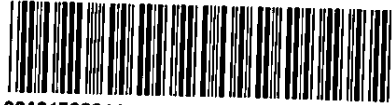


**CERTIFIED
TRUE COPY**

**HARROW INTERNATIONAL SCHOOL
FOUNDATION LIMITED**
Reports and Financial Statements
For the year ended 31 July 2017

CHAN WAI KI
DIRECTOR OF
HARROW INTERNATIONAL SCHOOL FOUNDATION LIMITED



**HARROW INTERNATIONAL SCHOOL FOUNDATION LIMITED
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017**

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HARROW INTERNATIONAL SCHOOL FOUNDATION LIMITED DIRECTORS' REPORT

The directors present their annual report together with the audited financial statements for the year ended 31 July 2017.

1. PRINCIPAL ACTIVITIES

The Foundation is a non-profit making organisation which is engaged in the operation of an international boarding school in Hong Kong.

2. RESULTS AND APPROPRIATIONS

The results of the Foundation for the year ended 31 July 2017 are set out in the statement of income and expenditure on page 7.

3. FUNDS

The movements in funds during the year ended 31 July 2017 are set out in the statement of changes in funds on page 9.

4. DIRECTORS

The directors of the Foundation during the year and up to the date of this report were:

CHAN Wai Ki
MA Chui Fong

All directors retire in accordance with Article 40 of the Foundation's Articles of Association but, being eligible, offer themselves for re-election.

5. DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE FOUNDATION'S BUSINESS

No other transactions, arrangements and contracts of significance in relation to the Foundation's business to which the Foundation was a party and in which the directors of the Foundation had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

**HARROW INTERNATIONAL SCHOOL FOUNDATION LIMITED
DIRECTORS' REPORT**

6. DIRECTORS' INTERESTS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE FOUNDATION OR ANY SPECIFIED UNDERTAKING OF THE FOUNDATION OR ANY OTHER ASSOCIATED CORPORATION

At no time during the year was the Foundation a party to any arrangement to enable the directors of the Foundation (including his spouse and children under 18 years of age) to hold any interests in the shares or underlying shares in, or debentures of, the Foundation or its specified undertakings or other associated corporation.

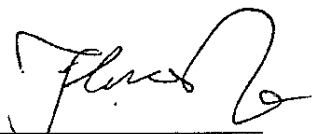
7. MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Foundation were entered into or existed during the year.

8. AUDITOR

The financial statements have been audited by RSM Hong Kong who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board



MA Chui Fong

Hong Kong, 26 February 2018

RSM Hong Kong 中瑞岳華(香港)會計師事務所29th Floor, Lee Garden Two, 28 Yun Ping Road,
Causeway Bay, Hong Kong香港銅鑼灣恩平道二十八號
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**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBER OF
HARROW INTERNATIONAL SCHOOL FOUNDATION LIMITED
(Incorporated in Hong Kong as a company limited by guarantee)**

Opinion

We have audited the financial statements of Harrow International School Foundation Limited (the "Foundation") set out on pages 7 to 31, which comprise the statement of financial position as at 31 July 2017, and the statement of income and expenditure, the 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 Foundation as at 31 July 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Foundation in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), 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.

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBER OF
HARROW INTERNATIONAL SCHOOL FOUNDATION LIMITED
(Incorporated in Hong Kong as a company limited by guarantee)**

Other Information

The directors are responsible for the Other Information. The Other Information comprises all of the information included in the annual report other than the 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 financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, 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.

Responsibilities of Directors for the Financial Statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRSs issued by the IASB, 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 Foundation'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 Foundation or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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. We 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.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBER OF
HARROW INTERNATIONAL SCHOOL FOUNDATION LIMITED
(Incorporated in Hong Kong as a company limited by guarantee)**

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

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.
- 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 Foundation'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 Foundation'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 Foundation 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.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBER OF
HARROW INTERNATIONAL SCHOOL FOUNDATION LIMITED
(Incorporated in Hong Kong as a company limited by guarantee)**

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

We communicate with the directors, 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.

