

Report of the Directors and Audited Financial Statements

SOWERS ACTION

苗圃行動

30 June 2020

SOWERS ACTION
苗圃行動

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REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of Sowers Action (the "Company") for the year ended 30 June 2020.

Principal activity

The principal activity of the Company was engaged in funds raising to support the operations of the Education Program and Children Welfare in the People's Republic of China (the "PRC") or elsewhere. There was no significant changes in the nature of the Company's principal activity during the year.

Results

The Company's profit for the year ended 30 June 2020 and the Company's financial position at that date are set out in the financial statements on pages 8 to 40.

Director

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

Cheung Man Kwong

Ching Shuk Ying, Vanessa (Vice Chairman)

Lee Lap Kuen

Lee Yan Kit (Vice Chairman)

Mo Sik Keung

Pak Paul (Vice Chairman)

Chan Pui Yee (Retired and reappointed on 20 October 2019)

Ho Ngai Leung (Chairman) (Retired and reappointed on 20 October 2019)

Cheng Hon Fan, Alex (Retired on 20 October 2019)

In accordance with Article 55(b) of the New Articles of Association, Lee Lap Kuen, Lee Yan Kit and Ching Shuk Ying, Vanessa will retire but eligible for re-election.

Permitted indemnity

During the year ended 30 June 2020, a permitted indemnity provision as defined in the Hong Kong Companies Ordinance was in force for an indemnity against a liability incurred by directors of the Company, to a third party.

REPORT OF THE DIRECTORS (continued)

Business review

Moving Forward Against The Storm

Sowers Action faced unprecedented challenges and adversities this past year. Social unrest in Hong Kong and the worldwide social and economic impact brought on by Coronavirus disease 2019 ("COVID-19") have severely curtailed our donation income and ability to implement programmes. Because of virus-imposed quarantines, many fundraising activities and programmes have inevitably been cancelled, thereby limiting our source of income and ability to provide relief for much deserving causes. Despite that, we at Sowers Action continue to work tirelessly and relentlessly, seek opportunities in crisis, always forging ahead to achieve our mission and vision.

Programmes & Fundraising

In June 2019, Sowers Action amended its Articles and adopted our current Vision "We sustain a Better Wealth Equality World", and expanded our scope to providing community services. Last year, we furthered our work in Myanmar, in addition to providing education subsidies and children welfare, we embarked on sustainable development projects in solar power deep submersible pump well to provide safe potable water for drought stricken communities, providing relief to thousands of students and village residents. Moreover, we installed 791 solar power generators and equipment in 227 schools, these included solar panels, classroom lighting, and multimedia educational tools to improve the education environment that, in turn, motivated learning. Our success in this region relies entirely on your generous donations; your trusts in us to deliver solutions are much appreciated and the biggest source of encouragement. At the end of 2019, we have stepped a foot in Nepal and are in the process of developing education and children welfare programmes.

During this COVID pandemic, we have helped to combat the virus both here in Hong Kong and in the mainland. In Hong Kong, we provided 20,000 prevention packs (face masks, rice, hand sanitizer) to 2,000 needy persons and families – live alone elderlies, low-income families and students, and persons with disabilities. We also introduced a computer assistance scheme, Walk with Children – Computer Donation Programme, to assist over 100 low-income family students to enable internet learning. In addition, we held several outdoor activities, such as country-side clean up and marathon, with the aim to combat the epidemic by heading outdoors. In China, we purchased and furnished medical supplies for the 3 Yunnan Children's Home and the Guangxi Hua Guang Girls High School, which we sponsor and operate as well as for medical staff in various hospitals in Myanmar.

Fundraising activities were severely impacted this past year. Our signature events in the second half of the year – Walk to Guangzhou, Ancient Tea-Horse Route Expedition and Charity Golf Tournament – have all been either cancelled or postponed. Fortunately, the Hong Kong based Challenging 12 Hours was held as planned, and has received Title and Section sponsorships from the Success Finance Group and the Lippo Group, respectively. Through relentless hard work from our fundraising team and your generous sponsorships, events of the first half – Long March for Education, Cycling for Education, Walk for Children and Sending Love– all yielded good results. We are sincerely grateful and touched.

