

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

REPORTS AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012

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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 for the year ended 31 March 2012.

PRINCIPAL ACTIVITIES

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

RESULTS

The results of the Association for the year ended 31 March 2012 and the state of the Association's affairs at that date are set out in the annexed financial statements.

FUNDS

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

DIRECTORS

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

CHOW Tak Fung
FUNG Wai Yin
KAN Yiu Kwong
LAM Chiu Kow, Frank
LAU Pak Hun
LAU Yat Sing
LI Yin Sang
LUK Mo Ping
LUK Ying Pui, Natalie
TANG Kin Kay
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.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance to which the Association was a party and in which any directors of the Association has a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

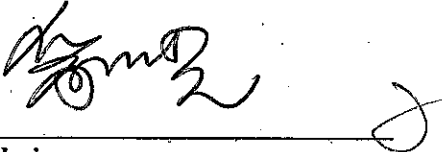
At no time during the year was the Association, a party to any arrangement to enable the directors of the Association to acquire benefits by means of the acquisition of shares in or debentures of the Association or its associated corporation.

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

AUDITORS

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



Chairman
Hong Kong

Date: 15 December 2012



陳郭會計師事務所有限公司

Chan & Kwok CPA Limited

九龍佐敦柯士甸道49號聯業大廈10樓A室 電話: 2311 4655 傳真: 2721 5356
Unit A, 10/F., TAL Building, 49 Austin Road, Jordan, Kowloon. Tel: 2311 4655 Fax: 2721 5356

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

Report on the Financial Statements

We have audited the financial statements of Grace Charity Foundation Limited ("the Association") set out on pages 5 to 14, which comprise the Statement of Financial Position as at 31 March 2012, and the Statement of Comprehensive Income and Expenditure, the Statement of Changes in Funds and the Statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The directors of the Association are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 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. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

continued / ...



陳郭會計師事務所有限公司

Chan & Kwok CPA Limited

九龍佐敦柯士甸道49號聯業大廈10樓A室 電話: 2311 4655 傳真: 2721 5356
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**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
GRACE CHARITY FOUNDATION LIMITED**
(Incorporated in Hong Kong with limited liability by guarantee)

... / *continued*

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Association's affairs as at 31 March 2012 and of its surplus, changes in reserves and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Companies Ordinance.

Chan & Kwok

Chan & Kwok CPA Limited

Certified Public Accountants (Practising)

Engagement Director – Kwok Lai Ngor

Practicing Certificate Number: P04322

Hong Kong, 15 December 2012

GRACE CHARITY FOUNDATION LIMITED
(LIMITED BY GUARANTEE)
STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE
FOR THE YEAR ENDED 31 MARCH 2012
(Expressed in Hong Kong Dollars)

	Note	<u>2012</u>	<u>2011</u>
		\$	\$
Income			
Donation received			
School construction		12,922,656	17,871,747
Clinic construction		3,503,950	3,298,125
Schooling and students assistance		9,884,205	6,907,456
Poverty relief		981,601	731,826
Teaching equipment and library books		1,885,062	1,621,550
Water cellars		1,255,000	1,136,560
Administration		14,184	203,311
General activities		228,680	1,615,201
Other specified activities		-	101,998
		<u>30,675,338</u>	<u>33,487,774</u>
Exchange gains		672,863	68,846
Bank interest income		345,483	144,226
Sundry income		66	-
		<u>31,693,750</u>	<u>33,700,846</u>
Expenditure			
Donation utilised			
School construction		13,033,249	17,619,286
Clinic construction		3,503,450	3,292,700
Schooling and students assistance		8,901,896	6,349,789
Poverty relief		1,504,441	771,981
Teaching equipment and library books		2,188,738	1,235,334
Water cellars		1,296,891	1,136,560
General activities		503,887	665,482
Sundry expenses		-	125,230
		<u>30,932,552</u>	<u>31,196,362</u>
Office administration	6	112,538	136,605
		<u>31,045,090</u>	<u>31,332,967</u>
Total expenditure		<u>31,045,090</u>	<u>31,332,967</u>
Surplus for the year		<u>648,660</u>	<u>2,367,879</u>

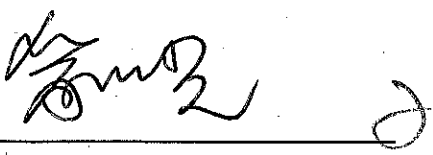
The annexed notes form an integral part of these financial statements.

