

GRACE CHARITY FOUNDATION LIMITED

STATEMENT OF ACCOUNTS
FOR THE YEAR ENDED
31 MARCH 2025



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 2025

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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 2025.

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 2025 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). In 2025, we celebrate our silver anniversary.

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

BUSINESS REVIEW (CONTINUED)

Later Development (continued)

From 2000 to mid-2025, our organization has supported the following projects:

- Subsidizing building schools and dormitories - over 1,503 units
- Subsidizing building medical stations and clinics - 330 units
- Aiding students to attend senior secondary schools - 49,386 persons
- Aiding students to attend teacher education institutes - 12,456 persons
- Aiding students to attend tertiary education institutions - 16,237 persons
- Aiding students who are orphans and those with special hardship - 18,876 persons
- Donating library books to schools - 2,086 schools
- Subsidizing building playgrounds, canteens, bathhouses, multi-media facilities, and donation of computers, desks, chairs and teaching aids - 292 projects
- Helping the elderly who live alone and in elderly homes - 6,126 persons
- Material Donations: blankets and other items to the needy - 6 million HK dollars
- Grace Charity Academic Achievement Award in Hong Kong (up to end of 2025) - 3,060 persons
- Aiding Chinese descendants' students in Chiang Mai, Thailand - 4 million HK dollars
- Planting Haloxylon ammodendron forest to mitigate desertification - 3,715 acres

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, 385 teachers, 2,600 library books and 70 computers have been donated to 20 schools. In May 2025, the Grace Charity Academic Achievement Award was rolled out to Chiang Mai with 300 students receiving the award.

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

BUSINESS REVIEW (CONTINUED)

Recent Development (continued)

Serving Hong Kong

A new service group has been formed to provide services in Hong Kong 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 early 2024, the group has expanded their services to pay regular visits to the elderly homes donating daily commodities and playing games with the elderly therein.

Since 2022, the group has been organizing the Grace Charity Academic Achievement Award to encourage students to achieve academic progress between the first and second semester in an academic year. In 2024, the coverage is expanded from one district (New Territories North) to three districts (New Territories North, Wong Tai Sin and Tuen Mun). In 2025, two more districts were added (Outlying Islands and Tai Po). In 2022, 2023, 2024 and 2025, 63, 240, 1,117 and 1,640 students respectively received the award in memorable ceremonies attended by their parents or guardians.

Afforestation to Control Desert

In 2023, Grace Charity has started a new attempt to subsidize the planting of Haloxylon ammodendron forest as a sand fixation project in Gansu Province. There is a long existing serious land desertification problem, affecting the livelihood of the local people and their harvest results. We got support from devoted enthusiasts and have donated a total sum of RMB2,400,000 to two local organizations in Minqin County and RMB200,000 to one local organization in Zhangye City planting a total of 260,000+ Haloxylon ammodendron shrubs on 3,715+ acres with 95% success rate.

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
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

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

DIRECTORS (CONTINUED)

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

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 for the year 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,

30 December 2025



陳郭會計師事務所有限公司
Chan & Kwok CPA Limited

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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)

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 2025, and the statement of income and expenditure, statement of changes in funds and the statement of cash flows for the year ended 31 March 2025, and notes to the financial statements, including a summary of material 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 2025, 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 ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the 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 Report of the Directors 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.

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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

Responsibilities of The 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.

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陳郭會計師事務所有限公司
Chan & Kwok CPA Limited

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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

Practising Certificate Number: P04322

Hong Kong, 30 December 2025

GRACE CHARITY FOUNDATION LIMITED
(LIMITED BY GUARANTEE)
STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED 31 MARCH 2025
(Expressed in Hong Kong Dollars)

	Note	2025 \$	2024 \$
Income			
Donation income			
Construction reserve		4,458,628	3,495,384
Schooling and students assistance		5,873,138	5,623,665
Poverty relief		2,053,010	2,603,729
Teaching equipment and library books		57,129	161,254
Social and people's livelihood		880,972	732,419
		<u>13,322,877</u>	<u>12,616,451</u>
Interest income		<u>736,477</u>	<u>557,883</u>
Total income		<u>14,059,354</u>	<u>13,174,334</u>
Expenditure			
Donation expenditure			
Construction reserve		4,549,435	3,470,683
Schooling and students assistance		5,506,369	6,629,772
Poverty relief		1,649,727	1,728,153
Teaching equipment and library books		56,788	136,091
Social and people's livelihood		880,972	732,419
		<u>12,643,291</u>	<u>12,697,118</u>
Office administration expenditure	6	<u>585,615</u>	<u>1,783,363</u>
Total expenditure		<u>13,228,906</u>	<u>14,480,481</u>
Surplus / (deficit) for the year		830,448	(1,306,147)
Other Comprehensive Income			
Construction reserve reallocated to administration fund for the use of operation		<u>-</u>	<u>952,291</u>
Total comprehensive income for the year		<u>830,448</u>	<u>(353,856)</u>

The accompanying Accounting Policies and Explanatory Notes form an integral part of, and should be read in conjunction with, these financial statements.

