

**GRACE CHARITY FOUNDATION LIMITED**

**STATEMENT OF ACCOUNTS**  
**FOR THE YEAR ENDED**  
**31 MARCH 2021**



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 2021**

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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 2021.

**PRINCIPAL ACTIVITIES**

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

**STATE OF AFFAIRS AND APPROPRIATIONS**

The financial results of the Association for the year ended 31 March 2021 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).

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

**BUSINESS REVIEW (CONTINUED)**

**Later Development (continued)**

From 2000 to mid-2021, our organization has supported the following projects:

- Subsidize building schools and dormitories - over 1,475 units
- Subsidize building medical stations and clinics - 314 units
- Aiding Students to attend Senior Secondary Schools - 44,016 persons
- Aiding Students to attend Teacher Education Institutes - 11,086 persons
- Aiding Students to attend Tertiary Education Institutions - 13,343 persons
- Aiding Students who are orphans and those with special hardship - 16,093 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 - 2,061 schools
- Subsidize building playgrounds, canteens, bathhouses, multi-media facilities, and donation of computers, desks, chairs and teaching aids - 242 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 - 4,012 persons
- Material Donations: blankets and other items to the needy - 30,258 items

**Our Belief**

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

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

**Our Promises**

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

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

**BUSINESS REVIEW (CONTINUED)**

**Recent Development**

Complying with new legislation in Mainland China

Since the implementation of a law entitled “Administration of Activities of Overseas NGOs in Mainland China” in January 2017, continued efforts have been put in to comply with the stringent requirements and fortunately our activities in the Provinces of Guizhou, Yunnan, Guangxi, Shaanxi, Sichuan, Gansu, Ningxia, Hunan, Hubei and Henan have been running as planned, to the satisfaction of the donors and volunteer workers.

Building schools in Chiang Mai, Thailand

From 2019, in response to requests from descendants of Overseas Chinese in Chiang Mai, Thailand, 7 items of construction of teaching blocks and dormitories have been made. Student assistance has been extended to 900 students and 1,350 library books have been donated to 5 schools.

Serving Hong Kong

In recent years, a new service group has been formed to serve the local community. They tried to help low income families at time of need. In cooperation with some local welfare groups at a time of special hardship, caring home visits were made to 31 unemployed or single-parent families and special assistance in the form of cash and daily commodities were rendered to 125 persons on a trial basis.

**DIRECTORS**

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

CHOW Yik Cheung Eric  
FUNG Wai Yin  
KAN Yiu Kwong  
LAU Pak Hun  
LUK Mo Ping  
LUNG Hoi Kee  
TANG Kin Kay  
WONG Mei Yee Brenda  
YUE Charm Ying

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

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**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.

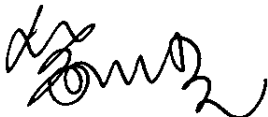
**ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES**

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,  
31 December 2021



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

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

**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 2021, 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 2021, 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 ("HKSAAs") 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.

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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 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 HKSAAs 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 HKSAAs, 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

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

... / continued

**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*

**Chan & Kwok CPA Limited**  
Certified Public Accountants (Practising)  
Engagement Director - Kwok Lai Ngor  
Practicing Certificate Number: P04322  
Hong Kong, 31 December 2021

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**GRACE CHARITY FOUNDATION LIMITED  
(LIMITED BY GUARANTEE)  
STATEMENT OF INCOME AND EXPENDITURE  
FOR THE YEAR ENDED 31 MARCH 2021  
(Expressed in Hong Kong Dollars)**

	Note	<u>2021</u> \$	<u>2020</u> \$
<b>Income</b>			
Donation income			
Construction reserve		11,763,567	10,469,436
Schooling and students assistance		14,770,671	13,151,834
Poverty relief		1,623,502	1,584,969
Teaching equipment and library books		258,083	653,536
General activities		5,246	1,200
		<u>28,421,069</u>	<u>25,860,975</u>
Bank interest income		819,805	633,858
Net exchange gain		<u>2,581,054</u>	<u>-</u>
		<u>3,400,859</u>	<u>633,858</u>
Total income		<u>31,821,928</u>	<u>26,494,833</u>
<b>Expenditure</b>			
Donation expenditure			
Construction reserve		11,828,725	10,448,616
Schooling and students assistance		13,303,871	13,258,311
Poverty relief		1,549,806	1,776,237
Teaching equipment and library books		359,358	376,206
General activities		-	5,380
		<u>27,041,760</u>	<u>25,864,750</u>
Net exchange loss		-	2,057,961
Office administration expenditure	6	<u>155,871</u>	<u>139,909</u>
Total expenditure		<u>27,197,631</u>	<u>28,062,620</u>
Surplus / (deficit) for the year		<u>4,624,297</u>	<u>(1,567,787)</u>

