

**GRACE CHARITY FOUNDATION LIMITED**

**STATEMENT OF ACCOUNTS**  
**FOR THE YEAR ENDED**  
**31 MARCH 2023**



**陳郭會計師事務所有限公司**  
**Chan & Kwok CPA Limited**

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

**REPORTS AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2023**

**INDEX**

<u>Contents</u>	<u>Pages</u>
Report of the Directors	1 - 4
Independent Auditor's Report	5 - 7
Financial Statements	
Statement of Income and Expenditure	8
Statement of Financial Position	9
Statement of Changes in Funds	10
Statement of Cash Flows	11
Notes to the Financial Statements	12 - 26

**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 2023.

**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, and financial assistance to the orphans and the poor in the remote areas of the People's Republic of China.

**STATE OF AFFAIRS AND APPROPRIATIONS**

The financial results of the Association for the year ended 31 March 2023 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 subsidized 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 mid-2023, our organization has supported the following projects:

- Subsidizing building schools and dormitories - over 1,484 units
- Subsidizing building medical stations and clinics - 316 units
- Aiding Students to attend Senior Secondary Schools - 46,936 persons
- Aiding Students to attend Teacher Education Institutes - 11,826 persons
- Aiding Students to attend Tertiary Education Institutions - 15,061 persons
- Aiding Students who are orphans and those with special hardship - 18,111 persons
- Aiding Primary and Junior Secondary Students in Poverty - 16,729 persons (This item was terminated in 2007 due to new government policy of free education.)
- Donating library books to Schools - 2,081 schools
- Subsidizing building playgrounds, canteens, bathhouses, multi-media facilities, and donation of computers, desks, chairs and teaching aids - 252 projects
- Helping Substitute Teachers with special hardship - 1,727 persons (Since 2016, aid to this category has been terminated under the change of policy on dispensing with this category of teachers.)
- Helping the Elderly who live alone and in elderly homes - 5,137 persons
- Material Donations: blankets and other items to the needy - 39,596 items
- Aiding families in Hong Kong with special hardship - 1,502 persons

**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 self-owned property. 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.

**Recent Development**

Assisting schools in Chiang Mai, Thailand

From 2019, in response to requests from descendants of Overseas Chinese in Chiang Mai, Thailand, 8 items of construction of teaching blocks and dormitories have been made. Assistance has been extended to 1,100 students, 380 teachers and 2,150 library books have been donated to 7 schools.

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

**BUSINESS REVIEW (CONTINUED)**

**Recent Development (continued)**

Serving Hong Kong

A new service group has been formed to provide services for the elderly, low income families and other people in need of assistance. In cooperation with some local welfare groups during the time of COVID-19 pandemic, assistance in the form of cash and daily commodities were rendered to 1,502 persons including 167 cleansing workers at Cheung Sha Wan district.

In 2022, the group has introduced the Grace Charity Academic Achievement Award to encourage students to achieve academic progress between the first and second semester in an academic year. 63 students and 240 students received the award in 2022 and 2023 respectively.

Afforestation to Control Desert

In 2023, Grace Charity has a new attempt to subsidize the planting of Haloxylon ammodendron forest as a sand fixation project in Minqin County, Gansu Province. There is a long existing serious land desertification problem, affecting the daily life of the local people and their harvest results. We got support from devoted enthusiasts and will initially donate a sum of RMB600,000 to two local organizations (RMB300,000 each) for the first year.

Forest planting and desertification control is a very meaningful and environmentally sustainable project that will benefit both the present and future communities as well as the world at large.

**DIRECTORS**

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

CHING Man Leung (Appointed on 26/10/2023)  
CHOW Yik Cheung Eric  
FUNG Wai Yin  
KAN Yiu Kwong  
LAU Pak Hun  
LUK Mo Ping  
SHI Min  
TANG Kin Kay  
WONG Mei Yee Brenda  
YUE Charm Ying Francis

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.

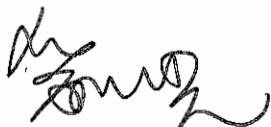
**ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES**

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 corporate.

**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**



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**KAN Yiu Kwong**

**Chairman**

Hong Kong,

29 December 2023





**陳郭會計師事務所有限公司**  
**Chan & Kwok CPA Limited**

九龍佐敦利金街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 8 to 26, which comprise the statement of financial position as at 31 March 2023, 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 2023, 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.

**Other Information**

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the directors' report but does not include the Association's financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Association's financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Association's financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, 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.