**GRACE CHARITY FOUNDATION LIMITED
(LIMITED BY GUARANTEE)
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2025
(Expressed in Hong Kong Dollars)**

	Note	<u>2025</u> \$	<u>2024</u> \$
Non-current Assets			
Property, plant and equipment	10	8,680,790	9,153,839
Current Assets			
Deposit paid		6,430	6,430
Donation receivables		1,374,442	791,490
Other receivables		3,376,104	1,849,517
Bank fixed deposits		12,618,757	22,431,430
Bank balances		12,080,218	2,738,667
		<u>29,455,951</u>	<u>27,817,534</u>
Less: Current Liabilities			
School construction payables		4,365,226	3,312,616
Clinic construction payables		321,288	61,007
Accruals		10,000	25,259
Temporary receipt from donors	11	9,508,231	10,070,943
Other loans - unsecured	12	420,000	410,000
		<u>14,624,745</u>	<u>13,879,825</u>
Net Current Assets		<u>14,831,206</u>	<u>13,937,709</u>
Total assets less current liabilities		23,511,996	23,091,548
Less: Non-current Liabilities			
Other loans - unsecured	12	3,180,000	3,590,000
NET ASSETS		<u>20,331,996</u>	<u>19,501,548</u>
RESERVES			
Specific funds	13	<u>20,331,996</u>	<u>19,501,548</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 30 December 2025.



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 2025
(Expressed in Hong Kong Dollars)

	Construction reserve	Schooling and students assistance	Poverty relief	Teaching equipment and library books	Earthquake relief	Administration fund	Office premises reserve	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 April 2023	149,662	5,793,084	3,576,207	697,643	653,140	2,956,098	6,029,570	19,855,404
Surplus / (Deficit) for the year	24,701	(1,006,107)	875,576	25,163	-	(1,225,480)	-	(1,306,147)
Reallocation	-	-	-	-	-	952,291	-	952,291
Balance at 31 March 2024	174,363	4,786,977	4,451,783	722,806	653,140	2,682,909	6,029,570	19,501,548
Surplus / (Deficit) for the year	(90,807)	366,769	403,283	341	-	150,862	-	830,448
Balance at 31 March 2025	83,556	5,153,746	4,855,066	723,147	653,140	2,833,771	6,029,570	20,331,996

GRACE CHARITY FOUNDATION LIMITED
(LIMITED BY GUARANTEE)
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2025
(Expressed in Hong Kong Dollars)

	Note	<u>2025</u>	<u>2024</u>
		\$	\$
Cash flows from operating activities			
Cash receipts from donors for:			
- Construction projects		4,458,628	3,495,384
- Schooling and students assistance		5,290,186	6,287,473
- Poverty relief		2,053,010	2,603,729
- Teaching equipment and library books		57,129	161,254
- Social and people's livelihood		880,972	732,419
Cash paid for:			
- Construction projects		(3,236,544)	(4,539,588)
- Schooling and students assistance		(6,069,081)	(6,389,718)
- Poverty relief		(1,649,727)	(1,728,153)
- Purchase of teaching equipment and library books		(56,788)	(136,091)
- Social and people's livelihood		(880,972)	(732,419)
- General activities		(1,526,587)	567,022
- Administration expenses		(120,033)	(123,324)
Exchange loss		(7,792)	(1,194,620)
Construction reserve reallocated to administration fund for the use of operation		-	952,291
Net cash used in operating activities		<u>(807,599)</u>	<u>(44,341)</u>
Cash flows from investing activities			
Interest received		736,477	557,883
Cash receipts from maturity of bank fixed deposits		15,139,908	22,668,902
Cash deposit into bank for fixed deposits		<u>(13,367,918)</u>	<u>(18,569,055)</u>
Net cash generated from investing activities		<u>2,508,467</u>	<u>4,657,730</u>
Cash flows from financing activities			
Loan repaid for purchase of property		<u>(400,000)</u>	<u>(100,000)</u>
Net increase in cash and cash equivalents		1,300,868	4,513,389
Cash and cash equivalents at the 1 April	9	<u>20,296,519</u>	<u>15,783,130</u>
Cash and cash equivalents at the 31 March	9	<u>21,597,387</u>	<u>20,296,519</u>

The accompanying Accounting Policies and Explanatory Notes form an integral part of, and should be read in conjunction with, these financial statements.