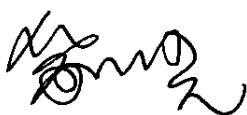
**The annexed notes form an integral part of these financial statements.**

**GRACE CHARITY FOUNDATION LIMITED**  
**(LIMITED BY GUARANTEE)**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2021**  
**(Expressed in Hong Kong Dollars)**

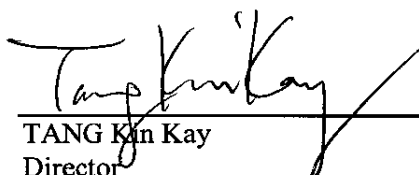
	Note	<u>2021</u>	<u>2020</u>
		\$	\$
<b>Current Assets</b>			
Deposit paid		490,000	-
Donation receivables		1,923,064	-
Other receivables		5,547,717	5,527,842
Bank fixed deposits		18,876,444	31,653,491
Bank balances		18,751,775	6,907,954
		<u>45,589,000</u>	<u>44,089,287</u>
<b>Less: Current Liabilities</b>			
School construction payables		9,811,384	12,707,906
Clinic construction payables		511,776	824,910
Infrastructure payables		277,108	968,703
Accrual		10,000	10,000
Temporary receipt from donors	10	13,585,176	14,308,509
		<u>24,195,444</u>	<u>28,820,028</u>
<b>Net Current Assets</b>		21,393,556	15,269,259
<b>Less: Non-current Liabilities</b>			
Other loan - unsecured	11	1,500,000	-
<b>NET ASSETS</b>		<u>19,893,556</u>	<u>15,269,259</u>
<b>RESERVES</b>			
Specific funds	12	<u>19,893,556</u>	<u>15,269,259</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 31 December 2021.



\_\_\_\_\_  
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 2021  
(Expressed in Hong Kong Dollars)**

	Construction reserve \$	Schooling and students assistance fund \$	Poverty relief fund \$	Teaching equipment and library books fund \$	Earthquake relief fund \$	Administration fund \$	Total \$
Balance at 1 April 2019	2,055,396	5,366,447	3,274,979	694,790	653,140	4,792,294	16,837,046
Surplus / (Deficit) for the year	20,820	(106,477)	(191,268)	277,330	-	(1,568,192)	(1,567,787)
Balance at 31 March 2020	2,076,216	5,259,970	3,083,711	972,120	653,140	3,224,102	15,269,259
Surplus / (Deficit) for the year	(65,158)	1,466,800	73,696	(101,275)	-	3,250,234	4,624,297
Balance at 31 March 2021	2,011,058	6,726,770	3,157,407	870,845	653,140	6,474,336	19,893,556

**GRACE CHARITY FOUNDATION LIMITED**  
**(LIMITED BY GUARANTEE)**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 MARCH 2021**  
**(Expressed in Hong Kong Dollars)**

	Note	<u>2021</u>	<u>2020</u>
		\$	\$
<b>Cash flows from operating activities</b>			
Cash receipts from donors for:			
- Construction projects		11,763,567	10,469,436
- Schooling and students assistance		12,847,607	13,151,834
- Poverty relief		1,623,502	1,584,969
- Teaching equipment and library books		258,083	653,536
- General donation		5,246	1,200
Cash paid for:			
- Construction projects		(15,729,976)	(11,884,221)
- Schooling and students assistance		(14,027,204)	(9,195,606)
- Poverty relief		(1,549,806)	(1,776,237)
- Purchase of teaching equipment and library books		(359,358)	(376,206)
- General activities		(19,875)	(2,656,505)
- Administration expenses		(645,871)	(139,909)
Exchange gain / (loss)		2,581,054	(2,057,961)
Net cash used in operating activities		<u>(3,253,031)</u>	<u>(2,225,670)</u>
<b>Cash flows from investing activities</b>			
Interest received		819,805	633,858
Cash receipts from maturity of bank fixed deposits		33,271,135	14,445,530
Cash deposit into bank for fixed deposits		<u>(24,003,744)</u>	<u>(12,537,261)</u>
Net cash generated from investing activities		<u>10,087,196</u>	<u>2,542,127</u>
<b>Cash flows from financing activities</b>			
Loan raised for purchase of property in next year		<u>1,500,000</u>	<u>-</u>
Net increase in cash and cash equivalents		8,334,165	316,457
Cash and cash equivalents at the 1 April		<u>24,213,228</u>	<u>23,896,771</u>
Cash and cash equivalents at the 31 March	9	<u>32,547,393</u>	<u>24,213,228</u>

