

**GRACE CHARITY FOUNDATION LIMITED
(LIMITED BY GUARANTEE)**

REPORTS AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

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**GRACE CHARITY FOUNDATION LIMITED
(LIMITED BY GUARANTEE)
REPORT OF THE DIRECTORS**

The directors submit herewith their annual report and the audited financial statements of Grace Charity Foundation Limited (the "Association") for the year ended 31 March 2016.

PRINCIPAL ACTIVITIES

The principal activities of the Association during the year are engaged in fund raising to support school premises' construction, assistance to pupils' schooling, financial assistance to the teachers and the poor, and financial support to medical operations in Guizhou and other remote areas in the People's Republic of China.

STATE OF AFFAIRS AND APPROPRIATIONS

The financial results of the Association for the year ended 31 March 2016 and the state of the Association's affairs as at that date are set out in the annexed audited financial statements.

FUNDS

Movements in funds during the year are set out in the statement of changes in funds annexed to the financial statements.

BUSINESS REVIEW

Origin

In 1994, a group of volunteers participated in helping the affected people after a devastating flood in southern China. Upon discovering the poor living conditions in the flooded areas, the volunteers established a school in Guangxi province in an effort to improve education conditions so as to raise local standards of living eventually.

Later Development

Over ten years spanning from 1994 to 2004, thanks to the generous support of individuals and organizations, our volunteers helped establish almost 400 schools in remote areas of Guangxi, Yunnan, Jiangxi, Shaanxi and Guizhou provinces and subsidize financially struggling students.

In order to work more effectively, Grace Charity Foundation Ltd. was founded by our volunteers in December 2000 and recognized as a charitable institution with the Inland Revenue Department (Tax Free File No. 91/6177).

**GRACE CHARITY FOUNDATION LIMITED
(LIMITED BY GUARANTEE)
REPORT OF THE DIRECTORS (CONTINUED)**

BUSINESS REVIEW (CONTINUED)

Later Development (continued)

From 2000 to 2016, our organization has supported the following projects:

- Subsidizing building of schools and dormitories - over 1,361
- Subsidizing building of medical stations and clinics - 297
- Aiding Students attending Senior Secondary Schools – 27,889
- Aiding Students attending Teacher Education Institutes – 7,991
- Aiding Students attending Tertiary Education Institutions – 6,962
- Aiding Students of in Orphans and those with special hardship – 12,422
- Helping unqualified Teachers with special hardship - 1,727
- Helping Elderly living alone and in 18 elderly homes – 525 individuals
- Aiding Primary and Junior Secondary Students in Poverty - 16,729 (This item was terminated in 2007 due to new government policy of free education.)
- Donating library books to Schools - 1,721
- Assisting establishment of Community libraries - 26
- Subsidizing Water cellars – 3,706
- Subsidizing Water supply projects – 10
- Disaster relief – Re-establishing ruined schools – 3

Our Belief

Without involving in politics or religion, we wholeheartedly strive to contribute to enhancing educational facilities in the underprivileged regions of China.

We welcome altruistic contributions as we try to assist the poor in helping themselves; while trying to raise the quality of life of others, we enrich our own lives as well.

Our Promises

1. We are responsible for the allocation and utilization of the donated money and we will make sure that it is fully used on the designated projects. Money collected for selected projects will be spent specifically on those projects.
2. There is no charge on administrative expenses as our premises are provided rent-free by a generous donor and there is no paid staff in our team. On site visits, our volunteer team members pay for their own travelling expenses and the donations received are not spent on such activities. Donors are welcome to take part in activities such as visiting schools, attending foundation-stone laying ceremonies and opening of new schools on their own expenses.

**GRACE CHARITY FOUNDATION LIMITED
(LIMITED BY GUARANTEE)
REPORT OF THE DIRECTORS (CONTINUED)**

BUSINESS REVIEW (CONTINUED)

Recent Development

Establishment of 『Serve Hong Kong Group』

In recent years, the expansion of the network of volunteers has led to the steady increase in their number, among them many enthusiastic youth. They are dedicated to support charity activities locally and organized new fundraising events. Responding to this new trend of development, “Serve Hong Kong Group” was set up in early 2014. The group aims at supporting the underprivileged groups and other charity services in Hong Kong.

Continuous Aid to Students

As Mainland China becomes more and more self-sufficient, our emphasis has been shifting from providing hardware support to aiding underprivileged individuals. Hence in addition to supporting financially deficient students on a yearly basis, a continuous aid scheme has been put in place whereby underprivileged students would get aid all through the whole study period either from Senior Middle 1 to 3 or throughout the undergraduate years.