GRACE CHARITY FOUNDATION LIMITED
(LIMITED BY GUARANTEE)
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2012
(Expressed in Hong Kong Dollars)

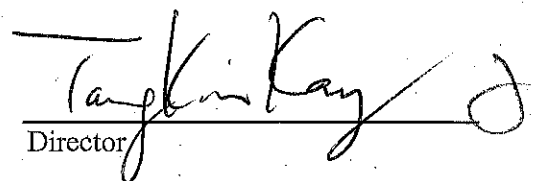
	Note	<u>2012</u>	<u>2011</u>
		\$	\$
Current Assets			
School construction receivables		100,000	192,000
Other receivables		766,965	39,044
Cash and cash equivalents	9	<u>34,523,971</u>	<u>38,256,711</u>
		<u>35,390,936</u>	<u>38,487,755</u>
Less: Current Liabilities			
School construction payables		16,646,948	20,166,929
Clinic construction payables		3,405,573	2,739,750
Schooling and students assistance payables		22,330	97,993
Other payables		10,000	20,000
Temporary receipt from donors	10	<u>7,168,960</u>	<u>7,974,618</u>
		<u>27,253,811</u>	<u>30,999,290</u>
NET ASSETS		<u>8,137,125</u>	<u>7,488,465</u>
RESERVES			
Specific funds	11	<u>8,137,125</u>	<u>7,488,465</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 15 December 2012.



 Director



 Director

GRACE CHARITY FOUNDATION LIMITED
(LIMITED BY GUARANTEE)
STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED 31 MARCH 2012
(Expressed in Hong Kong Dollars)

	School construction fund	Schooling and students assistance fund	Poverty relief fund	Teaching equipment and library books fund	Snow calamity relief fund	Earthquake relief fund	Administration fund	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 April 2010	1,356,337	(141,815)	372,752	1,107,445	31,229	317,093	2,077,545	5,120,586
Surplus / (deficit) for the year	252,461	557,667	(40,155)	407,716	-	-	1,190,190	2,367,879
Balance at 31 March 2011	1,608,798	415,852	332,597	1,515,161	31,229	317,093	3,267,735	7,488,465
Surplus / (deficit) for the year	(110,593)	982,309	(522,840)	(303,676)	-	-	603,460	648,660
Balance at 31 March 2012	1,498,205	1,398,161	(190,243)	1,211,485	31,229	317,093	3,871,195	8,137,125

GRACE CHARITY FOUNDATION LIMITED
(LIMITED BY GUARANTEE)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2012
(Expressed in Hong Kong Dollars)

	Note	<u>2012</u>	<u>2011</u>
		\$	\$
Cash flows from operating activities			
Cash receipts from donors for school construction		13,014,656	17,851,747
Cash receipts from donors for clinic construction		3,503,950	3,298,125
Cash receipts from donors for schooling and students assistance		9,156,284	7,647,723
Cash receipts from donors for poverty relief		981,601	731,826
Cash receipts from donors for teaching equipment and library books		1,885,062	1,643,050
Cash receipts from donors for water cellars		1,255,000	1,136,560
Cash receipts from donors for administration		14,184	162,290
Cash receipts from donors for general donation		228,680	1,615,201
Cash receipts from donors for other specified activities		-	277,519
Cash (paid temporary for) / receipts temporary from donors		(805,658)	4,717,232
Cash paid for school construction		(16,553,230)	(13,993,177)
Cash paid for clinic construction		(2,837,627)	(3,279,200)
Cash paid for schooling and students assistance		(8,977,559)	(6,361,910)
Cash paid for poverty relief		(1,504,441)	(771,981)
Cash paid for purchase of teaching equipment and library books		(2,188,738)	(1,235,334)
Cash paid for water cellars		(1,296,891)	(1,136,560)
Cash paid for administration expenses		(122,538)	(126,605)
Cash paid for general expenses		(503,887)	(665,482)
Cash paid for specified expenses		-	(156,000)
Cash paid for sundry expenses		-	(125,230)
Exchange gains		672,863	68,846
		<u>672,863</u>	<u>68,846</u>
Net cash (used in) / generated from operating activities		<u>(4,078,289)</u>	<u>11,298,640</u>
Cash flows from investing activities			
Interest received		345,483	144,226
Sundry income		66	-
		<u>345,549</u>	<u>144,226</u>
Net cash generated from investing activities		<u>345,549</u>	<u>144,226</u>
Net (decrease) / increase in cash and cash equivalents		(3,732,740)	11,442,866
Cash and cash equivalents at the 1 April		<u>38,256,711</u>	<u>26,813,845</u>
Cash and cash equivalents at the 31 March	9	<u>34,523,971</u>	<u>38,256,711</u>