*continued / ...*

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

*... / continued*

**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.

**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. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

*continued / ...*





陳郭會計師事務所有限公司  
Chan & Kwok CPA Limited

九龍佐敦利金街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

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

- 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 Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Chan & Kwok CPA Limited

Certified Public Accountants (Practising)

Engagement Director - Kwok Lai Ngor

Practicing Certificate Number: P04322

Hong Kong, 29 December 2023

**GRACE CHARITY FOUNDATION LIMITED**  
**(LIMITED BY GUARANTEE)**  
**STATEMENT OF INCOME AND EXPENDITURE**  
**FOR THE YEAR ENDED 31 MARCH 2023**  
**(Expressed in Hong Kong Dollars)**

	Note	2023 \$	2022 \$
<b>Income</b>			
Donation income			
Construction reserve		5,330,012	8,246,118
Schooling and students assistance		9,490,299	12,016,220
Poverty relief		1,948,591	2,705,470
Teaching equipment and library books		117,611	167,072
General activities		-	10,000
Office decoration		-	306,300
Office premises		-	1,938,700
		<u>16,886,513</u>	<u>25,389,880</u>
Bank interest income		652,690	387,596
Net exchange gain		-	721,936
Sundry income		-	52,000
		<u>652,690</u>	<u>1,161,532</u>
Total income		<u>17,539,203</u>	<u>26,551,412</u>
<b>Expenditure</b>			
Donation expenditure			
Construction reserve		5,481,420	8,156,106
Schooling and students assistance		9,607,396	12,832,809
Poverty relief		1,802,939	2,432,322
Teaching equipment and library books		116,411	341,474
General activities		-	5,768
		<u>17,008,166</u>	<u>23,768,479</u>
Office administration expenditure	6	<u>2,693,184</u>	<u>658,938</u>
Total expenditure		<u>19,701,350</u>	<u>24,427,417</u>
(Deficit) / Surplus for the year		<u>(2,162,147)</u>	<u>2,123,995</u>

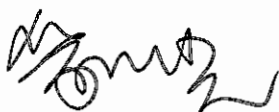
**The annexed notes form an integral part of these financial statements.**

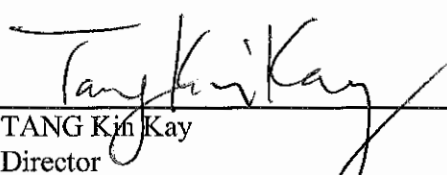
**GRACE CHARITY FOUNDATION LIMITED**  
**(LIMITED BY GUARANTEE)**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2023**  
**(Expressed in Hong Kong Dollars)**

	Note	2023 \$	2022 \$
<b>Non-current Assets</b>			
Property, plant and equipment	10	9,619,258	10,084,677
<b>Current Assets</b>			
Deposit paid		6,430	6,430
Donation receivables		1,455,298	1,676,934
Other receivables		2,416,539	4,702,723
Bank fixed deposits		15,358,416	20,725,535
Bank balances		9,398,139	4,500,594
		28,634,822	31,612,216
<b>Less: Current Liabilities</b>			
School construction payables		3,750,028	6,189,519
Clinic construction payables		692,500	100,000
Infrastructure payables		-	277,108
Accrual		25,259	25,259
Temporary receipt from donors	11	9,830,889	8,887,456
		14,298,676	15,479,342
<b>Net Current Assets</b>		14,336,146	16,132,874
<b>Total assets less current liabilities</b>		23,955,404	26,217,551
<b>Less: Non-current Liabilities</b>			
Other loans - unsecured	12	4,100,000	4,200,000
<b>NET ASSETS</b>		19,855,404	22,017,551
<b>RESERVES</b>			
Specific funds	13	19,855,404	22,017,551

**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 2023.

  
 \_\_\_\_\_  
 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 2023**  
**(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 \$	Office premises reserve \$	Total \$
Balance at 1 April 2021	2,011,058	6,726,770	3,157,407	870,845	653,140	6,474,336	-	19,893,556
Surplus / (Deficit) for the year	90,012	(816,589)	273,148	(174,402)	-	813,126	1,938,700	2,123,995
Reallocation	(1,800,000)	-	-	-	-	(2,290,870)	4,090,870	-
Balance at 31 March 2022	301,070	5,910,181	3,430,555	696,443	653,140	4,996,592	6,029,570	22,017,551
Surplus / (Deficit) for the year	(151,408)	(117,097)	145,652	1,200	-	(2,040,494)	-	(2,162,147)
Balance at 31 March 2023	149,662	5,793,084	3,576,207	697,643	653,140	2,956,098	6,029,570	19,855,404

