

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

**REPORTS AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2017**

**INDEX**

<u>Contents</u>	<u>Pages</u>
Report of the Directors	1 - 4
Independent Auditor's Report	5 - 6
Financial Statements	
Statement of Income and Expenditure	7
Statement of Financial Position	8
Statement of Changes in Funds	9
Statement of Cash Flows	10
Notes to the Financial Statements	11 - 19

**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 2017.

**PRINCIPAL ACTIVITIES**

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.

**STATE OF AFFAIRS AND APPROPRIATIONS**

The financial results of the Association for the year ended 31 March 2017 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 2017, our organization has supported the following projects:**

- Subsidizing building of schools and dormitories - over 1,399
- Subsidizing building of medical stations and clinics - 300
- Aiding Students attending Senior Secondary Schools – 30,934
- Aiding Students attending Teacher Education Institutes – 8,856
- Aiding Students attending Tertiary Education Institutions – 8,261
- Aiding Students who are orphans and those with special hardship – 13,093
- Helping unqualified Teachers with special hardship - 1,727
- Helping Elderly living alone and in 18 elderly homes – 1,409 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 - 1,871
- Assisting establishment of Community libraries - 26
- Subsidizing Water cellars – 4,206
- Subsidizing Water supply projects – 19
- 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**

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.

Coping with the requirements of the new law in Mainland China

From January 2017, a new law known as “Law of the People's Republic of China on the Administration of Activities of Overseas Non-Governmental Organizations within the Territory of China” has been put in force. To comply with the requirements of this law, we had to engage a solicitor in Hong Kong to prepare the legal documents and to go through a series of steps in our work as stipulated therein. Thus much extra efforts have been put in but the results have been reduced as compared to previous years. Luckily, a good start has been made and we expect a smoother road ahead.

**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  
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.

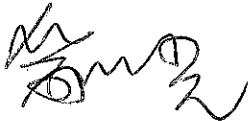
**ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES**

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: 29 December 2017



**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  
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 Audit of the Financial Statements**

**Opinion**

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 2017, and the statement of income and expenditure, statement of changes in funds and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Association as at 31 March 2017, and of its financial performance and 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 are independent of the Association in accordance with the HKICPA's Code of Ethics for Professional Accountants, 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.

**Responsibilities of Directors and Those Charged with Governance for the Financial Statements**

The directors are responsible for the preparation of 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 Association'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 Association or to cease operations, or have no realistic alternative but to do so.

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

*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  
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)

... / continued

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

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to 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.

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. 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 judgment and maintain professional skepticism throughout the audit. More details of auditor's responsibilities, please refer to following websites:

• <http://www.hkicpa.org.hk/en/standards-and-regulations/standards/auditing-assurance/auditre>

**Chan & Kwok CPA Limited**

Certified Public Accountants (Practising)

Engagement Director – Kwok Lai Ngor

Practicing Certificate Number: P04322

Hong Kong, 29 December 2017

**GRACE CHARITY FOUNDATION LIMITED**  
**(LIMITED BY GUARANTEE)**  
**STATEMENT OF INCOME AND EXPENDITURE**  
**FOR THE YEAR ENDED 31 MARCH 2017**  
**(Expressed in Hong Kong Dollars)**

	Note	<u>2017</u>	<u>2016</u>
		\$	\$
<b>Income</b>			
Donation received			
Construction reserve		14,685,272	15,255,839
Schooling and students assistance		13,377,935	20,603,695
Poverty relief		1,293,989	1,228,488
Teaching equipment and library books		808,070	910,348
General activities		<u>287,419</u>	<u>135,350</u>
		30,452,685	38,133,720
Bank interest income		<u>772,574</u>	<u>657,808</u>
Total income		<u>31,225,259</u>	<u>38,791,528</u>
<b>Expenditure</b>			
Donation utilised			
Construction reserve		14,067,415	14,959,203
Schooling and students assistance		15,113,122	16,471,611
Poverty relief		1,368,994	321,756
Teaching equipment and library books		1,454,264	923,458
General activities		<u>290,544</u>	<u>48,800</u>
		32,294,339	32,724,828
Net exchange loss		873,607	577,202
Office administration expenditure	6	<u>180,690</u>	<u>123,558</u>
Total expenditure		<u>33,348,636</u>	<u>33,425,588</u>
(Deficit) / Surplus for the year		<u>(2,123,377)</u>	<u>5,365,940</u>