RSM Hong Kong
Certified Public Accountants
Hong Kong

26 February 2018

HARROW INTERNATIONAL SCHOOL FOUNDATION LIMITED
STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED 31 JULY 2017

	Note	<u>2017</u> HK\$	<u>2016</u> HK\$
Income			
Application fees		968,356	1,136,107
School fees and boarding fees	8	229,747,870	214,006,701
Other educational fees and income	9	17,659,037	15,746,628
Other income	10	9,820,029	8,393,102
		<u>258,195,292</u>	<u>239,282,538</u>
Expenditure			
General and administrative expenses		(12,023,338)	(10,501,734)
Other educational expenses		(10,097,584)	(8,201,155)
Allowance for other receivables	16	(215,777)	(766,424)
Catering expenses		(14,097,402)	(13,368,218)
Depreciation	14	(6,933,248)	(6,208,395)
Educational resources expenses		(7,819,320)	(7,528,438)
Maintenance, security and facility management fees		(7,655,200)	(18,780,849)
Royalty and license fees		(7,618,784)	(7,168,623)
Service fees		(33,334,107)	(27,554,842)
Staff costs	12	(133,867,400)	(126,045,635)
Utilities and telephone expenses		(5,606,903)	(5,477,308)
		<u>(239,269,063)</u>	<u>(231,601,621)</u>
Surplus and total comprehensive surplus for the year	12	<u>18,926,229</u>	<u>7,680,917</u>
Representing:			
General fund		11,261,229	1,680,917
Scholarship and financial assistance fund		7,665,000	6,000,000
		<u>18,926,229</u>	<u>7,680,917</u>

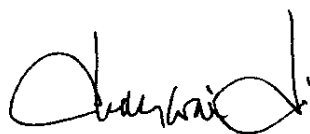
HARROW INTERNATIONAL SCHOOL FOUNDATION LIMITED
STATEMENT OF FINANCIAL POSITION
AT 31 JULY 2017

	Note	<u>2017</u> HK\$	<u>2016</u> HK\$
Non-current assets			
Property, plant and equipment	14	11,631,857	9,811,612
Deposits paid for acquisition of property, plant and equipment		<u>586,422</u>	<u>1,878,097</u>
		<u>12,218,279</u>	<u>11,689,709</u>
Current assets			
Inventories	15	-	681,333
Other receivables	16	4,576,308	7,373,734
Due from related companies	17	31,991	45,766
Bank and cash balances		<u>18,921,298</u>	<u>7,073,036</u>
		<u>23,529,597</u>	<u>15,173,869</u>
Current liabilities			
Fees receipt in advance		26,045,364	23,468,418
Other payables		15,045,558	11,789,129
Funds from parent teacher association	18	327,138	-
Due to related companies	17	<u>11,086,710</u>	<u>27,289,154</u>
		<u>52,504,770</u>	<u>62,546,701</u>
NET CURRENT LIABILITIES		<u>(28,975,173)</u>	<u>(47,372,832)</u>
NET LIABILITIES		<u>(16,756,894)</u>	<u>(35,683,123)</u>
Representing:			
General fund	19	(32,421,894)	(41,683,123)
Scholarship and financial assistance fund	19	<u>15,665,000</u>	<u>6,000,000</u>
TOTAL FUNDS		<u>(16,756,894)</u>	<u>(35,683,123)</u>

Approved by the Board of Directors on 26 February 2018 and are signed on its behalf by:



MA Chui Fong



CHAN Wai Ki

HARROW INTERNATIONAL SCHOOL FOUNDATION LIMITED
STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED 31 JULY 2017

	General fund <u>HK\$</u>	Scholarship and financial assistance fund <u>HK\$</u>	<u>Total</u> <u>HK\$</u>
At 1 August 2015	(43,364,040)	-	(43,364,040)
Total comprehensive surplus for the year	<u>1,680,917</u>	<u>6,000,000</u>	<u>7,680,917</u>
At 31 July 2016 and 1 August 2016	(41,683,123)	6,000,000	(35,683,123)
Total comprehensive surplus for the year	11,261,229	7,665,000	18,926,229
Transfer	<u>(2,000,000)</u>	<u>2,000,000</u>	<u>-</u>
At 31 July 2017	<u>(32,421,894)</u>	<u>15,665,000</u>	<u>(16,756,894)</u>