REPORT OF THE DIRECTORS (continued)

Business review (continued)

Doing Our Best Financially in Challenging Times

As compared to last fiscal year, donation this year fell by 32.5% to HK\$25,031,426. Going forward, how we encourage Hong Kong to "Think Globally and Act Locally" remains a challenge.

Outlook Seeking Opportunities in Crisis

We foresee that in the upcoming year, COVID-19 pandemic will continue to have adverse impact on societies; as such, most programme and fundraising activities outside of Hong Kong are unlikely to be carried out in the usual fashion. Therefore, we will have to adjust the traditional way of executing and following-up, instead of going on site and in person, we will now work with long term and trustworthy local partners, relying on remote communication and frequent coordination. As to programmes in the mainland, our Yunnan office will continue to manage their project execution and follow-ups.

We plan to expand our works in Hong Kong serving low-income families and ethnic minorities. If conditions permit, we will be launching services, in Madagascar as well as furthering our sustainable projects in Myanmar and Nepal. At the same time, establishing and registering a local company jointly with local volunteers and hence a local Non-governmental Organisation ("NGO") in Myanmar is in our plan; and depending on future achievements, we aim to transform ourselves into an international NGO.

"There is no rain that will not stop, the sky will clear and the sun will shine again. If we take from one another, there will never be enough. If we share with each other, there will be more than enough." During this difficult period, Sowers Action will walk with Hong Kong in facing its challenges to follow the path of recovery. We sincerely plead with and hope for your continued support to shine, serving the needy populations in developing countries and the world over. With your help, we can and will always do our very best to improve education, children and general welfare in order to afford everyone equal access to education, achieve personal dignity and live equitably under the same blue sky.

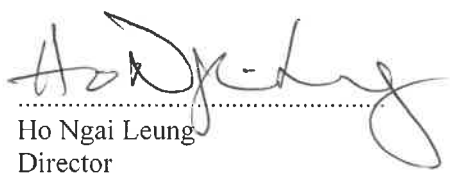
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REPORT OF THE DIRECTORS (continued)

Auditors

Subsequent to the year ended 30 June 2020, Messrs. Deloitte Touche Tohmatsu resigned as auditors of the Company and Ernst & Young were appointed by the directors to fill the casual vacancy so arising. A resolution for the reappointment of Ernst & Young as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD



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Ho Ngai Leung
Director

Hong Kong
16 October 2020

Independent auditor's report**To the board of directors of Sowers Action 苗圃行動**

(Incorporated in Hong Kong with limited liability by guarantee)

Opinion

We have audited the financial statements of Sowers Actions (the "Company") set out on pages 8 to 40, which comprise the statement of financial position as at 30 June 2020, and the statement of profit or loss and other comprehensive income, the statement of changes in equity 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 Company as at 30 June 2020, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company 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.

Information other than the financial statements and auditor's report thereon

The director is responsible for the other information. The other information comprises the information included in the report of the director.

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.

Independent auditor's report (continued)

To the board of director of Sowers Action 苗圃行動

(Incorporated in Hong Kong with limited liability by guarantee)

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. Our report is made 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's 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 HKSA's, we exercise professional judgement and maintain professional scepticism 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the director.
- Conclude on the appropriateness of the director's uses 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 Company'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 Company 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 (continued)

To the board of director of Sowers Action 苗圃行動

(Incorporated in Hong Kong with limited liability by guarantee)

Auditor's responsibilities for the audit of the financial statements (continued)

We communicate with the 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.