GRACE CHARITY FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025
(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 business is 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:

HKAS 1	Classification of Liabilities as Current or Non-current (amendments)
HKAS 1	Non-current Liabilities with Covenants (amendments)
HKFRS16	Lease Liability in a Sale and Leaseback (amendments)
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 (amendments)
HKAS 7 and HKFRS 7	Supplier Finance Arrangements (amendments)

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
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025
(Expressed in Hong Kong Dollars)

3. SUMMARY OF MATERIAL 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 2025, 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 2024. 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
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025
(Expressed in Hong Kong Dollars)

3. SUMMARY OF MATERIAL 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
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025
(Expressed in Hong Kong Dollars)

3. SUMMARY OF MATERIAL 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
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025
(Expressed in Hong Kong Dollars)

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(k) Income taxes

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 translations

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.

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4. CHANGES IN ACCOUNTING POLICIES

In 2025, 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 2024 and are relevant to the Association's financial statements, including:

- HKAS 1 Classification of Liabilities as Current or Non-current (amendments)
- 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 (amendments)

The application of the HKAS 1 and HK Int 5 (Revised) have 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 2024 and 2025.

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6. OFFICE ADMINISTRATION EXPENDITURE

	<u>2025</u>	<u>2024</u>
	\$	\$
Auditor's remuneration - Audit services	10,000	10,000
Bank charges	9,683	6,604
Buildings management fee	38,436	36,294
Depreciation	457,790	465,419
Electricity, gas and water	9,050	8,761
Equipment expenses	1,460	1,740
Exchange losses	7,792	1,194,620
Insurance	1,770	1,764
Notarization fee	-	11,750
Printing and stationery	12,456	10,154
Rent and rates	23,000	22,000
Sundry expenses	2,266	1,825
Telecommunication	11,912	12,432
	<u>585,615</u>	<u>1,783,363</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 (2024: Nil).

8. EMOLUMENTS AND OTHER MATTERS RELATING TO DIRECTORS

- (a) 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>2025</u>	<u>2024</u>
	\$	\$
Directors' fees	-	-
Salaries, allowances and benefits other than in cash	-	-
Contributions to defined contribution plan	-	-
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.

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

- (b) Loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate and other connected entities:
 No loans to the directors and bodies corporates controlled by the directors in the reporting period.
- (c) Directors' material interests in transactions, arrangements or contracts:
 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.
- (d) Guarantees to banks for loans granted to directors of the Company:
 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.
- (e) 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>2025</u>	<u>2024</u>
	\$	\$
Bank balances	12,080,218	2,738,667
Bank fixed deposits - maturity within 3 months	<u>9,517,169</u>	<u>17,557,852</u>
	<u>21,597,387</u>	<u>20,296,519</u>

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10. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and		
	<u>building</u>	<u>Decoration</u>	<u>Total</u>
	\$	\$	\$
<u>Cost</u>			
At 1 April 2024	10,229,570	320,526	10,550,096
Overstated amount written off	-	(15,259)	(15,259)
	<u>10,229,570</u>	<u>305,267</u>	<u>10,534,837</u>
At 31 March 2025	<u>10,229,570</u>	<u>305,267</u>	<u>10,534,837</u>
<u>Accumulated depreciation</u>			
At 1 April 2024	1,203,942	192,315	1,396,257
Charge for the year	401,314	56,476	457,790
	<u>1,605,256</u>	<u>248,791</u>	<u>1,854,047</u>
At 31 March 2025	<u>1,605,256</u>	<u>248,791</u>	<u>1,854,047</u>
<u>Carrying amount</u>			
At 31 March 2025	<u>8,624,314</u>	<u>56,476</u>	<u>8,680,790</u>
At 31 March 2024	<u>9,025,628</u>	<u>128,211</u>	<u>9,153,839</u>

11. TEMPORARY RECEIPT FROM DONORS

	<u>2025</u>	<u>2024</u>
	\$	\$
Individual donors	<u>9,508,231</u>	<u>10,070,943</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>2025</u>	<u>2024</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 (fully repaid in last year)		
Portion of term loans from banks due for repayment		
within one year	420,000	410,000
within two to five years	1,640,000	1,640,000
over five years	<u>1,540,000</u>	<u>1,950,000</u>
	<u>3,600,000</u>	<u>4,000,000</u>

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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.