HARROW INTERNATIONAL SCHOOL FOUNDATION LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 JULY 2017

	<u>2017</u> HK\$	<u>2016</u> HK\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus for the year	18,926,229	7,680,917
Adjustments for:		
Allowance for other receivables	215,777	766,424
Reversal of allowance for trade receivables	(33,270)	(412,097)
Depreciation	6,933,248	6,208,395
Interest income	(10,455)	(6,936)
Loss on disposals of property, plant and equipment	-	4,973
Inventories written off	582,685	-
Operating surplus before working capital changes	26,614,214	14,241,676
Decrease in inventories	98,648	187,685
Decrease/(increase) in other receivables	2,614,919	(1,974,161)
Decrease in due from related companies	13,775	124,702
Increase in fees receipt in advance	2,576,946	2,233,038
Increase/(decrease) in other payables	3,256,429	(3,877,926)
Increase in funds from parent teacher association	327,138	-
Decrease in due to related companies	(16,202,444)	(14,622,242)
Net cash generated from /(used in) operating activities	<u>19,299,625</u>	<u>(3,687,228)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	10,455	6,936
Deposits paid for acquisition of property, plant and equipment	(586,422)	(913,787)
Purchase of property, plant and equipment	<u>(6,875,396)</u>	<u>(7,987,950)</u>
Net cash used in investing activities	<u>(7,451,363)</u>	<u>(8,894,801)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	11,848,262	(12,582,029)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>7,073,036</u>	<u>19,655,065</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>18,921,298</u>	<u>7,073,036</u>
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	<u>18,921,298</u>	<u>7,073,036</u>

HARROW INTERNATIONAL SCHOOL FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017

1. GENERAL INFORMATION

The Foundation was incorporated in Hong Kong as a company with limited liability by guarantee and not having share capital under the Hong Kong Companies Ordinance. The address of its registered office and its principal place of activities is 38 Tsing Ying Road, Tuen Mun, New Territories, Hong Kong.

The Foundation was engaged in the operation of an international boarding school in Hong Kong during the year.

2. GOING CONCERN BASIS

As at 31 July 2017, the Foundation had net current liabilities and net liabilities of HK\$28,975,173 and HK\$16,756,894 respectively. These conditions indicate that the Foundation may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial statements have been prepared on a going concern basis, the validity of which depends upon the financial support of the founder member, at a level sufficient to finance the working capital requirements of the Foundation. The founder member has agreed to provide adequate funds for the Foundation to meet its liabilities as they fall due. The directors are therefore of the opinion that it is appropriate to prepare the financial statements on a going concern basis. Should the Foundation be unable to continue as a going concern, adjustments would have to be made to the financial statements to adjust the value of the Foundation's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets as current assets.

3. BASIS OF PREPARATION

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). IFRSs comprise International Financial Reporting Standards ("IFRS"); International Accounting Standards ("IAS"); and Interpretations. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. These financial statements also comply with the requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Company are disclosed below.

**HARROW INTERNATIONAL SCHOOL FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017**

3. BASIS OF PREPARATION (CONT'D)

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Foundation. Note 4 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Foundation for the current and prior accounting periods reflected in these financial statements.

4. ADOPTION OF NEW AND REVISED INTERNATIONAL / HONG KONG FINANCIAL REPORTING STANDARDS

(a) Application of new and revised IFRSs/HKFRSs

The IASB/HKICPA has issued a number of new and revised IFRSs/HKFRSs that are first effective for annual periods beginning on or after 1 August 2017. None of these developments have had a material effect on how the Foundation's results and financial position for the current or prior periods have been prepared or presented.

Recent IFRS/HKFRS developments which are required to be adopted in annual accounting periods beginning on or after 1 January 2016

Amendments to IAS/HKAS 1 Presentation of Financial Statements: Disclosure Initiative

The amendments to IAS/HKAS 1 clarify, rather than significantly change, existing IAS/HKAS 1 requirements. The amendments clarify various presentation issues relating to:

- Assessment of materiality versus minimum disclosure requirements of a standard.
- Disaggregation of specific line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position. There is also new guidance on the use of subtotals.
- Confirmation that the notes do not need to be presented in a particular order.