Certified Public Accountants

Hong Kong

16 October 2020

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 30 June 2020

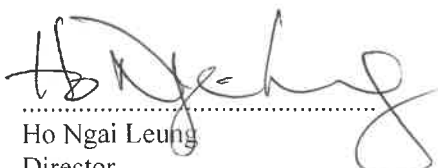
	Notes	2020 HK\$	2019 HK\$
REVENUE			
Donations	5	23,193,672	33,836,981
Other income and loss, net	5	<u>1,837,754</u>	<u>3,239,719</u>
		<u>25,031,426</u>	<u>37,076,700</u>
EXPENDITURE			
Administration	6	1,996,936	2,026,917
Exchange loss, net		2,151,514	6,904,098
Fund raising	7	1,530,963	1,454,783
Public education	8	33,833,579	34,546,747
Interest on lease liability		<u>10,879</u>	<u>-</u>
		<u>39,523,871</u>	<u>44,932,545</u>
DEFICIT BEFORE TAX	9	(14,492,445)	(7,855,845)
Income tax	11	<u>-</u>	<u>-</u>
DEFICIT AND TOTAL COMPREHENSIVE EXPENSES FOR THE YEAR		<u>(14,492,445)</u>	<u>(7,855,845)</u>

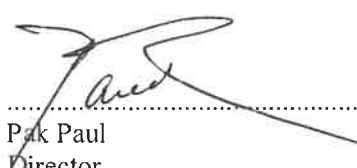
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STATEMENT OF FINANCIAL POSITION

30 June 2020

	Notes	2020 HK\$	2019 HK\$
NON-CURRENT ASSETS			
Investment property	12	1	1
Plant and equipment	13	72,607	107,185
Right-of-use assets	14	<u>671,040</u>	<u>-</u>
Total non-current assets		<u>743,648</u>	<u>107,186</u>
CURRENT ASSETS			
Prepayments, other receivables and deposits	15	742,986	1,414,954
Financial assets at fair value through profit or loss	16	1,482,000	-
Cash and cash equivalents	17	<u>67,540,092</u>	<u>83,682,626</u>
Total current assets		<u>69,765,078</u>	<u>85,097,580</u>
CURRENT LIABILITIES			
Other payables and accruals	18	93,636	70,550
Deferred income	19	764,856	1,583,713
Lease liability	14	<u>322,591</u>	<u>-</u>
Total current liabilities		<u>1,181,083</u>	<u>1,654,263</u>
NET CURRENT ASSETS		<u>68,583,995</u>	<u>83,443,317</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>69,327,643</u>	<u>83,550,503</u>
NON-CURRENT LIABILITIES			
Lease liability	14	<u>269,585</u>	<u>-</u>
Net assets		<u>69,058,058</u>	<u>83,550,503</u>
Funds		<u>69,058,058</u>	<u>83,550,503</u>


Ho Ngai Leung
Director


Pak Paul
Director

SOWERS ACTION
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STATEMENT OF CHANGES IN FUNDS
Year ended 30 June 2020

	Chinese education fund HK\$	Administration fund HK\$	Development fund HK\$	Overseas fund HK\$	Children's home fund HK\$	Disaster relief fund HK\$	Project fund HK\$	Perpetual education aid fund HK\$	Perpetual operation fund HK\$	Total HK\$
At 1 July 2018	47,625,442	6,124,793	11,578,713	9,235,517	8,523,018	3,804,179	2,985,566	1,517,871	11,249	91,406,348
Surplus/(deficit) for the year and total comprehensive expenses for the year	(16,314,256)	(542,188)	1,710,125	(979,290)	-	(263,086)	8,638,464	(104,900)	(714)	(7,855,845)
Transfer to/(from) the fund (note)	-	2,000,000	(2,000,000)	-	-	-	-	-	-	-
At 30 June 2019 and 1 July 2019	31,311,186	7,582,605	11,288,838	8,256,227	8,523,018	3,541,093	11,624,030	1,412,971	10,535	83,550,503
Surplus/(deficit) for the year and total comprehensive expenses for the year	(13,491,795)	(1,952,260)	1,151,207	(3,646,076)	-	(98,100)	3,621,770	(76,929)	(262)	(14,492,445)
Transfer to/(from) the fund (note)	8,523,018	-	(3,000,000)	17,000,000	(8,523,018)	-	(14,000,000)	-	-	-
At 30 June 2020	26,342,409	5,630,345	9,440,045	21,610,151	-	3,442,993	1,245,800	1,336,042	10,273	69,058,058

Note: During the year ended 30 June 2020, project fund of HK\$14,000,000 and development fund of HK\$3,000,000 were transferred to the overseas fund upon the directors' approval dated 15 May 2020 and children's home fund of HK\$8,523,018 was transferred to the Chinese education fund upon the directors' approval dated 20 September 2019.

