified impairment loss. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is recognize as an additional cost of the asset.

The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognized in profit or loss.

Where the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected future cash flows are not discounted to their present values.

EAST ASIAN EDUCATIONAL ASSOCIATION
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

Depreciation

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives using the straight line method, at the following annual rates:

Buildings	20 years
Leasehold land and buildings	2% or over the remaining period of respective leases where shorter
Leasehold improvements	20%
Furniture, fixture and equipment	20%
Motor vehicles	25%

Cash equivalents

Cash equivalents represent short-term, highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance.

Rental leases

Rental receivable and payable under leases are credited and charged to profit or loss respectively on a straight line basis over the lease terms.

Investment in bond

Long-term investment in bond is stated at cost less identified impairment loss, if any.

Impairment of non-financial assets

At each reporting date, property, plant and equipment, and interests in subsidiary and associate are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If an estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognized for the asset (or group of related assets) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Loans and receivables

Loans and receivables are recognized initially at the transaction price. They are subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of loans and receivables is established when there is objective evidence that the Association will not be able to collect all amounts due according to the original terms of the loans and receivables.

EAST ASIAN EDUCATIONAL ASSOCIATION
東亞教育促進會

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

Borrowings

Borrowings are recognized initially at the transaction price and are subsequently stated at amortized cost. Borrowings are classified as current liabilities unless the entity has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Interest expense is recognized on the basis of the effective interest method and is included in finance costs.

Accounts payable

Accounts payable be recognized initially at the transaction price and subsequently measured at the amortized cost using the effective interest method.

Employee benefit obligations

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where settlement is deferred and the effect would be material, these amounts are stated at their present values.

Related parties

Related party includes a person and entity as defined below:

- (a) A person or a close member of that person's family is related to the Group and the Association if that person:
 - (i) is a member of the key management personnel of the Group and the Association;
 - (ii) has control over the Group and the Association; or
 - (iii) has joint control or significant influence over the reporting entity or has significant voting power in it.

- (b) An entity is related to the Group and the Association if any of the following conditions applies:
 - (i) the entity and the Group and the Association are members of the same group (which means that parent and subsidiary is related to each other).
 - (ii) either entity is an associate or joint venture of other entity (or of a member of a group of which the other entity is a member).
 - (iii) both entities are joint ventures of a third entity.
 - (iv) either 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 employees of either the Group and the Association or an entity related to the Group and the Association (if the reporting entity is itself such a plan, the sponsoring employers are also related to the plan).
 - (vi) the entity is controlled or jointly controlled by a person identified in (a).
 - (vii) a person identified in (a)(i) has significant voting power in the entity.

EAST ASIAN EDUCATIONAL ASSOCIATION
東亞教育促進會

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the group entities are measured using the currency of the primary economic environment in which the relevant entity operates (the functional currency). These financial statements are presented in Hong Kong Dollars, which is the functional and presentation currency of the group entities.

(b) 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 transaction at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within “finance costs”. All other foreign exchange gains and losses are presented in profit or loss within “other income” or “other expenses”.

3 FINANCE COSTS

	2020	2019
	HK\$	HK\$
Interest expense on:		
- Bank loans (note 12)	652,393	749,206
- Loans from other parties (note 14)	6,629	10,578
	<u>659,022</u>	<u>759,784</u>
Net exchange loss related to borrowings and cash and cash equivalents	481	12,646
	<u>659,503</u>	<u>772,430</u>

4. TAXATION

No Hong Kong Profits tax is required as the Association is exempted from Hong Kong Profits Tax under Section 88 of the Inland Revenue Ordinance.

5. DIRECTORS' REMUNERATION

No directors' fees or other emoluments were paid or payable by the Group.

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東亞教育促進會

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. LOANS RECEIVABLE

	2020	2019
	HK\$	HK\$
Loans to:		
- A related party	2,282,000	2,282,000
- Other	157,000	108,820
	<u>2,439,000</u>	<u>2,390,820</u>

Loans have been provided to a related party, Hong Kong Manila Investment Company Limited (“HMIC”), in which Mr. Richard S. Roque is a minority member and director, for the purpose of assisting HMIC in supporting the establishment of a Professional and Human Cultural Development Center in Seoul, Korea which is strictly non-profit and in line with the mission of the Association. HMIC has had a long relationship with the Association, such as provision of a term loan to the Association in 2003 (and subsequently fully repaid by the Association).

Loans receivable are unsecured, interest free and repayable on demand. The directors consider that the carrying amounts of loans receivable approximate their fair values.

7. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Furniture, fixtures and equipment	Leasehold improvement	Motor vehicles	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
<u>COST</u>					
At 1.1.2020	184,462,326	2,398,437	29,454,112	272,600	216,587,475
Additions	-	182,835	204,150	-	386,985
At 31.12.2020	<u>184,462,326</u>	<u>2,581,272</u>	<u>29,658,262</u>	<u>272,600</u>	<u>216,974,460</u>
<u>DEPRECIATION</u>					
At 1.1.2020	56,633,839	1,979,669	27,039,311	272,600	85,925,419
Charge for the year	5,143,734	177,381	1,116,806	-	6,437,921
At 31.12.2020	<u>61,777,573</u>	<u>2,157,050</u>	<u>28,156,117</u>	<u>272,600</u>	<u>92,363,340</u>
<u>CARRYING VALUES</u>					
At 31.12.2020	<u>122,684,753</u>	<u>424,222</u>	<u>1,502,145</u>	<u>-</u>	<u>124,611,120</u>
At 31.12.2019	<u>127,828,487</u>	<u>418,768</u>	<u>2,414,801</u>	<u>-</u>	<u>130,662,056</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. PROPERTY, PLANT AND EQUIPMENT – cont'd

The analysis of carrying value of land and buildings is as follows:

	2020	2019
	HK\$	HK\$
<u>Situated in Hong Kong</u>		
-Long-term leases	50,077,196	52,696,165
-Medium-term leases	60,408,421	62,512,166
	<u>110,485,617</u>	<u>115,208,331</u>
<u>Situated outside Hong Kong</u>		
Leasehold properties under		
-Long-term leases	5,829,410	6,044,980
Freehold property outside Hong Kong	6,369,726	6,575,176
	<u>12,199,136</u>	<u>12,620,156</u>
	<u>122,684,753</u>	<u>127,828,487</u>

For further information, please refer to notes 8 and 18(b).

8. DEFERRED INCOME

The Association entered into the agreement for exchange of properties under three stages in May 2012 and subsequent deed of variation agreement in March 2020.

Deferred income mainly represents the values of properties transferred to and registered under the Group after deduction of net book values of the Association's properties transferred out and major cost items involved in relevant plan arrangement.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. INVESTMENT IN BOND

	2020	2019
	HK\$	HK\$
Long term bond, at cost	<u>3,104,000</u>	<u>3,104,000</u>

Investment in bond represents long term corporate bond at cost. In the opinion of the directors, relevant carrying value approximates its cost.

10. INVESTMENT IN ASSOCIATE

The Association directly held shares in the associate as follows:

Name of the Associate	Place of incorporation	Percentage holding	
		2020	2019
Virtuous Leadership Institute (Asia) Limited (Formerly Prism Group (HK) Limited)	Hong Kong	50%	50%

The associate has only acted as the holding company for its wholly owned inactive subsidiary, 北京棱鏡教育顧問有限公司, registered in Mainland China (aimed for educational activity).

Investment in associate has been in the form of fully paid unlisted shares. The associate basically remains inactive.

11. OTHER LOANS RECEIVABLE

	2020	2019
	HK\$	HK\$
Loans to:		
- Taiwan Educational and Culture Exchange Association	10,221,513	10,221,513
- East Asia International Exchange Foundation	2,971,800	2,971,800
	<u>13,193,313</u>	<u>13,193,313</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. OTHER LOANS RECEIVABLE – cont'd

Taiwan Educational and Cultural Exchange Association (“TECEA”) is undertaking projects consistent with the Association’s mission. Interest free and unsecured loan has been provided to TECEA. Although TECEA can commence repayment from January 2020 and fully repay all the outstanding balances by December 2073, TECEA has already made certain repayments in advance.

East Asia International Exchange Foundation (“EAIEF”) in Korea has similar objectives as the Association. This unsecured loan bears 1% interest per annum. The loan together with accrued interest will be due for repayment in December 2039.

In the opinion of the directors, the carrying amounts of such loans receivable approximate their fair values in light of the low interest rate environment.

12. BANK LOANS (SECURED)

At 31 December 2020, bank loans were due for repayment as follows:

	2020	2019
	HK\$	HK\$
Portion of bank term loans due for repayment:		
Within one year	2,150,026	2,254,332
After one year (Remarks)		
After 1 year but within 2 years	2,150,026	2,086,718
After 2 years but within 5 years	6,284,239	6,200,127
After 5 years	15,474,027	17,834,781
	<u>23,908,292</u>	<u>26,121,626</u>
Total	<u>26,058,318</u>	<u>28,375,958</u>

Remarks

- The amounts due are based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause.
- In addition, relevant loan agreements contain clauses which give the lenders the right at their sole discretion to demand immediate repayment at any time irrespective of whether the Group has complied with the agreements and met the scheduled repayment obligations.

At the reporting date, pledged certain leasehold properties having carrying values of approximately HK\$66,142,2968 (2019: HK\$69,214,668) to secure the above bank loans, which are denominated in Hong Kong dollars and carry interest at the range from 2.3% to 3.75% (2019: 2.3% 3.875%) below Hong Kong Prime Rate.