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

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**GRACE CHARITY FOUNDATION LIMITED  
(LIMITED BY GUARANTEE)  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2021  
(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.

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

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

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

HKFRS 3	Definition of a Business (amendments)
HKAS 1 and HKAS 8	Definition of Material (amendments)
HKAS 39, HKFRS 7 and HKFRS 9	Hedge accounting (amendments)
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

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 15 to the financial statements.

**GRACE CHARITY FOUNDATION LIMITED  
(LIMITED BY GUARANTEE)  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2021  
(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 2021, 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 2020. 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) Impairment**

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

**GRACE CHARITY FOUNDATION LIMITED  
(LIMITED BY GUARANTEE)  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2021  
(Expressed in Hong Kong Dollars)**

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

**(d) 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.

**(e) 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.

**(f) 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.

**(g) 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.

**(h) 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.

**GRACE CHARITY FOUNDATION LIMITED  
(LIMITED BY GUARANTEE)  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2021  
(Expressed in Hong Kong Dollars)**

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

**(i) 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.

**(j) 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.

**(k) 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.

**GRACE CHARITY FOUNDATION LIMITED  
(LIMITED BY GUARANTEE)  
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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(l) 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 2021, 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 2020 and are relevant to the Association's financial statements, including:

- HKAS 1 Presentation of Financial Statements
- HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

The application of the HKAS 1 and HKAS 8 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 14, 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 2020 and 2021.

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**6. OFFICE ADMINISTRATION EXPENDITURE**

	<u>2021</u>	<u>2020</u>
	\$	\$
Auditor's remuneration - Audit services	10,000	10,000
Bank charges	7,845	6,966
Buildings management fee	30,690	33,480
Cleaning	32,208	21,911
Electricity, gas and water	5,870	16,164
Equipment expenses	14,580	1,611
Insurance	5,255	6,888
Printing and stationery	25,773	6,979
Rent and rates	5,851	9,274
Notarization	-	7,300
Sundry expenses	7,149	7,738
Telecommunication	10,650	11,598
	<u>155,871</u>	<u>139,909</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 (2020: 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>2021</u>	<u>2020</u>
	\$	\$
Fees	-	-
Other emoluments	-	-
Pension costs	-	-
Compensation for loss of the office	-	-
	<u>-</u>	<u>-</u>

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**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 deposit. Cash and cash equivalents in cash flow statements comprise the following amounts:

	<u>2021</u>	<u>2020</u>
	\$	\$
Bank balances	18,751,775	6,907,954
Bank fixed deposits - maturity within 3 months	<u>13,795,618</u>	<u>17,305,274</u>
	<u>32,547,393</u>	<u>24,213,228</u>

**10. TEMPORARY RECEIPT FROM DONORS**

	<u>2021</u>	<u>2020</u>
	\$	\$
Individual donors	<u>13,585,176</u>	<u>14,308,509</u>

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

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**11. OTHER LOAN - UNSECURED**

	<u>2021</u>	<u>2020</u>
	\$	\$
\$1,500,000 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	300,000	-
over five years	<u>1,200,000</u>	<u>-</u>
	<u>1,500,000</u>	<u>-</u>

The loan will be transform to donation if the Association fulfilled the condition that the loan is used to purchase the property only.

**12. 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.

**13. 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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**14. FINANCIAL INSTRUMENTS**

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

	Financial assets at amortised costs	
	<u>2021</u>	<u>2020</u>
	\$	\$
Deposit paid	490,000	-
Donation receivables	1,923,064	-
Other receivables	5,547,717	5,527,842
Bank fixed deposits	18,876,444	31,653,491
Bank balances	18,751,775	6,907,954
	<u>45,589,000</u>	<u>44,089,287</u>

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

	Financial assets at amortised costs	
	<u>2021</u>	<u>2020</u>
	\$	\$
School construction payables	9,811,384	12,707,906
Clinic construction payables	511,776	824,910
Infrastructure payables	277,108	968,703
Accrual	10,000	10,000
Other loan - unsecured	1,500,000	-
Temporary receipt from donors	13,585,176	14,308,509
	<u>25,695,444</u>	<u>28,820,028</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 risk 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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**14. 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.