During the year ended 30 June 2019, development fund of HK\$2,000,000 were transferred to the administration fund upon the directors' approval dated 21 December 2018.

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STATEMENT OF CASH FLOWS

Year ended 30 June 2020

	Notes	2020 HK\$	2019 HK\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Net expenditure for the year		(14,492,445)	(7,855,845)
Adjustments for:			
Interest on lease liability		10,879	-
Depreciation of property, plant and equipment	9	44,775	51,603
Depreciation of right-of-use assets	9	295,257	-
Dividend income	5	(75,655)	-
Fair value loss on financial assets at fair value through profit or loss		191,000	-
Interest income	5	(1,565,439)	(2,573,541)
		(15,591,628)	(10,377,783)
Decrease in payments, other receivables and deposits		589,468	217,351
Increase/(decrease) in other payables and accruals		23,086	(56,222)
(Decrease)/increase in deferred income		(818,857)	388,433
Cash used in operations		(15,797,931)	(9,828,221)
Interest element on lease liability		(10,879)	-
Net cash flows used in operating activities		(15,808,810)	(9,828,221)
CASH FLOW USED IN A FINANCING ACTIVITY			
Principal portion of lease payment		(291,621)	-
CASH FLOW FROM INVESTING ACTIVITIES			
Dividend received		75,655	-
Interest received		1,565,439	2,573,541
Purchase of items of property, plant and equipment		(10,197)	(9,490)
Purchase of financial assets at fair value through profit or loss		(1,673,000)	-
Placement in bank deposits with maturity over three months		(11,776,998)	-
Cash flow (used in)/generated from investing activities		(11,819,101)	2,564,051
NET DECREASE IN CASH AND CASH EQUIVALENTS			
		(27,919,532)	(7,264,170)
Cash and cash equivalents at beginning of year		83,682,626	90,946,796
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>55,763,094</u>	<u>83,682,626</u>

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STATEMENT OF CASH FLOWS (continued)

Year ended 30 June 2020

	2020 HK\$	2019 HK\$
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS		
Non-pledged time deposits with original maturity of less than three months when acquired	46,721,567	63,572,134
Cash and bank balances	<u>20,818,525</u>	<u>20,110,492</u>
Cash and cash equivalents as stated in the statement of financial position	67,540,092	83,682,626
Less: Non-pledged time deposits with original maturity over three months	<u>(11,776,998)</u>	<u>-</u>
Cash and cash equivalents as stated in the statement of cash flows	<u><u>55,763,094</u></u>	<u><u>83,682,626</u></u>

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NOTES TO FINANCIAL STATEMENTS

30 June 2020

1. CORPORATE INFORMATION

Sowers Action (the "Company") is a limited liability by guarantee incorporated in Hong Kong. The registered office and principal place of the Company is located at Unit no. 101, 1/F Sunbeam Plaza, 1155 Canton Road, Kowloon, Hong Kong.

The principal activity of the Company was engaged in funds raising to support the operations of the Education Program and Children Welfare in the People's Republic of China (the "PRC") or elsewhere.

2.1 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all 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 Hong Kong Companies Ordinance.

2.2 BASIS OF PREPARATION

These financial statements have been prepared under the historical cost convention, except for equity investments which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK\$") which is also the Company's functional currency.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Company has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 16	<i>Leases</i>
Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i>
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for the amendments to HKFRS 9, HKAS 19 and HKAS 28, HK(IFRIC)-Int 23 and *Annual Improvements to HKFRSs 2015-2017 Cycle*, which are not relevant to the preparation of the Company's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

30 June 2020

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases - Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for one recognition exemption. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17.

The Company has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 July 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 July 2019, and the comparative information for 2019 was not restated and continued to be reported under HKAS 17 and related interpretations.

New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Company elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 July 2019.

As a lessee – Lease previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Company has lease contracts for office. As a lessee, the Company previously classified lease as either finance lease or operating lease based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Company. Under HKFRS 16, the Company applies a single approach to recognise and measure right-of-use assets and lease liability for all leases, except for one elective exemption for lease with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expense under operating lease on a straight-line basis over the lease term commencing from 1 July 2019, the Company recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liability (as finance costs).