EAST ASIAN EDUCATIONAL ASSOCIATION
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. LOAN FROM A RELATED PARTY

Unsecured loan from a related party (an Association's director) as follows:

Related party	Repayment term	Interest rate	2020 HK\$	2019 HK\$
Ms. Teresa Wai Ling Wong	Repayable on demand	Nil	<u>150,000</u>	<u>150,000</u>

14. LOANS FROM OTHER PARTIES

All the loans from other parties are unsecured with the following terms:

Repayment terms	Interest rate	2020 HK\$	2019 HK\$
16 half yearly installments first due on 15 Nov 2017 from US\$22,603 to US\$24,477	1% per annum	381,424	757,834
Repayable on demand	Nil	1,750,000	1,750,000
Within 2 years from 13 May 2018	Nil	-	300,000
		<u>2,131,424</u>	<u>2,807,834</u>

EAST ASIAN EDUCATIONAL ASSOCIATION
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. GUARANTEE FUND

The liability of each member to contribute to the assets of the Association in the event of its winding up while he/she is a member or within one year after he/she ceases to be a member is limited to HK\$10 (2019: HK\$10).

16. RENTAL LEASE COMMITMENT

Total future minimum lease payments under non-cancellable rental leases in respect of premises to be received from contracted tenant as follows:

	2020	2019
	HK\$	HK\$
Within one year	196,748	229,000
In the second to fifth year inclusive	114,000	-
	<u>310,748</u>	<u>229,000</u>

17. RELATED PARTY TRANSACTIONS AND/OR DIRECTORS' INTERESTS

In addition to related party transactions and/or directors' interests disclosed above, during the year, HK\$1,497,400 (2019: HK\$1,497,400) management fee has been received from Tak Sun Private Kindergarten in which Mr. Derek Kai Pong Sam is a School Manager. Last year, HK\$407,186 has been paid to East Asian Educational Association (a company incorporated in Macau) for the Association's activities in Macau (2020: Nil).

According to the directors, the declaration of trust made by Mr. Augusto Norberto da Roza to the Association for a HK\$7,656,210 property unit (included incidental costs) in Hong Kong acquired by the Association continues to be effective (as the assignment and registration of the said property unit has been into and under the name of Mr. Augusto Norberto da Roza).

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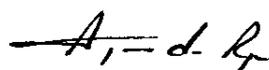
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. STATEMENT OF FINANCIAL POSITION OF THE ASSOCIATION

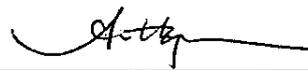
(a) Association-level statement of financial position

	NOTES	2020 HK\$	2019 HK\$
ASSETS			
<i>Current Assets</i>			
Bank balances and cash		46,989,817	50,595,343
Loans receivable		2,439,000	2,390,820
Deposits and sundry receivables		284,083	700,065
		<u>49,712,900</u>	<u>53,686,228</u>
<i>Non-Current Assets</i>			
Property, plant and equipment		124,611,120	130,662,056
Investment in bond		3,104,000	3,104,000
Investment in subsidiary	18(b)	1	1
Other loans receivable		13,193,312	13,193,312
		<u>140,908,433</u>	<u>146,959,369</u>
TOTAL ASSETS		<u>190,621,333</u>	<u>200,645,597</u>
LIABILITIES AND EQUITY			
<i>Current and Total Liabilities</i>			
Bank loans (secured)		26,058,318	28,375,958
Loan from a related party		150,000	150,000
Loans from other parties		2,131,424	2,807,834
Sundry payables and accrued charges		105,001	188,784
		<u>28,444,743</u>	<u>31,522,576</u>
<i>Non-Current Liabilities</i>			
Deferred income		22,881,413	30,499,413
<i>Total Liabilities</i>		<u>51,326,156</u>	<u>62,021,989</u>
<i>Equity</i>			
Guarantee fund	15	90	90
Retained earnings	18(c)	139,295,087	138,623,518
		<u>139,295,177</u>	<u>138,623,608</u>
TOTAL LIABILITIES AND EQUITY		<u>190,621,333</u>	<u>200,645,597</u>

Approved by the Board of Directors on 23 August 2021 and are signed on its behalf by:



Augusto Norberto da Roza
 Director



Anthony Wing Kin Chan
 Director

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. STATEMENT OF FINANCIAL POSITION OF THE ASSOCIATION – cont'd

(b) Particulars of the Association's subsidiary

	2020	2019
	HK\$	HK\$
<u>Issued and fully paid</u>		
1 ordinary share	<u>1</u>	<u>1</u>

<u>Name</u>	<u>Place of incorporation and operation</u>	<u>Class of Shares held</u>	<u>Proportion of ownership directly held by the Association</u>
Starwood (HK) Limited	Hong Kong	Ordinary share	100%

On 12 May 2018, Starwood (HK) Limited has been transferred to the Association as part of exchange of properties as per note 8. The subsidiary merely acts as passive asset holding vehicle for the Association during the construction in progress and has no business activity.

(c) Changes in Equity

	Guarantee Fund HK\$	Retained Earnings HK\$	Total HK\$
<u>The Association</u>			
Balance brought forward	90	138,623,518	138,623,608
Surplus for the year	<u>-</u>	<u>671,569</u>	<u>671,569</u>
Balance carried forward	<u>90</u>	<u>139,295,087</u>	<u>139,295,177</u>

19. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.