HARROW INTERNATIONAL SCHOOL FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017

4. ADOPTION OF NEW AND REVISED INTERNATIONAL / HONG KONG FINANCIAL REPORTING STANDARDS (CONT'D)

(b) New and revised IFRSs/HKFRSs in issue but not yet effective

The Foundation has not early applied new and revised IFRSs/HKFRSs that have been issued but are not yet effective for the financial year beginning 1 April 2016. These new and revised IFRSs/HKFRSs include following which may be relevant to the Foundation

	Effective for accounting periods beginning on or after
Amendments to IAS/HKAS 7 Statement of Cash Flows: Disclosure initiative	1 January 2017
IFRS/HKFRS 9 Financial Instruments	1 January 2018
IFRS/HKFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS/HKFRS 16 Leases	1 January 2019
Amendments to IFRSs / HKFRs: Annual improvements to IFRSs / HKFRSs 2014-2016 Cycle	1 January 2018

The Foundation is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Foundation has identified some aspects of the new standards which may have a significant impact on the financial statements. Further details of the expected impacts are discussed below. As the Foundation has not completed its assessment, further impacts may be identified in due course.

**HARROW INTERNATIONAL SCHOOL FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017**

**4. ADOPTION OF NEW AND REVISED INTERNATIONAL / HONG KONG
FINANCIAL REPORTING STANDARDS (CONT'D)**

(b) New and revised IFRSs/HKFRSs in issue but not yet effective (cont'd)

IFRS/HKFRS 9 Financial Instruments

The standard replaces IAS/HKAS 39 Financial Instruments: Recognition and Measurement.

The standard introduces a new approach to the classification of financial assets which is based on cash flow characteristics and the business model in which the asset is held. A debt instrument that is held within a business model whose objective is to collect the contractual cash flows and that has contractual cash flows that are solely payments of principal and interest on the principal outstanding is measured at amortised cost. A debt instrument that is held within a business model whose objective is achieved by both collecting the contractual cash flows and selling the instruments and that has contractual cash flows that are solely payments of principal and interest on the principal outstanding is measured at fair value through other comprehensive income. All other debt instruments are measured at fair value through profit or loss. Equity instruments are generally measured at fair value through profit or loss. However, an entity may make an irrevocable election on an instrument-by-instrument basis to measure equity instruments that are not held for trading at fair value through other comprehensive income.

The requirements for the classification and measurement of financial liabilities are carried forward largely unchanged from IAS/HKAS 39 except that when the fair value option is applied changes in fair value attributable to changes in own credit risk are recognised in other comprehensive income unless this creates an accounting mismatch.

IFRS/HKFRS 9 introduces a new expected-loss impairment model to replace the incurred-loss impairment model in IAS/HKAS 39. It is no longer necessary for a credit event or impairment trigger to have occurred before impairment losses are recognised. For financial assets measured at amortised cost or fair value through other comprehensive income, an entity will generally recognise 12-month expected credit losses. If there has been a significant increase in credit risk since initial recognition, an entity will recognise lifetime expected credit losses. The standard includes a simplified approach for trade receivables to always recognise the lifetime expected credit losses.

The de-recognition requirements in IAS/HKAS 39 are carried forward largely unchanged.

**HARROW INTERNATIONAL SCHOOL FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017**

**4. ADOPTION OF NEW AND REVISED INTERNATIONAL / HONG KONG
FINANCIAL REPORTING STANDARDS (CONT'D).**

(b) New and revised IFRSs/HKFRSs in issue but not yet effective (cont'd)

HKFRS 9 Financial Instruments (cont'd)

IFRS/HKFRS 9 substantially overhauls the hedge accounting requirements in IAS/HKAS 39 to align hedge accounting more closely with risk management and establish a more principle based approach.

The new expected credit loss impairment model in IFRS/HKFRS 9 may result in the earlier recognition of impairment losses on the Foundation's trade receivables and other financial assets. The Foundation is unable to quantify the impact until a more detailed assessment is completed.