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

GRACE CHARITY FOUNDATION LIMITED
(LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012
(Expressed in Hong Kong Dollars)

1. GENERAL INFORMATION

Grace Charity Foundation Limited (“the Association”) was incorporated under the Hong Kong Companies Ordinance on 8 December 2000 as a company limited by guarantees and not having a share capital. The liability of each member is limited to the extent of HK\$50. The Association’s registered office is located at Block C, 1/F., Kai Tak Factory Building, 99 King Fuk Street, San Po Kong, Kowloon, Hong Kong.

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

2. STATEMENT OF COMPLIANCE WITH HONG KONG FINANCIAL REPORTING STANDARDS

These financial statements have been prepared in accordance with applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes 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) and accounting principles generally accepted in Hong Kong and disclosure requirements of Hong Kong Companies Ordinance. A summary of significant accounting policies adopted by the Association is set out below.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation of the financial statements

The measurement basis used in preparation of the financial statements is the historical cost basis.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on a going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

**GRACE CHARITY FOUNDATION LIMITED
(LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012
(Expressed in Hong Kong Dollars)**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Impairment

Assets that have an indefinite useful life are not subject to amortization, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(c) Other receivables

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

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and at bank, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(e) Other payables

Other payables is 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.

(f) Revenue Recognition

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.

(g) Taxation

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

**GRACE CHARITY FOUNDATION LIMITED
(LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012
(Expressed in Hong Kong Dollars)**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Foreign currency translation

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

(i) Related parties

For the purpose of these financial statements, parties are considered to be related if the Association has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Association and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Association where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Association or of any entity that is a related party of the Association.

4. FINANCIAL RISK MANAGEMENT

Financial risk management objective and policies

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

Foreign currency risk

The Association does not have any significant exposure to foreign exchange risk. The majority of receivables and payables are denominated in Hong Kong Dollars.

Liquidity risk

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

GRACE CHARITY FOUNDATION LIMITED
(LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012
(Expressed in Hong Kong Dollars)

5. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY

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

Fair values estimation

All financial instruments are carried at amounts not materially different from their fair values as at 31 March 2011 and 2012.

6. ADMINISTRATION EXPENDITURE

	<u>2012</u>	<u>2011</u>
	\$	\$
Auditors' remuneration	10,000	10,000
Bank charges	11,399	12,220
Buildings management fee	19,300	23,894
Cleaning	9,680	10,839
Electricity, gas and water	13,708	12,666
Insurance	5,829	5,829
Office equipment written off	4,531	7,053
Postage and transportation	10,733	4,689
Printing and stationery	7,210	29,883
Rent and rates	-	765
Sundry expenses	7,232	7,450
Telecommunication	12,916	11,317
	<u>112,538</u>	<u>136,605</u>

7. TAXATION

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 (2011: Nil).

**GRACE CHARITY FOUNDATION LIMITED
(LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012
(Expressed in Hong Kong Dollars)**

8. DIRECTORS' EMOLUMENTS

Emoluments of the directors disclosed pursuant to section 161 of the Companies Ordinance are as follows:

	<u>2012</u>	<u>2011</u>
	\$	\$
Fees	-	-
Other emoluments	-	-
Pension costs	-	-
Compensation for loss of the office	-	-
	<u>-</u>	<u>-</u>

9. CASH AND CASH EQUIVALENTS

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

	<u>2012</u>	<u>2011</u>
	\$	\$
Current and saving accounts	6,617,661	8,213,118
Fixed deposit	27,906,310	30,043,593
	<u>34,523,971</u>	<u>38,256,711</u>

10. TEMPORARY RECEIPT FROM DONORS

	<u>2012</u>	<u>2011</u>
	\$	\$
Individual donors	<u>7,168,960</u>	<u>7,974,618</u>

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

GRACE CHARITY FOUNDATION LIMITED
(LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012
(Expressed in Hong Kong Dollars)

11. SPECIFIC FUNDS

School construction fund

To finance the construction of school premises so as to enhance the number of school places and improve the school 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.

Administration fund

To finance the administration expenditure of the company.

Snow calamity relief fund

To offer assistance to pupils and the poor affected by snow calamity.

Earthquake relief fund

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

12. CAPITAL DISCLOSURE

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

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