DIRECTORS

The directors who held the office of the Association during the year and up to the date of this report were:

CHOW Tak Fung
FUNG Wai Yin
KAN Yiu Kwong
LAM Chiu Kow Frank
LAU Pak Hun
LAU Yat Sing
LEE Kui Man (Appointed on 21 May 2016)
LI Yin Sang
LUK Mo Ping
LUK Ying Pui Natalie
LUNG Hoi Kee (Appointed on 1 January 2016)
TANG Kin Kay
WONG Mei Yee Brenda
YUE Charm Ying

In accordance with Article 36 and 40 of the Association’s Articles of Association, all directors shall retire and, being eligible, offer themselves for re-election.

**GRACE CHARITY FOUNDATION LIMITED
(LIMITED BY GUARANTEE)
REPORT OF THE DIRECTORS (CONTINUED)**

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Except for those disclosed in the financial statements, no other transactions, arrangements or contracts of significance in relation to which the Association's activities to the Association was a party and in which a director of the Association had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Association, a party to any arrangement to enable the directors of the Association (including their spouse and children under 18 years of age) to acquire benefits by means of the acquisition of shares in or debentures of the Association or any other body corporation.

AUDITOR

The financial statements have been audited by Chan & Kwok CPA Limited who retire and, being eligible, offer themselves for re-appointment in the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD



KAN Yiu Kwong

Chairman

Hong Kong

Date: 10 March 2017



陳郭會計師事務所有限公司
Chan & Kwok CPA Limited

九龍佐敦庇利街8號百利金商業中心10樓 電話：2311 4655 傳真：2721 5356
10/F, Pilkem Commercial Centre, 8 Pilkem Street, Jordan, Kowloon. Tel: 2311 4655 Fax: 2721 5356

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
GRACE CHARITY FOUNDATION LIMITED
(Incorporated in Hong Kong with limited liability by guarantee)

Report on the Financial Statements

We have audited the financial statements of Grace Charity Foundation Limited (the "Association") set out on pages 7 to 19, which comprise the Statement of Financial Position as at 31 March 2016, and the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Changes in Funds and the Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The directors of the Association are responsible for the preparation of financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 405 to 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. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

continued / ...



陳郭會計師事務所有限公司
Chan & Kwok CPA Limited

九龍佐敦庇利金街8號百利金商業中心10樓 電話：2311 4655 傳真：2721 5356
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**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
GRACE CHARITY FOUNDATION LIMITED**
(Incorporated in Hong Kong with limited liability by guarantee)

... / *continued*

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Association as at 31 March 2016 and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Companies Ordinance.

Chan & Kwok CPA Limited

Certified Public Accountants (Practising)

Engagement Director – Kwok Lai Ngor

Practicing Certificate Number: P04322

Hong Kong, 10 March 2017

GRACE CHARITY FOUNDATION LIMITED
(LIMITED BY GUARANTEE)
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2016
(Expressed in Hong Kong Dollars)

	Note	<u>2016</u>	<u>2015</u>
		\$	\$
Income			
Donation received			
Construction reserve		15,255,839	15,931,230
Schooling and students assistance		20,603,695	11,122,045
Poverty relief		1,228,488	669,438
Teaching equipment and library books		910,348	1,768,335
General activities		<u>135,350</u>	<u>756,907</u>
		38,133,720	30,247,955
Bank interest income		<u>657,808</u>	<u>617,069</u>
Total income		<u>38,791,528</u>	<u>30,865,024</u>
Expenditure			
Donation utilised			
Construction reserve		14,959,203	16,005,104
Schooling and students assistance		16,471,611	12,066,757
Poverty relief		321,756	499,464
Teaching equipment and library books		923,458	1,423,730
General activities		<u>48,800</u>	<u>748,508</u>
		32,724,828	30,743,563
Exchange loss		577,202	9,864
Office administration expenditure	6	<u>123,558</u>	<u>160,762</u>
Total expenditure		<u>33,425,588</u>	<u>30,914,189</u>
Surplus / (deficit) for the year		<u>5,365,940</u>	<u>(49,165)</u>

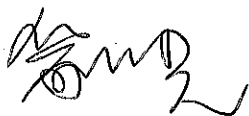
The annexed notes form an integral part of these financial statements.