IFRS/HKFRS 15 Revenue from Contracts with Customers

IFRS/HKFRS 15 replaces all existing revenue standards and interpretations.

The core principle of the standard is that an entity recognises revenue to depict the transfer of goods and services to customers in an amount that reflects the consideration to which the entity expects to become entitled in exchange for those goods and services.

An entity recognises revenue in accordance with the core principle by applying a 5-step model:

1. Identify the contract with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when or as the entity satisfies a performance obligation

The standard also includes comprehensive disclosure requirements relating to revenue.

The Foundation is currently assessing the impacts of adopting IFRS/HKFRS 15 on the financial statements. The Foundation is unable to estimate the impact of the new standard on the financial statements until a more detailed analysis is completed.

**HARROW INTERNATIONAL SCHOOL FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017**

**4. ADOPTION OF NEW AND REVISED INTERNATIONAL / HONG KONG
FINANCIAL REPORTING STANDARDS (CONT'D)**

(b) New and revised IFRSs/HKFRSs in issue but not yet effective (cont'd)

IFRS/HKFRS 16 Leases

IFRS/HKFRS 16 replaces IAS/HKAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). IFRS/HKFRS 16 carries forward the accounting requirements for lessors in IAS/HKAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or financing leases.

The Foundation's staff quarters leases are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under IFRS/HKFRS 16 the Foundation may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Foundation's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

As disclosed in note 20, the Foundation's future minimum lease payments under non-cancellable operating leases for its staff quarters amounted to HK\$1,580,516 as at 31 July 2017. The Foundation will need to perform a more detailed assessment in order to determine the new assets and liabilities arising from these operating leases commitments after taking into account the transition reliefs available in IFRS/HKFRS 16 and the effects of discounting.

5. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRSs/HKFRSs requires the use of certain critical accounting estimates. It also requires the management to exercise its judgements in the process of applying the Foundation's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 7.

HARROW INTERNATIONAL SCHOOL FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The significant accounting policies applied in the preparation of these financial statements are set out below.

(a) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Foundation operates (the "functional currency"). The financial statements are presented in Hong Kong dollars, which is the Foundation's functional and presentation currency.

(ii) Transactions and balances in the financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rate prevailing on translation date. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of the reporting period. Gains and losses resulting from this translation policy are recognised in the statement of income and expenditure.

(b) Property, plant and equipment

Property, plant and equipment are stated in the statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Foundation and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in the statement of income and expenditure during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives are as follows:

Leasehold improvements	3 years
Furniture, fixtures and equipment	3 years
Computer	3 years
Motor vehicles	5 years

HARROW INTERNATIONAL SCHOOL FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Property, plant and equipment (cont'd)

The residual values, useful lives and depreciation method are reviewed and adjusted, if necessary, at the end of each reporting period.

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

(c) Operating leases

Leases that do not substantially transfer to the Foundation all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(d) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories is determined using the first-in, first-out basis. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(e) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Foundation becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Foundation transfers substantially all the risks and rewards of ownership of the assets; or the Foundation neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in the statement of income and expenditure.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in the statement of income and expenditure.

**HARROW INTERNATIONAL SCHOOL FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017**

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an financial asset is under a contract whose terms require delivery of the financial assets within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

The Foundation classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortised cost using the effective interest method (except for short-term receivables where interest is immaterial) minus any reduction for impairment or uncollectibility. Typically other receivables, due from related companies, bank balances and cash are classified in this category.

(g) School fees, extra-curricular fees and other receivables

School fees and extra-curricular fees receivables are amounts due from parents for services performed in the ordinary course of business. If collection of school fees, extra-curricular fees and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

School fees, extra-curricular fees and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

(h) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value.

HARROW INTERNATIONAL SCHOOL FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability under IFRSs/HKFRSs. The accounting policies adopted for specific financial liabilities are set out below.

Payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(j) Income recognition

Income is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Foundation and the amount of revenue can be measured reliably.

Application fees income is recognised upon receipt of such fees.

Entry fees income is recognised when the right to receive payment is established.

School fees, boarding fees and other educational fees and income are recognised when the respective services are rendered in the school term in which they are related.