**GRACE CHARITY FOUNDATION LIMITED**  
**(LIMITED BY GUARANTEE)**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 MARCH 2023**  
**(Expressed in Hong Kong Dollars)**

	Note	2023 \$	2022 \$
<b>Cash flows from operating activities</b>			
Cash receipts from donors for:			
- Construction projects		5,330,012	8,246,118
- Schooling and students assistance		9,711,935	12,262,350
- Poverty relief		1,948,591	2,705,470
- Teaching equipment and library books		117,611	167,072
- General donation		-	10,000
- Office decoration		-	306,300
- Office premises		-	1,938,700
Cash paid for:			
- Construction projects		(7,605,519)	(12,189,747)
- Schooling and students assistance		(8,663,963)	(17,530,529)
- Poverty relief		(1,802,939)	(2,432,322)
- Purchase of teaching equipment and library books		(116,411)	(341,474)
- General activities		2,286,184	839,226
- Administration expenses		(109,506)	305,310
Sundry income		-	52,000
Exchange (loss) / gain		(2,118,259)	721,936
Net cash used in operating activities		<u>(1,022,264)</u>	<u>(4,939,590)</u>
<b>Cash flows from investing activities</b>			
Interest received		652,690	387,596
Purchase of property, plant and equipment		-	(10,550,096)
Cash receipts from maturity of bank fixed deposits		35,056,879	24,220,778
Cash deposit into bank for fixed deposits		<u>(23,304,769)</u>	<u>(39,865,487)</u>
Net cash generated from / (used in) investing activities		<u>12,404,800</u>	<u>(25,807,209)</u>
<b>Cash flows from financing activities</b>			
Loan (repaid) / raised for purchase of property		<u>(100,000)</u>	<u>2,700,000</u>
Net increase / (decrease) in cash and cash equivalents		11,282,536	(28,046,799)
Cash and cash equivalents at the 1 April		<u>4,500,594</u>	<u>32,547,393</u>
Cash and cash equivalents at the 31 March	9	<u>15,783,130</u>	<u>4,500,594</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 2023  
(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 Flat 6, 9/F., Block A, Hong Kong Industrial Centre, 489-491 Castle Peak Road, Lai Chi Kok, 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, and financial assistance to the orphans and the poor in the remote areas of 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 Project	Annual Improvements to HKFRSs 2018-2020 (amendments)
HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope amendments (amendments)
HKFRS 16	Covid-19-Related Rent Concessions beyond 2021 (amendments)
AG 5 (Revised)	Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations

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 effects of the application of these HKFRSs are summarised in note 4 to the financial statements.

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 16 to the financial statements.



**GRACE CHARITY FOUNDATION LIMITED**  
**(LIMITED BY GUARANTEE)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2023**  
**(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.

In 2023, the Association has initially applied the new and revised HKFRSs issued by the HKICPA that are first effective or available for early adoption for accounting periods beginning on or after 1 April 2022. A summary of the changes in accounting policies resulting from the Association's application of these HKFRSs is set out in note 4.

**(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 5 to the financial statements.

**(c) Property, plant and equipment**

Property, plant and equipment (including property held for rental and / or for investment potential) are stated at cost less accumulated depreciation and any accumulated impairment losses.

The cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, and any directly attributable costs of bringing the asset to working condition for its intended use; any trade discounts and rebates are deducted in arriving at the purchase price.

**GRACE CHARITY FOUNDATION LIMITED**  
**(LIMITED BY GUARANTEE)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2023**  
**(Expressed in Hong Kong Dollars)**

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

**(c) Property, plant and equipment (continued)**

The depreciable amount of an item of property, plant and equipment is allocated on a systematic basis over its estimated useful life using the straight-line method. The residue value and useful life of an asset are reviewed annually. The principal annual rates used for depreciation are as follows:-

Leasehold land	Over the lease term
Buildings	4%
Decoration	20%

The gain or loss on disposals of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant assets, and is recognised in the income statement.

**(d) 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.

**(e) Fair value**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

**(f) 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.

**GRACE CHARITY FOUNDATION LIMITED**  
**(LIMITED BY GUARANTEE)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2023**  
**(Expressed in Hong Kong Dollars)**

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

**(g) Cash and cash equivalents**

Cash comprises cash on hand and at bank and demand deposits with bank. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of statement of cash flows, bank overdrafts which are repayable on demand form an integral part of the Association's cash management are included as a component of cash and cash equivalents.