GRACE CHARITY FOUNDATION LIMITED
(LIMITED BY GUARANTEE)
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2016
(Expressed in Hong Kong Dollars)

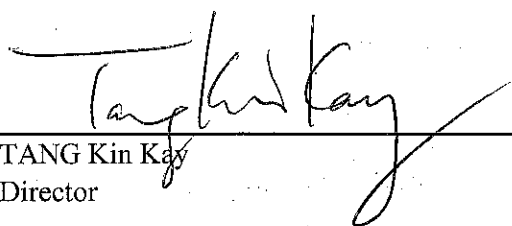
	Note	2016 \$	2015 \$
Current Assets			
Other receivables		-	9,713
Bank fixed deposits		26,201,697	22,692,889
Bank balances		7,571,985	6,881,483
		<u>33,773,682</u>	<u>29,584,085</u>
Less: Current Liabilities			
School construction payables		10,712,113	13,090,600
Clinic construction payables		3,081,000	2,519,175
Accrual		10,000	10,000
Temporary receipt from donors	10	5,640,567	5,000,248
		<u>19,443,680</u>	<u>20,620,023</u>
NET ASSETS		<u>14,330,002</u>	<u>8,964,062</u>
RESERVES			
Specific funds	11	<u>14,330,002</u>	<u>8,964,062</u>

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

The financial statements were approved and authorised for issue by the Board of Directors on 10 March 2017.



KAN Yiu Kwong
Director



TANG Kin Kay
Director

**GRACE CHARITY FOUNDATION LIMITED
(LIMITED BY GUARANTEE)
STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED 31 MARCH 2016
(Expressed in Hong Kong Dollars)**

	Construction reserve \$	Schooling and students assistance fund \$	Poverty relief fund \$	Teaching equipment and library books fund \$	Earthquake relief fund \$	Administration fund \$	Total \$
Balance at 1 April 2014	1,641,531	2,467,084	791,985	1,213,519	653,140	2,245,968	9,013,227
(Deficit) / Surplus for the year	(73,874)	(944,712)	169,974	344,605	-	454,842	(49,165)
Balance at 31 March 2015	1,567,657	1,522,372	961,959	1,558,124	653,140	2,700,810	8,964,062
Surplus / (deficit) for the year	296,636	4,132,084	906,732	(13,110)	-	43,598	5,365,940
Balance at 31 March 2016	1,864,293	5,654,456	1,868,691	1,545,014	653,140	2,744,408	14,330,002

GRACE CHARITY FOUNDATION LIMITED
(LIMITED BY GUARANTEE)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2016
(Expressed in Hong Kong Dollars)

	Note	<u>2016</u>	<u>2015</u>
		\$	\$
Cash flows from operating activities			
Cash receipts from donors for:			
- Construction projects		15,255,839	15,931,230
- Schooling and students assistance		20,603,695	11,122,045
- Poverty relief		1,228,488	669,438
- Teaching equipment and library books		910,348	1,768,335
- General donation		135,350	756,907
Cash paid for:			
- Construction projects		(16,775,865)	(14,824,915)
- Schooling and students assistance		(15,831,292)	(12,098,549)
- Poverty relief		(321,756)	(499,464)
- Purchase of teaching equipment and library books		(923,458)	(1,423,730)
- General activities		(39,087)	(721,530)
- Administration expenses		(123,558)	(170,762)
Exchange loss		(577,202)	(9,864)
Net cash generated from operating activities		<u>3,541,502</u>	<u>499,141</u>
Cash flows from investing activities			
Interest received		657,808	617,069
Cash receipts from maturity of bank fixed deposits		50,278,093	49,975,857
Cash paid for bank fixed deposits		(48,457,644)	(51,922,568)
Net cash generated from / (used in) investing activities		<u>2,478,257</u>	<u>(1,329,642)</u>
Net increase / (decrease) in cash and cash equivalents		6,019,759	(830,501)
Cash and cash equivalents at the 1 April		<u>16,909,662</u>	<u>17,740,163</u>
Cash and cash equivalents at the 31 March	9	<u>22,929,421</u>	<u>16,909,662</u>

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

**GRACE CHARITY FOUNDATION LIMITED
(LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016
(Expressed in Hong Kong Dollars)**

1. CORPORATE INFORMATION

Grace Charity Foundation Limited (the "Association") was incorporated under the Hong Kong Companies Ordinance on 8 December 2000 as an association limited by guarantee and not having a share capital. The liability of each member is limited to the extent of \$50. The address of its registered office and principal place of activities are Block C, 1/F., Kai Tak Factory Building, 99 King Fuk Street, San Po Kong, Kowloon, Hong Kong.