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

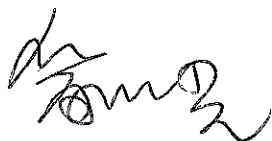


**GRACE CHARITY FOUNDATION LIMITED**  
**(LIMITED BY GUARANTEE)**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2017**  
**(Expressed in Hong Kong Dollars)**


	Note	2017 \$	2016 \$
<b>Current Assets</b>			
Other receivables		892,103	-
Bank fixed deposits		32,166,203	26,201,697
Bank balances		7,010,813	7,571,985
		<u>40,069,119</u>	<u>33,773,682</u>
<b>Less: Current Liabilities</b>			
School construction payables		13,554,859	10,712,113
Clinic construction payables		1,830,200	3,081,000
Accrual		10,000	10,000
Temporary receipt from donors	10	12,467,435	5,640,567
		<u>27,862,494</u>	<u>19,443,680</u>
<b>NET ASSETS</b>		<u>12,206,625</u>	<u>14,330,002</u>
<b>RESERVES</b>			
Specific funds	11	<u>12,206,625</u>	<u>14,330,002</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 29 December 2017.



\_\_\_\_\_  
KAN Yiu Kwong  
Director



\_\_\_\_\_  
YUE Charm Ying  
Director

**GRACE CHARITY FOUNDATION LIMITED**  
**(LIMITED BY GUARANTEE)**  
**STATEMENT OF CHANGES IN FUNDS**  
**FOR THE YEAR ENDED 31 MARCH 2017**  
**(Expressed in Hong Kong Dollars)**

	Construction reserve	Schooling and students assistance	Poverty relief	Teaching equipment and library books	Earthquake relief	Administration	Total
	\$	\$	\$	\$	\$	\$	\$
Balance at 1 April 2015	1,567,657	1,522,372	961,959	1,558,124	653,140	2,700,810	8,964,062
(Deficit) / Surplus 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
(Deficit) / Surplus for the year	617,857	(1,735,187)	(75,005)	(646,194)	-	(284,848)	(2,123,377)
Balance at 31 March 2017	2,482,150	3,919,269	1,793,686	898,820	653,140	2,459,560	12,206,625

**GRACE CHARITY FOUNDATION LIMITED**  
**(LIMITED BY GUARANTEE)**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 MARCH 2017**  
**(Expressed in Hong Kong Dollars)**

	Note	<u>2017</u>	<u>2016</u>
		\$	\$
<b>Cash flows from operating activities</b>			
Cash receipts from donors for:			
- Construction projects		14,685,272	15,255,839
- Schooling and students assistance		13,377,935	20,603,695
- Poverty relief		1,293,989	1,228,488
- Teaching equipment and library books		808,070	910,348
- General donation		287,419	135,350
Cash paid for:			
- Construction projects		(12,475,469)	(16,775,865)
- Schooling and students assistance		(8,286,254)	(15,831,292)
- Poverty relief		(1,368,994)	(321,756)
- Purchase of teaching equipment and library books		(1,454,264)	(923,458)
- General activities		(1,182,647)	(39,087)
- Administration expenses		(180,690)	(123,558)
Exchange loss		(873,607)	(577,202)
Net cash generated from operating activities		<u>4,630,760</u>	<u>3,541,502</u>
<b>Cash flows from investing activities</b>			
Interest received		772,574	657,808
Cash receipts from maturity of bank fixed deposits		36,083,862	50,278,093
Cash paid for bank fixed deposits		<u>(33,687,302)</u>	<u>(48,457,644)</u>
Net cash generated from investing activities		<u>3,169,134</u>	<u>2,478,257</u>
Net increase in cash and cash equivalents		7,799,894	6,019,759
Cash and cash equivalents at the 1 April		<u>22,929,421</u>	<u>16,909,662</u>
Cash and cash equivalents at the 31 March	9	<u>30,729,315</u>	<u>22,929,421</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 2017  
(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:

Annual Improvements to HKFRSs and HKASs	Annual Improvements 2012-2014 Cycle
Amendments to HKFRS 10 and HKAS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
HKFRS 14	Regulatory Deferral Accounts
HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
HKAS 1	Disclosure Initiative
HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41	Agriculture: Bearer Plants
HKAS 27	Equity Method in Separate Financial Statements

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.