**(h) 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.

**(i) Provisions and contingent liabilities**

Provisions are recognised for liabilities of uncertain timing or amount when the Association has a present legal or constructive obligation arising as a result of a past events, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligations.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow is remote.

**(j) 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.

**GRACE CHARITY FOUNDATION LIMITED  
(LIMITED BY GUARANTEE)  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2023  
(Expressed in Hong Kong Dollars)**

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

**(k) 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.

**(l) Foreign currency translation**

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. At the end of each reporting period, monetary assets and liabilities in foreign currencies are translated at the foreign exchange rates ruling at that date. Non-monetary assets and liabilities that are measured at fair value in foreign currencies are translated at the foreign exchange rates ruling at the date when the fair value was determined. Exchange gains and losses are recognised in profit or loss.

**(m) 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 2023  
(Expressed in Hong Kong Dollars)**

**4. CHANGES IN ACCOUNTING POLICIES**

In 2023, the Association has initially applied the revised HKFRSs issued by the HKICPA that are first effective for accounting periods beginning on or after 1 April 2022 and are relevant to the Association's financial statements, including:

- HKAS 16      Property, Plant and Equipment

The application of the HKAS 16 has no material effect on the Association's financial performance and positions. The Association will be continuing with the assessment of the impact of these HKFRS, and other significant changes may be identified as a result.

**5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT**

The Association's management makes assumptions, estimates and judgements in the process of applying the Association's accounting policies that affect the assets, liabilities, income and expenses in the financial statements prepared in accordance with HKFRSs. The assumptions, estimates and judgements are based on historical experience and other factors that are believed to be reasonable under the circumstances. While the management reviews their judgements, estimates and assumptions continuously, the actual results will seldom equal to the estimates.

**(a) Key assumption and other key sources of estimation uncertainty**

Except for certain key assumptions and risk factors in respect of the financial risk management are set out in note 15, no other key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

**(b) Critical judgements in applying the Association's accounting policies**

Certain critical judgements in applying the Association's accounting policies are set out as follows:

*Fair values estimation*

All financial instruments are carried at amounts not materially different from their fair values as at 31 March 2022 and 2023.

**GRACE CHARITY FOUNDATION LIMITED**  
**(LIMITED BY GUARANTEE)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2023**  
**(Expressed in Hong Kong Dollars)**

**6. OFFICE ADMINISTRATION EXPENDITURE**

	<u>2023</u>	<u>2022</u>
	\$	\$
Auditor's remuneration - Audit services	10,000	10,000
Bank charges	8,128	7,002
Buildings management fee	35,580	54,138
Cleaning	714	1,110
Depreciation	465,419	465,419
Electricity, gas and water	8,870	23,925
Equipment expenses	6,655	1,218
Exchange losses	2,118,259	-
Insurance	1,764	7,269
Office moving expenses	-	31,463
Postage and courier	-	2,555
Printing and stationery	13,039	16,442
Rent and rates	11,675	14,812
Repair and maintenance	-	2,250
Sundry expenses	745	7,748
Telecommunication	12,336	13,587
	<u>2,693,184</u>	<u>658,938</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 (2022: Nil).

**8. EMOLUMENTS AND OTHER MATTERS RELATING TO DIRECTORS**

Directors' 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>2023</u>	<u>2022</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 2023**  
**(Expressed in Hong Kong Dollars)**

**8. EMOLUMENTS AND OTHER MATTERS RELATING TO DIRECTORS (CONTINUED)**

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.

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

The directors were of the opinion that no transactions, arrangements and contracts of significance in relation to the Association's business to which 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 and the previous year.