Income from the sales of school uniform is recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Interest income is recognised on a time-proportion basis using the effective interest method.

HARROW INTERNATIONAL SCHOOL FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Foundation contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Foundation and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to statement of income and expenditure represents contributions payable by the Foundation to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Foundation can no longer withdraw the offer of those benefits and when the Foundation recognises restructuring costs and involves the payment of termination benefits.

(l) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the statement of income and expenditure to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

HARROW INTERNATIONAL SCHOOL FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Impairment of non-financial assets (cont'd)

Value in use is the present value of the estimated future cash flows of the asset / cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset / cash-generating unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to income and expenditure to the extent that they reverse the impairment.

(m) Impairment of financial assets

At the end of each reporting period, the Foundation assesses whether its financial assets are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (group of) financial asset(s) have been affected.

For other receivables that are assessed not to be impaired individually, the Foundation assesses them collectively for impairment, based on the Foundation's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on receivables, etc.

Only for other receivables, the carrying amount is reduced through the use of an allowance account and subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in statement of income and expenditure.

For all other financial assets, the carrying amount is directly reduced by the impairment loss.

For financial assets measured at amortised cost, if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed (either directly or by adjusting the allowance account for other receivables) through statement of income and expenditure. However, the reversal must not result in a carrying amount that exceeds what the amortised cost of the financial asset would have been had the impairment not been recognised at the date the impairment is reversed.

**HARROW INTERNATIONAL SCHOOL FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017**

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Foundation has a present legal or constructive obligation arising as a result of a past event, 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 obligation.

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.

(o) Events after the reporting period

Events after the reporting period that provide additional information about the Foundation's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

6. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements related to going concern basis that have the most significant effect on the amounts recognised in the financial statements. These financial statements have been prepared on a going concern basis, the validity of which depends upon the financial support of the founder member at a level sufficient to finance the working capital requirements of the Foundation. Details are explained in note 2 to the financial statements.

HARROW INTERNATIONAL SCHOOL FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017

6. CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONT'D)

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are related to allowance for other receivables. The Foundation makes allowance for other receivable based on assessments of the recoverability of the other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts, in particular of a loss event, requires the use of judgments and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the other receivables and allowance for other receivables in the year in which such estimate has been changed.

As at 31 July 2017, allowance for other receivables amounted to HK\$1,089,900 (2016: HK\$907,393).

7. FINANCIAL RISK MANAGEMENT

The Foundation's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Foundation's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Foundation's financial performance.

(a) Foreign currency risk

The Foundation has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in Hong Kong dollars.

The Foundation currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Foundation will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

HARROW INTERNATIONAL SCHOOL FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017

7. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk

The Foundation's credit risk is primarily attributable to its bank and cash balances, other receivables and due from related companies. In order to minimise credit risk, the directors of the Foundation review the recoverable amount of each individual debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the directors of the Foundation consider that the Foundation's credit risk is significantly reduced.

The Foundation has no significant concentrations of credit risk.

The credit risk on bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

Amounts due from related companies are closely monitored by the directors.

(c) Liquidity risk

The Foundation's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

As at 31 July 2017 and 2016, the Foundation's financial liabilities are matured less than one year.

(d) Interest rate risk

As the Foundation has no significant interest-bearing assets and liabilities, the Foundation's operating cash flows are substantially independent of changes in market interest rates.

(e) Categories of financial instruments at 31 July

	<u>2017</u> HK\$	<u>2016</u> HK\$
Financial assets:		
Loans and receivables (including cash and cash equivalents)	<u>21,639,371</u>	<u>10,853,506</u>
Financial liabilities:		
Financial liabilities at amortised cost	<u>23,610,009</u>	<u>37,212,613</u>

HARROW INTERNATIONAL SCHOOL FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017

7. FINANCIAL RISK MANAGEMENT (CONT'D)

(f) Fair values

The carrying amount of the Foundation's financial assets and financial liabilities as reflected in the statement of financial position approximately their respective fair values.