The principal activities of the Association during the year are engaged in project activities in supporting school premises' construction, assistance to pupils' schooling, financial assistance to the teachers and the poor, and financial support to medical operations in Guizhou and other remote areas in the People's Republic of China.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Association has applied, for the first time, the following new standard, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are effective for the current accounting period of the Association:

HKAS 19 (2011)	Defined Benefit Plans: Employee Contributions (Amendment)
Annual Improvements Project	Annual Improvements 2010 -2012 Cycle
Annual Improvements Project	Annual Improvements 2011 -2013 Cycle

The adoption of the new and revised HKFRSs, amendments to HKFRSs and interpretations has no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Association has not early applied any new standards or interpretations that they have been issued but are not yet effective. The details are set out in note 13 to the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with applicable Hong Kong Financial Reporting Standards (HKFRSs), which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance.

GRACE CHARITY FOUNDATION LIMITED
(LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016
(Expressed in Hong Kong Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation

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

The measurement basis used in the preparation of the financial statements is the historical cost basis except the assets and liabilities are stated at their fair value as explained in the accounting policies

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Association's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are described in note 4 to the financial statements.

(c) Impairment

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash generating unit to which the assets has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (or CGU's). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(d) Other receivables

Other receivables are initially recognised at fair value and, after initial recognition, at amortised cost less impairment losses for bad and doubtful debts, if any.

(e) Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits and other short-term highly liquid investments with original maturities of three months or less.

**GRACE CHARITY FOUNDATION LIMITED
(LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016
(Expressed in Hong Kong Dollars)**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Other payables

Other payables are initially measured at fair value and, after initial recognition, at amortised cost except for short-term payments with no stated interest rate and the effect of discounting being immaterial, that are measured at their original invoice amount.

(g) Revenue recognition

The Association recognises revenue when: the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the Association; and specific criteria have been met for each of the Association's activities as described below.

Revenue from donations is recognised when the donation is agreed by the donor and the usage of the donation is certain; and

Bank interest income is accrued on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(h) Income tax expense

No provision for Hong Kong Profits Tax has been made in the accounts as the Association is a non-profit making organisation and is exempted from taxation under Section 88 of the Inland Revenue Ordinance.

(i) Foreign currency translation

Foreign currency transactions during the year are translated into Hong Kong Dollars at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into Hong Kong Dollars at the foreign exchange rates ruling at the reporting date. Exchange gains and losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

**GRACE CHARITY FOUNDATION LIMITED
(LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016
(Expressed in Hong Kong Dollars)**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Related parties

A related party is a person or entity that is related to the Association in these financial statements, as follows:-

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

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

**GRACE CHARITY FOUNDATION LIMITED
(LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016
(Expressed in Hong Kong Dollars)**

4. FINANCIAL RISK MANAGEMENT

Financial risk management objective and policies

The Association's activities expose it to a variety of financial risks: foreign currency risk and liquidity risk. The Association's overall risk management programme focuses on the unpredictability and volatility of financial markets and seeks to minimise potential adverse effects on the financial position, performance and cash flows of the Association. No derivative financial instruments are used to hedge any exposures.

Foreign currency risk

The majority of receivables and payables are denominated in Hong Kong Dollars and RMB dollars respectively.

The Association closely and continuously monitors the exposure on currency risk. Even HK dollars is not pegged to RMB dollars, the historical exchange rate fluctuation on RMB dollars is insignificant. Thus, there is no significant exposure expected on RMB dollars transactions and balances. In case of any significant fluctuation expected, RMB dollars transactions and balances would also be monitored and controlled in the same manner as other foreign currencies.

Liquidity risk

The Association's debt maturity profile, operating cash flows and the availability of external funding are actively managed.

5. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Association makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Fair values estimation

All financial instruments are carried at amounts not materially different from their fair values as at 31 March 2015 and 2016.

**GRACE CHARITY FOUNDATION LIMITED
(LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016
(Expressed in Hong Kong Dollars)**

6. OFFICE ADMINISTRATION EXPENDITURE

	<u>2016</u>	<u>2015</u>
	\$	\$
Auditor's remuneration	10,000	10,000
Bank charges	11,242	8,393
Buildings management fee	31,296	30,512
Cleaning	8,961	13,466
Electricity, gas and water	15,192	18,135
Insurance	9,154	9,304
Postage and transportation	2,385	4,118
Printing and stationery	14,721	13,231
Repair and maintenance	270	14,020
Sundry expenses	8,162	26,170
Telecommunication	12,175	13,413
	<u>123,558</u>	<u>160,762</u>

7. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax has been made in the financial statements as the Association is a charitable institution under Section 88 of Inland Revenue Ordinance and is exempted from taxes levied under this Ordinance (2015: Nil).