	2020		
	<u>Within 1 year or on demand</u>	<u>After 1 year</u>	<u>Carrying Amount</u>
	\$	\$	\$
School construction payables	12,707,906	-	12,707,906
Clinic construction payables	824,910	-	824,910
Infrastructure payables	968,703	-	968,703
Accrual	10,000	-	10,000
Temporary receipt from donors	14,308,509	-	14,308,509
	<u>28,820,028</u>	<u>-</u>	<u>28,820,028</u>
	2021		
	<u>Within 1 year or on demand</u>	<u>After 1 year</u>	<u>Carrying Amount</u>
	\$	\$	\$
School construction payables	9,811,384	-	9,811,384
Clinic construction payables	511,776	-	511,776
Infrastructure payables	277,108	-	277,108
Accrual	10,000	-	10,000
Other loan - unsecured	-	1,500,000	1,500,000
Temporary receipt from donors	13,585,176	-	13,585,176
	<u>24,195,444</u>	<u>1,500,000</u>	<u>25,695,444</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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**14. 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>2021</u>	<u>2020</u>
	\$	\$
<u>Current assets</u>		
Deposit paid	490,000	-
Donation receivables	1,923,064	-
Other receivables	5,547,717	5,527,842
Bank fixed deposits	18,876,444	31,653,491
Bank balances	<u>18,751,775</u>	<u>6,907,954</u>
	<u>45,589,000</u>	<u>44,089,287</u>
Denominated in:		
CNY	27,354,700	24,515,358
CAD	-	1,913
HKD	<u>18,234,300</u>	<u>19,572,016</u>
	<u>45,589,000</u>	<u>44,089,287</u>
<u>Current liabilities</u>		
School construction payables	9,811,384	12,707,906
Clinic construction payables	511,776	824,910
Infrastructure payables	277,108	968,703
Accrual	10,000	10,000
Temporary receipt from donors	<u>13,585,176</u>	<u>14,308,509</u>
	24,195,444	28,820,028
<u>Non-current liabilities</u>		
Other loan - unsecured	<u>1,500,000</u>	-
	<u>25,695,444</u>	<u>28,820,028</u>
Denominated in:		
HKD	<u>25,695,444</u>	<u>28,820,028</u>

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**14. 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 / (deficit) for the year.

	<u>2021</u>	<u>2020</u>
	\$	\$
<u>Current assets</u>		
Denominated in:		
CNY	<u>27,354,700</u>	<u>24,515,358</u>
<u>Sensitivity analysis</u>		
Exchange rate	1.1849	1.0909
Increase 100 basis points	1.1967	1.1018
Decrease 100 basis points	1.1731	1.0800
Variance in current assets and exchange difference	<u>273,547</u>	<u>245,154</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 (2020: 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 (2020: 100 basis points) higher / lower and all other variables were held constant, the Association's surplus for the year ended 31 March 2021 would increase / decrease by \$273,547 (2020: \$245,154). This is mainly attributable to the Association's exposure to CNY exchange rate on its current assets.

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**15. 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 2021 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 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform - Phase 2 (amendments) 1 January 2021
Annual Project Improvements	Annual Improvements to HKFRSs 2018-2020 (amendments) 1 January 2022
HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope amendments (amendments) 1 January 2022
HKFRS 16	Covid-19-Related Rent Concessions (amendments) 1 June 2020
HKFRS 16	Covid-19-Related Rent Concessions beyond 2021 (amendments) 1 April 2021
AG 5 (revised)	Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations 1 January 2022
HKAS 1	Classification of Liabilities as Current or Non-current (amendments) 1 January 2023
HKFRS 17	Insurance Contracts (new standard) 1 January 2023
HKFRS 17	Amendments to HKFRS 17 1 January 2023
HK Int 5 (2020)	Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (HK Int 5 (2020)) 1 January 2023

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

		<u>Effective for annual periods beginning on or after</u>
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 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.