8. SCHOOL FEES AND BOARDING FEES

	<u>2017</u> HK\$	<u>2016</u> HK\$
School fees	205,199,412	190,189,667
Boarding fees	31,546,464	30,858,039
	<u>236,745,876</u>	<u>221,047,706</u>
Net of provision for remissions, discounts, bursaries and scholarships	<u>(6,998,006)</u>	<u>(7,041,005)</u>
	<u>229,747,870</u>	<u>214,006,701</u>

9. OTHER EDUCATIONAL FEES AND INCOME

Other educational fees and income represents fees for extra-curricular activities, school meals and other educational equipments, as well as income received from sales of school uniform and other sundry educational income.

10. OTHER INCOME

	<u>2017</u> HK\$	<u>2016</u> HK\$
Interest income	10,455	6,936
Exchange gains	306,184	257,574
Income from events held for parents and teachers	-	348,780
Donations received, of which HK\$7,665,000 (2016: HK\$6,000,000) were received from a related company (note 22)	8,599,222	6,617,124
Reversal of allowance for other receivables	33,270	412,097
Sundry income	870,898	750,591
	<u>9,820,029</u>	<u>8,393,102</u>

HARROW INTERNATIONAL SCHOOL FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017

11. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax is required since the Foundation, being a charitable organisation, is exempt from tax under Section 88 of the Inland Revenue Ordinance (Cap.112).

12. SURPLUS FOR THE YEAR

The Foundation's surplus for the year is stated after charging/(crediting) the following:

	<u>2017</u> HK\$	<u>2016</u> HK\$
Auditor's remuneration	226,389	183,825
Cost of school uniform sold	98,648	187,685
Depreciation	6,933,248	6,208,395
Loss on disposals of property, plant and equipment	-	4,973
Operating lease charges	10,752,705	8,481,065
Staff costs		
Salaries, bonus and other benefits	130,981,582	123,528,208
Retirement benefits scheme contributions	2,885,818	2,517,427
	133,867,400	126,045,635
Allowance for other receivables	215,777	766,424
Reversal of allowance for other receivables	(33,270)	(412,097)
Write off obsolete inventories	582,685	-
	<u>582,685</u>	<u>-</u>

Staff costs includes operating lease charges of HK\$10,752,705 (2016: HK\$8,481,065) which are also included in the amounts disclosed separately above.

HARROW INTERNATIONAL SCHOOL FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017

13. BENEFITS AND INTERESTS OF DIRECTORS

(a) Director's emoluments

No director of the Foundation received any fees or emoluments in respect of his services rendered to the Foundation during the year (2016: Nil).

(b) Director's material interests in transactions, arrangements or contracts

No significance transactions, arrangements and contracts in relation to the Foundation's business to which the Foundation was a party and in which the director of the Foundation and the director's connected party had a material interest, whether directly and indirectly, subsisted at the end of the year or at any time during the year.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$	Furniture, fixtures and equipment HK\$	Computer HK\$	Motor vehicles HK\$	Total HK\$
Cost					
At 1 August 2015	1,711,602	11,496,105	1,535,045	450,476	15,193,228
Additions	3,434,027	3,248,810	1,014,613	290,500	7,987,950
Disposals	-	(13,046)	-	-	(13,046)
At 31 July 2016	5,145,629	14,731,869	2,549,658	740,976	23,168,132
Additions	2,943,435	4,300,210	1,509,848	-	8,753,493
Disposals	-	(1,900)	(29,104)	-	(31,004)
At 31 July 2017	8,089,064	19,030,179	4,030,402	740,976	31,890,621
Accumulated depreciation					
At 1 August 2015	672,948	5,479,698	733,267	270,285	7,156,198
Charge for the year	1,249,570	4,244,023	566,606	148,196	6,208,395
Disposals	-	(8,073)	-	-	(8,073)
At 31 July 2016	1,922,518	9,715,648	1,299,873	418,481	13,356,520
Charge for the year	2,085,977	3,904,865	794,209	148,197	6,933,248
Disposals	-	(1,900)	(29,104)	-	(31,004)
At 31 July 2017	4,008,495	13,618,613	2,064,978	566,678	20,258,764
Carrying amount					
At 31 July 2017	4,080,569	5,411,566	1,965,424	174,298	11,631,857
At 31 July 2016	3,223,111	5,016,221	1,249,785	322,495	9,811,612