The Association 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 deposits. Cash and cash equivalents in cash flow statements comprise the following amounts:

	<u>2023</u>	<u>2022</u>
	\$	\$
Bank balances	9,398,139	4,500,594
Bank fixed deposits - maturity within 3 months	<u>6,384,991</u>	<u>-</u>
	<u>15,783,130</u>	<u>4,500,594</u>

**GRACE CHARITY FOUNDATION LIMITED**  
**(LIMITED BY GUARANTEE)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2023**  
**(Expressed in Hong Kong Dollars)**

**10. PROPERTY, PLANT AND EQUIPMENT**

	Leasehold land and <u>buildings</u> \$	<u>Decoration</u> \$	<u>Total</u> \$
<u>Cost</u>			
At 1 April 2022			
and at 31 March 2023	<u>10,229,570</u>	<u>320,526</u>	<u>10,550,096</u>
<u>Accumulated depreciation</u>			
At 1 April 2022	401,314	64,105	465,419
Charge for the year	<u>401,314</u>	<u>64,105</u>	<u>465,419</u>
At 31 March 2023	<u>802,628</u>	<u>128,210</u>	<u>930,838</u>
<u>Carrying amount</u>			
At 31 March 2023	<u>9,426,942</u>	<u>192,316</u>	<u>9,619,258</u>
At 31 March 2022	<u>9,828,256</u>	<u>256,421</u>	<u>10,084,677</u>

**11. TEMPORARY RECEIPT FROM DONORS**

	<u>2023</u> \$	<u>2022</u> \$
Individual donors	<u>9,830,889</u>	<u>8,887,456</u>

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

**12. OTHER LOANS - UNSECURED**

	<u>2023</u> \$	<u>2022</u> \$
\$1,500,000 13 years loan - fully repayable in April 2034		
\$1,000,000 13 years loan - fully repayable in April 2034		
\$500,000 13 years loan - fully repayable in April 2034		
\$1,000,000 13 years loan - fully repayable in April 2034		
\$100,000 13 years loan - fully repayable in April 2034		
\$100,000 13 years loan - fully repayable in April 2034		
Portion of term loans from a donor due for repayment		
within one year	-	-
within two to five years	1,680,000	1,260,000
over five years	<u>2,420,000</u>	<u>2,940,000</u>
	<u>4,100,000</u>	<u>4,200,000</u>

**GRACE CHARITY FOUNDATION LIMITED  
(LIMITED BY GUARANTEE)  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2023  
(Expressed in Hong Kong Dollars)**

**13. 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.

Office premises reserve

To finance the purchase of new office premise of the Association.

**14. 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 2023**  
**(Expressed in Hong Kong Dollars)**

**15. FINANCIAL INSTRUMENTS**

The Company has classified its financial assets in the following categories:

	Financial assets at amortised costs	
	<u>2023</u>	<u>2022</u>
	\$	\$
Deposit paid	6,430	6,430
Donation receivables	1,455,298	1,676,934
Other receivables	2,416,539	4,702,723
Bank fixed deposits	15,358,416	20,725,535
Bank balances	9,398,139	4,500,594
	<u>28,634,822</u>	<u>31,612,216</u>

The Company has classified its financial liabilities in the following categories:

	Financial assets at amortised costs	
	<u>2023</u>	<u>2022</u>
	\$	\$
School construction payables	3,750,028	6,189,519
Clinic construction payables	692,500	100,000
Infrastructure payables	-	277,108
Accrual	25,259	25,259
Other loans - unsecured	4,100,000	4,200,000
Temporary receipt from donors	9,830,889	8,887,456
	<u>18,398,676</u>	<u>19,679,342</u>

The Association is exposed to foreign currency risk and liquidity risk arising in the normal course of its business and financial instruments. The Association's risk management objectives, policies and processes mainly focus on minimising the potential adverse effects of these risks on its financial performance and position by closely monitoring the individual exposure.

**(a) Liquidity risk**

The Association's operating funds are deemed sufficient to meet the cash flow demand, therefore, liquidity risk is not considered to be significant.

**GRACE CHARITY FOUNDATION LIMITED**  
**(LIMITED BY GUARANTEE)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2023**  
**(Expressed in Hong Kong Dollars)**

**15. FINANCIAL INSTRUMENTS (CONTINUED)**

**(a) Liquidity risk (continued)**

The following table presents the earliest contractual settlement dates of the Association's financial liabilities at the end of the reporting period.