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15. FINANCIAL INSTRUMENTS

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

	Financial assets at amortised costs	
	<u>2025</u>	<u>2024</u>
	\$	\$
Deposit paid	6,430	6,430
Donation receivables	1,374,442	791,490
Other receivables	3,376,104	1,849,517
Bank fixed deposits	12,618,757	22,431,430
Bank balances	12,080,218	2,738,667
	<u>29,455,951</u>	<u>27,817,534</u>

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

	Financial assets at amortised costs	
	<u>2025</u>	<u>2024</u>
	\$	\$
School construction payables	4,365,226	3,312,616
Clinic construction payables	321,288	61,007
Accruals	10,000	25,259
Temporary receipt from donors	9,508,231	10,070,943
Other loans - unsecured	3,600,000	4,000,000
	<u>17,804,745</u>	<u>17,469,825</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.

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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.

	2024		
	<u>Within 1 year</u>		<u>Carrying</u>
	<u>or on demand</u>	<u>After 1 year</u>	<u>Amount</u>
	\$	\$	\$
School construction payables	3,312,616	-	3,312,616
Clinic construction payables	61,007	-	61,007
Accruals	25,259	-	25,259
Temporary receipt from donors	10,070,943	-	10,070,943
Other loans - unsecured	410,000	3,590,000	4,000,000
	<u>13,879,825</u>	<u>3,590,000</u>	<u>17,469,825</u>

	2025		
	<u>Within 1 year</u>		<u>Carrying</u>
	<u>or on demand</u>	<u>After 1 year</u>	<u>Amount</u>
	\$	\$	\$
School construction payables	4,365,226	-	4,365,226
Clinic construction payables	321,288	-	321,288
Accruals	10,000	-	10,000
Temporary receipt from donors	9,508,231	-	9,508,231
Other loans - unsecured	420,000	3,180,000	3,600,000
	<u>14,624,745</u>	<u>3,180,000</u>	<u>17,804,745</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.

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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>2025</u>	<u>2024</u>
	\$	\$
<u>Current assets</u>		
Deposit paid	6,430	6,430
Donation receivables	1,374,442	791,490
Other receivables	3,376,104	1,849,517
Bank fixed deposits	12,618,757	22,431,430
Bank balances	12,080,218	2,738,667
	<u>29,455,951</u>	<u>27,817,534</u>
Denominated in:		
CNY	17,360,664	16,723,294
HKD	12,095,287	11,094,240
	<u>29,455,951</u>	<u>27,817,534</u>
<u>Current liabilities</u>		
School construction payables	4,365,226	3,312,616
Clinic construction payables	321,288	61,007
Accruals	10,000	25,259
Temporary receipt from donors	9,508,231	10,070,943
Other loans - unsecured	420,000	410,000
	14,624,745	13,879,825
<u>Non-current liabilities</u>		
Other loans - unsecured	3,180,000	3,590,000
	<u>17,804,745</u>	<u>17,469,825</u>
Denominated in:		
HKD	<u>17,804,745</u>	<u>17,469,825</u>

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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>2025</u>	<u>2024</u>
	\$	\$
<u>Current assets</u>		
Denominated in:		
CNY	<u>17,360,664</u>	<u>16,723,294</u>
<u>Sensitivity analysis</u>		
Exchange rate	1.0710	1.0771
Increase 100 basis points	1.0817	1.0879
Decrease 100 basis points	1.0603	1.0663
Variance in current assets and exchange difference	<u>173,607</u>	<u>167,233</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 (2024: 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 (2024: 100 basis points) higher / lower and all other variables were held constant, the Association's surplus for the year ended 31 March 2025 would increase / decrease by \$173,607 (2024: \$167,233). This is mainly attributable to the Association's exposure to CNY exchange rate on its current assets.

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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 2025 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>
HKAS 21 and HKFRS 1	Lack of Exchangeability (amendments)	1 January 2025
HKFRS 9 and HKFRS 7	Classification and Measurement of Financial Instruments (amendments)	1 January 2026
HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7	Annual Improvements to HKFRS Accounting Standards - Volume 11	1 January 2026
HKFRS 18	Presentation and Disclosure in Financial Statements (new standard)	1 January 2027
HKFRS 19	Subsidiaries without Public Accountability: Disclosures (new standard)	1 January 2027
HK Int 5	Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (amendments)	1 January 2027 (#)
HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments)	Determined by the IASB
HKFRS S1	General Requirements for Disclosure of Sustainability-related Financial Information	1 August 2025
HKFRS S2	Climate-related Disclosures	1 August 2025

HK Int 5 has incorporated the references to HKFRS 18 which is effective for annual reporting periods beginning on or after 1 January 2027.

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.