HARROW INTERNATIONAL SCHOOL FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017

15. **INVENTORIES**

	<u>2017</u> HK\$	<u>2016</u> HK\$
School uniform	-	681,333

16. **OTHER RECEIVABLES**

	<u>2017</u> HK\$	<u>2016</u> HK\$
School fees and extra-curricular fees receivables	1,774,182	2,431,386
Prepayments, deposits and other receivables	3,892,026	5,849,741
	5,666,208	8,281,127
Less: allowance for other receivables	(1,089,900)	(907,393)
	<u>4,576,308</u>	<u>7,373,734</u>

As at 31 July 2017, an allowance was made for estimated irrecoverable receivables for the school fees and extra-curricular fees of approximately HK\$1,089,900 (2016: HK\$907,393).

Reconciliation of allowance for other receivables:

	<u>2017</u> HK\$	<u>2016</u> HK\$
At 1 August	907,393	553,066
Allowance for the year	215,777	766,424
Reversals	(33,270)	(412,097)
At 31 July	<u>1,089,900</u>	<u>907,393</u>

17. **DUE FROM / (TO) RELATED COMPANIES**

The amounts due are unsecured, interest free and have no fixed repayment terms.

HARROW INTERNATIONAL SCHOOL FOUNDATION LIMITED
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18. FUNDS FROM PARENT TEACHER ASSOCIATION

The balance represents surplus funds from the association's activities which cannot be used at the sole discretion of the Foundation. The Foundation is obliged to refund the unused balance to the association when required. Income and expenditure of the association's activities are directly debited and credited to the account.

	<u>2017</u> <u>HKS</u>
At 1 August	-
Surplus/(deficit) on the association's activities:	
Curry and Quiz Night	2,761
Long Ducker	132,415
Friend of Harrow Ball	192,309
Others activities	2,880
Funds used in association's operation	<u>(3,228)</u>
At 31 July	<u>327,137</u>

The balance of funds from the parent teacher association is included in bank and cash balances of the Foundation as at 31 July 2017.

19. FUNDS

The amounts of the Foundation's funds and movements therein are presented in the statement of income and expenditure and statement of changes in funds.

General fund comprises income and expenditure applicable to the delivery of the educational programmes offered by the Foundation and the capital needs of the Foundation for facilities, infrastructure and major property, plant and equipment. This fund includes income attributable to school and boarding fees.

Scholarship and financial assistance fund is reserved for scholarship and financial assistance payment to award students of the Foundation.

Pursuant to the service agreement between the Foundation and the Government, the Foundation shall set aside an amount of its total school fee income to provide scholarships and other financial assistance for award students. During the year, the Foundation utilized HK\$6,998,006 (2016: HK\$7,041,005) to provide scholarship and other financial assistance for award students.

HARROW INTERNATIONAL SCHOOL FOUNDATION LIMITED
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20. LEASE COMMITMENTS

At 31 July 2017 the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	<u>2017</u> HK\$	<u>2016</u> HK\$
Within one year	<u>1,580,516</u>	<u>1,077,806</u>

Operating lease payments represent rentals payable by the Foundation for its staff quarters. The lease is negotiated for a term of two years (2016: two years) and rentals is fixed over the lease term and do not include contingent rentals.

21. CAPITAL COMMITMENTS

The Foundation's capital commitments at the end of the reporting period are as follows:

	<u>2017</u> HK\$	<u>2016</u> HK\$
Property, plant and equipment Contracted but not provided for	<u>637,404</u>	<u>1,325,775</u>

22. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the financial statements, the Foundation had the following transactions with its related parties during the year.

		<u>2017</u> HK\$	<u>2016</u> HK\$
Service fees charged by a related company	(i)	33,334,107	27,554,842
Donations received from a related company		<u>7,665,000</u>	<u>6,000,000</u>

- (i) Foundation pays a service fee to a related company who provides technical advice and assistance and services to support the Foundation from establishment to operation of the international boarding school. Such fees are agreed at a basis of certain income received less debt repayment for the Foundation.

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