	2022		Carrying Amount \$
	<u>Within 1 year or on demand</u> \$	<u>After 1 year</u> \$	
School construction payables	6,189,519	-	6,189,519
Clinic construction payables	100,000	-	100,000
Infrastructure payables	277,108	-	277,108
Accrual	25,259	-	25,259
Other loans - unsecured	-	4,200,000	4,200,000
Temporary receipt from donors	8,887,456	-	8,887,456
	<u>15,479,342</u>	<u>4,200,000</u>	<u>19,679,342</u>
	2023		Carrying Amount \$
	<u>Within 1 year or on demand</u> \$	<u>After 1 year</u> \$	
School construction payables	3,750,028	-	3,750,028
Clinic construction payables	692,500	-	692,500
Infrastructure payables	-	-	-
Accrual	25,259	-	25,259
Other loans - unsecured	-	4,100,000	4,100,000
Temporary receipt from donors	9,830,889	-	9,830,889
	<u>14,298,676</u>	<u>4,100,000</u>	<u>18,398,676</u>

**(b) Foreign currency risk**

The Association's functional currency is Hong Kong Dollars by using the currency of the primary economic environment in which the Association operates. However, the Association's expenditure on donation utilised is denominated in Renminbi, and part of the current assets are in Renminbi, that exposes it to currency risk arising from donation utilised and current assets.

**GRACE CHARITY FOUNDATION LIMITED**  
**(LIMITED BY GUARANTEE)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2023**  
**(Expressed in Hong Kong Dollars)**

**15. FINANCIAL INSTRUMENTS (CONTINUED)**

**(b) Foreign currency risk (continued)**

The following table details the Association's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities.

	<u>2023</u>	<u>2022</u>
	\$	\$
<u>Current assets</u>		
Deposit paid	6,430	6,430
Donation receivables	1,455,298	1,676,934
Other receivables	2,416,539	4,702,723
Bank fixed deposits	15,358,416	20,725,535
Bank balances	9,398,139	4,500,594
	<u>28,634,822</u>	<u>31,612,216</u>
 Denominated in:		
CNY	24,754,258	28,527,269
HKD	<u>3,880,564</u>	<u>3,084,947</u>
	<u>28,634,822</u>	<u>31,612,216</u>
 <u>Current liabilities</u>		
School construction payables	3,750,028	6,189,519
Clinic construction payables	692,500	100,000
Infrastructure payables	-	277,108
Accrual	25,259	25,259
Temporary receipt from donors	9,830,889	8,887,456
	14,298,676	15,479,342
 <u>Non-current liabilities</u>		
Other loans - unsecured	4,100,000	4,200,000
	<u>18,398,676</u>	<u>19,679,342</u>
 Denominated in:		
HKD	<u>18,398,676</u>	<u>19,679,342</u>



**GRACE CHARITY FOUNDATION LIMITED**  
**(LIMITED BY GUARANTEE)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2023**  
**(Expressed in Hong Kong Dollars)**

**15. FINANCIAL INSTRUMENTS (CONTINUED)**

**(b) Foreign currency risk (continued)**

The Association's exchange difference arises primarily from current assets. Variable CNY exchange rate expose the Association to foreign currency risk.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the CNY exchange rates, with all other variables held constant, of the Association's surplus for the year.

	<u>2023</u>	<u>2022</u>
	\$	\$
<u>Current assets</u>		
Denominated in:		
CNY	<u>24,754,258</u>	<u>28,527,269</u>
<u>Sensitivity analysis</u>		
Exchange rate	1.1413	1.2330
Increase 100 basis points	1.1527	1.2453
Decrease 100 basis points	1.1299	1.2207
Variance in current assets and exchange difference	<u>247,543</u>	<u>285,273</u>

The sensitivity analyses above have been determined based on the exposure to CNY exchange rate for current assets at the end of the reporting period. A 100 basis points (2022: 100 basis points) increase or decrease in CNY exchange rate is used when reporting currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in CNY exchange rates.

If CNY exchange rate had been 100 basis points (2022: 100 basis points) higher / lower and all other variables were held constant, the Association's surplus for the year ended 31 March 2023 would increase / decrease by \$247,543 (2022: \$285,273). This is mainly attributable to the Association's exposure to CNY exchange rate on its current assets.

**GRACE CHARITY FOUNDATION LIMITED**  
**(LIMITED BY GUARANTEE)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2023**  
**(Expressed in Hong Kong Dollars)**

**16. 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 2023 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
HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies (amendments)	1 January 2023
HKAS 8	Definition of Accounting Estimates (amendments)	1 January 2023
HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction (amendments)	1 January 2023
HKFRS 17	Insurance Contracts (new standard)	1 January 2023
HKFRS 17	Amendments to HKFRS 17	1 January 2023
HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 - Comparative Information	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current (amendments)	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants (amendments)	1 January 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback (amendments)	1 January 2024
HK Int 5 (Revised)	Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (HK Int 5 (Revised))	1 January 2024
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements (amendments)	1 January 2024
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments)	Determined by the 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.