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NOTES TO FINANCIAL STATEMENTS

30 June 2020

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

HKFRS 16 *Leases* (continued)

As a lessee – Leases previously classified as operating leases (continued)

Impact on transition

Lease liabilities at 1 July 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 July 2019. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 July 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Company elected to present the right-of-use assets separately in the statement of financial position.

The Company has used the following elective practical expedient when applying HKFRS 16 at 1 July 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

Financial impact at 1 July 2019

The adoption has had no impact on the Company's financial position and equity at 1 July 2019. The lease liability as at 1 July 2019 reconciled to the operating lease commitments as at 30 June 2019 are as follows:

	HK\$
Operating lease commitments as at 30 June 2019	225,502
Less: Commitments relating to short-term lease and those lease with a remaining lease term ending on or before 30 June 2020	(225,502)
Lease liability as at 1 July 2019	-

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NOTES TO FINANCIAL STATEMENTS

30 June 2020

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Company has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	<i>Definition of a Business</i> ¹
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i> ¹
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
HKFRS 17	<i>Insurance Contracts</i> ²
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i> ¹

¹ Effective for annual periods beginning on or after 1 July 2020

² Effective for annual periods beginning on or after 1 July 2021

³ No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Company is as described below.

Amendments to HKAS 1 and HKAS 8 *Definition of Material*

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Company expects to adopt the amendments prospectively from 1 July 2020. The amendments are not expected to have any significant impact on the Company's financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair value measurement

The Company measures its equity investments at fair value at the end of each reporting period. 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

NOTES TO FINANCIAL STATEMENTS

30 June 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and 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, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation), had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

NOTES TO FINANCIAL STATEMENTS

30 June 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Company if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of the key management personnel of the Company or of a parent of the Company;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Company are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Company are joint ventures of the same third party;
 - (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 Company or an entity related to the Company;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the parent of the Company.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

NOTES TO FINANCIAL STATEMENTS

30 June 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Over the shorter of the lease term or 20%
Furniture and equipment	20% - 25%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment property

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset (2019: leasehold property under an operating lease) which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the straight-line basis over the lease terms.

Any gains or losses on the retirement or disposal of an investment property are recognised in the profit or loss in the year of the retirement or disposal.

Lease (applicable from 1 July 2019)

The Company assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The Company applies a single recognition and measurement approach for all lease, except for short-term lease and. The Company recognises lease liability to make lease payments and right-of-use assets representing the right to use the underlying assets.

NOTES TO FINANCIAL STATEMENTS

30 June 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (applicable from 1 July 2019) (continued)

Company as a lessee (continued)

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Office premise	3 years
----------------	---------

(b) Lease liability

Lease liability is recognised at the commencement date of the lease at the present value of lease payment to be made over the lease term. The lease payment includes fixed payments (including in-substance fixed payments)

In calculating the present value of lease payment, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liability is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liability is remeasured if there is a modification, a change in the lease term, a change in lease payment (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term lease

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those lease that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

NOTES TO FINANCIAL STATEMENTS

30 June 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Lease (applicable from 1 July 2019) (continued)

Company as a lessor

When the Company acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its lease as either an operating lease or a finance lease.

Lease in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset is classified as operating lease. When a contract contains lease and non-lease components, the Company allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Lease (applicable before 1 July 2019)

Lease where substantially all the rewards and risks of ownership of assets remain with the lessor is accounted for as operating lease. Where the Company is the lessee, rentals payable under the operating lease net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Financial assets

All financial assets are initially recognised at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss. Regular way purchases and sales of financial assets are recognised on the trade date, that is, the date when the Company commits to purchase or sell the assets.

(a) Classification and measurement

Debt instruments are measured at amortised cost using the effective interest rate method, subject to impairment if the assets are held for the collection of contractual cash flows where those contractual cash flows represent solely payments of principal and interest.