8. DIRECTORS' REMUNERATION

Remuneration of the directors disclosed pursuant to Section 383(1) to the Hong Kong Companies Ordinance are as follows:

	<u>2016</u>	<u>2015</u>
	\$	\$
Fees	-	-
Other emoluments	-	-
Pension costs	-	-
Compensation for loss of the office	-	-
	<u>-</u>	<u>-</u>

**GRACE CHARITY FOUNDATION LIMITED
(LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016
(Expressed in Hong Kong Dollars)**

9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of bank balances and bank fixed deposit. Cash and cash equivalents in cash flow statements comprise the following amounts:

	<u>2016</u>	<u>2015</u>
	\$	\$
Bank balances	7,571,985	6,881,483
Bank fixed deposits	<u>15,357,436</u>	<u>10,028,179</u>
	<u>22,929,421</u>	<u>16,909,662</u>

10. TEMPORARY RECEIPT FROM DONORS

	<u>2016</u>	<u>2015</u>
	\$	\$
Individual donors	<u>5,640,567</u>	<u>5,000,248</u>

Temporary receipt from donors are the donations which do not have specifications in usage as at the end of the reporting period.

11. SPECIFIC FUNDS

Construction reserve

To finance the construction of school premises, clinic and water cellars so as to improve the living environment in the district.

Schooling and students assistance fund

To offer assistance to pupils in their school fees, exercise books and so on.

Poverty relief fund

To assist the poor financially in Guizhou Province and other remote areas in the People's Republic of China.

Teaching equipment and library books fund

To assist the acquisition of teaching equipment and library books.

Earthquake relief fund

To offer assistance to rebuild schools, the poor and the pupils who were affected by the 5.12 earthquake disaster.

Administration fund

To finance the administration expenditure of the Association.

**GRACE CHARITY FOUNDATION LIMITED
(LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016
(Expressed in Hong Kong Dollars)**

12. CAPITAL DISCLOSURE

The Association's objectives when managing capital are to safeguard the Association's ability to continue as a going concern.

The Association manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Association may try to cover expenditures with revenue. No changes were made in the objectives, policies and processes during the year.

13. HONG KONG FINANCIAL REPORTING STANDARDS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments and a new standard which are not yet effective for the year ended 31 March 2016 and which have not been adopted in these financial statements. These include the following which may be relevant to the Association.

		Effective for annual periods beginning on or after
Annual Project - HKFRS 5, HKFRS 7, HKAS 19 and HKAS 34	Annual Improvements 2012 -2014 Cycle (Amendments)	1 January 2016
HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception (Amendments)	1 January 2016
HKFRS 14	Regulatory Deferral Accounts (New standard)	1 January 2016
HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations (Amendments)	1 January 2016
HKAS 1	Disclosure Initiative (Amendments)	1 January 2016
HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments)	1 January 2016
HKAS 16 and HKAS 41	Agriculture: Bearer Plants (Amendments)	1 January 2016
HKAS 27	Equity Method in Separate Financial Statements (Amendments)	1 January 2016

**GRACE CHARITY FOUNDATION LIMITED
(LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016
(Expressed in Hong Kong Dollars)**

13. HONG KONG FINANCIAL REPORTING STANDARDS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR (CONTINUED)

		<u>Effective for annual periods beginning on or after</u>
HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)	Note 1
HKAS 7	Disclosure Initiative (Amendments)	1 January 2017
HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses (Amendments)	1 January 2017
HKFRS 2	Classification and Measurement of Share-based Payment Transactions (Amendments)	1 January 2018
HKFRS 9	Financial Instruments (New standard)	1 January 2018
HKFRS 15	Revenue from Contracts with Customers (New standard)	1 January 2018
HKFRS 15	Clarifications to HKFRS 15 (Amendments)	1 January 2018
HKFRS 16	Leases (New standard)	1 January 2019

Note 1: A date to be determined by International Accounting Standards Board (IASB)

The Association has not early adopted these HKFRSs. Initial assessment has indicated that the adoption of these HKFRSs would not have a significant impact on the Association's financial statements in the year of initial application. The Association will continue to assess the impact of these HKFRSs and other significant changes may be identified as a result.