**GRACE CHARITY FOUNDATION LIMITED  
(LIMITED BY GUARANTEE)  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2017  
(Expressed in Hong Kong Dollars)**

**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.

**(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.

**GRACE CHARITY FOUNDATION LIMITED  
(LIMITED BY GUARANTEE)  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2017  
(Expressed in Hong Kong Dollars)**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(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.

**(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 Income and Expenditure.

**GRACE CHARITY FOUNDATION LIMITED  
(LIMITED BY GUARANTEE)  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2017  
(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 2017  
(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 2016 and 2017.



**GRACE CHARITY FOUNDATION LIMITED**  
**(LIMITED BY GUARANTEE)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2017**  
**(Expressed in Hong Kong Dollars)**

**6. OFFICE ADMINISTRATION EXPENDITURE**

	<u>2017</u>	<u>2016</u>
	\$	\$
Auditor's remuneration	10,000	10,000
Bank charges	16,497	11,242
Buildings management fee	33,480	31,296
Cleaning	16,531	8,961
Electricity, gas and water	13,096	15,192
Insurance	6,804	9,154
Postage and transportation	6,318	2,385
Printing and stationery	13,739	14,721
Rent and rates	39,000	-
Repair and maintenance	-	270
Sundry expenses	13,312	8,162
Telecommunication	11,913	12,175
	<u>180,690</u>	<u>123,558</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 (2016: Nil).

**8. DIRECTORS' REMUNERATION**

Director's remuneration disclosed pursuant to Section 383(1) of the Hong Kong Companies Ordinance (Cap. 622) and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	<u>2017</u>	<u>2016</u>
	\$	\$
Fees	-	-
Other emoluments	-	-
Pension costs	-	-
Compensation for loss of the office	-	-
	<u>-</u>	<u>-</u>

There were no payments made or benefit provided in respect of the termination of the service of the directors, whether in the capacity of directors or in any other capacity while acting as a director.

**GRACE CHARITY FOUNDATION LIMITED  
(LIMITED BY GUARANTEE)  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2017  
(Expressed in Hong Kong Dollars)**

**8. DIRECTORS' REMUNERATION (CONTINUED)**

No loans to the directors and bodies corporates controlled by the directors.

The directors were of the opinion that no transactions, arrangements and contracts of significance in relation to the Company's business to which the company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year and the previous year.

The Company had not paid or incurred any liability for the purpose of fulfilling the guarantee or discharging the security given to banks for loans granted to the directors during the year and the previous year.

There were no consideration provided to or receivable by third parties for making available the services of a person as director or in any other capacity while acting as a director.

**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>2017</u>	<u>2016</u>
	\$	\$
Bank balances	7,010,813	7,571,985
Bank fixed deposits	<u>23,718,502</u>	<u>15,357,436</u>
	<u>30,729,315</u>	<u>22,929,421</u>

**10. TEMPORARY RECEIPT FROM DONORS**

	<u>2017</u>	<u>2016</u>
	\$	\$
Individual donors	<u>12,467,435</u>	<u>5,640,567</u>

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

**GRACE CHARITY FOUNDATION LIMITED  
(LIMITED BY GUARANTEE)  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2017  
(Expressed in Hong Kong Dollars)**

**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.

**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.

**GRACE CHARITY FOUNDATION LIMITED  
(LIMITED BY GUARANTEE)  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2017  
(Expressed in Hong Kong Dollars)**

**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 2017 and which have not been adopted in these financial statements. These include the following which may be relevant to the Association.

		<u>Effective for annual periods beginning on or after</u>
Annual Improvements to HKFRSs and HKASs	Annual Improvements 2014-2016 Cycle	1 January 2018
HKFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS-15	Revenue from Contracts with Customers	1 January 2018
HKFRS 15	Clarification of HKFRS 15	1 January 2018
HKAS 40	Transfers of Investment Property	1 January 2018
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HKFRS 16, Leases	Leases	1 January 2019
HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Note 1

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.