Equity investments are measured at fair value through profit or loss unless, on initial recognition, the Company has irrevocably elected to designate such investments that are not held for trading as equity investments at fair value through other comprehensive income. Dividends of such investments are recognised in profit or loss when the Company's right to receive payment is established. Changes in the fair value of such investments are recognised in other comprehensive income and are never recycled to profit or loss even when the assets are sold.

NOTES TO FINANCIAL STATEMENTS

30 June 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

(b) Impairment

The Company applies the expected credit loss model on all the financial assets that are subject to impairment, financial guarantee contracts, contract assets under HKFRS 15 and lease receivables under HKFRS 16.

For other financial assets, impairment allowances are recognised under the general approach where expected credit losses are recognised in two stages. For credit exposures where there has not been a significant increase in credit risk since initial recognition, the Company is required to provide for credit losses that result from possible default events within the next 12 months. For those credit exposures where there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure irrespective of the timing of the default.

The Company considers a default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more appropriate default criterion should be applied.

(c) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets have expired; or where the Company has transferred its contractual rights to receive the cash flows of the financial assets and has transferred substantially all the risks and rewards of ownership; or where control is not retained.

Financial liabilities

Financial liabilities include accruals and other monetary liabilities. They are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, they are subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities are derecognised when they are extinguished, i.e., when the obligation is discharged or cancelled, or expires.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Company's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

NOTES TO FINANCIAL STATEMENTS

30 June 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Grants from government or third parties

Governmental grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Governmental grants received for which related expenditure not yet been undertaken are included in deferred income in the statement of financial position.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Company and when the revenue can be measured reliably, donations, on a cash basis in the period in which the donations are received.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

Deferred income

Contribution (not including donations for education) received prior to the commencement and completion of a project is deferred. Upon completion of the project, the contribution net of related expenses incurred for the project is credited or charged to profit or loss.

Long March for Education Project is an activity jointly hosted by the Company and China Youth Development Foundation. The income or expenditure arising from contribution for administrative expenditure and the related administrative expenses incurred prior to the completion of this activity is deferred and will be recognised to profit or loss when activity is completed.

Employee benefits

Pension scheme

The Company operates a defined contribution mandatory provident fund scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rule of MPF Scheme. The assets of the MPF Scheme are held separately from those of the Company in an independently administered fund. The Company's employer contributions vest fully with the employees when contributed into the MPF Scheme.

NOTES TO FINANCIAL STATEMENTS

30 June 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Foreign currency transactions recorded by the Company are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Borrowing costs

Borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Fund movement

The Company has chosen to present the results and financial position of the Company attributable to different funds as follows.

Chinese education fund

The purpose of the Chinese education is to support and finance the development of the education and children welfare program in the PRC.

Administration fund

The purpose of the administration fund is to finance the operational costs of the Company.

Development fund

The purpose of the development fund is to finance the development of the education and children welfare program in the PRC or elsewhere and the administrative expenditure of the Company.

Oversea fund

The purpose of the overseas fund is to support and finance the development of the education and children welfare program in overseas.

Children's home fund

The purpose of the children's home fund is to finance orphanage projects in the PRC or elsewhere.

Disaster relief fund

The purpose of the disaster relief fund is to finance the urgent needs during the natural disaster in the PRC or elsewhere.

Project fund

The purpose of the project fund is to support and finance the development of education and children welfare program.

Perpetual education aid fund

The purpose of the perpetual education aid fund is to accumulate and apply its investment income or interest to support and finance students in the PRC or elsewhere to pursue study.

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NOTES TO FINANCIAL STATEMENTS

30 June 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund movement (continued)

Perpetual operation fund

The purpose of the perpetual operation fund is to accumulate and apply its investment income or interest for financing any recurring or re-accruing expenditure of the Company and any other costs that are directly or indirectly required to maintain the daily operation and the existence of the Company.

Operational costs

Operational costs represent the administration costs; fund raising costs; program implantation costs and other costs of the Company, which are financed by the administration funds.

Administration costs include the expenditure of the executive officers; the finance and administration department; human resources and information technology support; lease payment and related expenses of the head office; and general expenses and indirect costs.

Fund raising costs include the expenditure of the communications and fund raising department; costs relating to fund raising events; publicity and maintenance of the Company's web page.

Program implementation costs include the expenditure of the mainland offices and the project funding department; traveling subsidies to work group and other program implementation costs. The cost of HK\$716,023 (2019: HK\$709,021) was included in the public education cost.

NOTES TO FINANCIAL STATEMENTS

30 June 2020

4. FUND MOVEMENT

	Year ended 30 June 2020									
	Chinese Education fund HK\$	Administration fund HK\$	Development fund HK\$	Overseas fund HK\$	Children's home fund HK\$	Disaster relief fund HK\$	Project fund HK\$	Perpetual education aid fund HK\$	Perpetual operation fund HK\$	Total HK\$
Revenue										
Donations	8,827,328	2,145,818	-	5,832,376	-	-	6,388,150	-	-	23,193,672
Other income and loss, net	-	387,627	1,488,608	-	-	-	-	(38,511)	30	1,837,754
	<u>8,827,328</u>	<u>2,533,445</u>	<u>1,488,608</u>	<u>5,832,376</u>	<u>-</u>	<u>-</u>	<u>6,388,150</u>	<u>(38,511)</u>	<u>30</u>	<u>25,031,426</u>
Expenditure										
Administration	-	(1,996,936)	-	-	-	-	-	-	-	(1,996,936)
Exchange loss, net	(832,459)	(277,829)	(337,401)	(145,740)	-	(98,100)	(421,275)	(38,418)	(292)	(2,151,514)
Fund raising	-	(1,530,963)	-	-	-	-	-	-	-	(1,530,963)
Public education	(21,486,664)	(669,098)	-	(9,332,712)	-	-	(2,345,105)	-	-	(33,833,579)
Interest on lease liability	-	(10,879)	-	-	-	-	-	-	-	(10,879)
	<u>(22,319,123)</u>	<u>(4,485,705)</u>	<u>(337,401)</u>	<u>(9,478,452)</u>	<u>-</u>	<u>(98,100)</u>	<u>(2,766,380)</u>	<u>(38,418)</u>	<u>(292)</u>	<u>(39,523,871)</u>
Surplus/(deficit) for the year	<u>(13,491,795)</u>	<u>(1,952,260)</u>	<u>1,151,207</u>	<u>(3,646,076)</u>	<u>-</u>	<u>(98,100)</u>	<u>3,621,770</u>	<u>(76,929)</u>	<u>(262)</u>	<u>(14,492,445)</u>

NOTES TO FINANCIAL STATEMENTS

30 June 2020

4. FUND MOVEMENT (continued)

	Year ended 30 June 2019									
	Chinese Education fund HK\$	Administration fund HK\$	Development fund HK\$	Overseas fund HK\$	Children's home fund HK\$	Disaster relief fund HK\$	Project fund HK\$	Perpetual education aid fund HK\$	Perpetual operation fund HK\$	Total HK\$
Revenue										
Donations	11,788,746	3,761,159	-	8,918,393	-	-	9,368,683	-	-	33,836,981
Other income and loss, net	-	665,505	2,573,476	-	-	-	-	673	65	3,239,719
	11,788,746	4,426,664	2,573,476	8,918,393	-	-	9,368,683	673	65	37,076,700
Expenditure										
Administration	-	(2,026,917)	-	-	-	-	-	-	-	(2,026,917)
Exchange loss, net	(3,825,932)	(733,666)	(863,351)	(674,483)	-	(263,086)	(437,228)	(105,573)	(779)	(6,904,098)
Fund raising	-	(1,454,783)	-	-	-	-	-	-	-	(1,454,783)
Public education	(24,277,071)	(753,485)	-	(9,223,201)	-	-	(292,990)	-	-	(34,546,747)
	(28,103,003)	(4,968,851)	(863,351)	(9,897,684)	-	(263,086)	(730,218)	(105,573)	(779)	(44,932,545)
Surplus/(deficit) for the year	(16,314,257)	(542,187)	1,710,125	(979,291)	-	(263,086)	8,638,465	(104,900)	(714)	(7,855,845)

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NOTES TO FINANCIAL STATEMENTS

30 June 2020

5. REVENUE, OTHER INCOME AND LOSS, NET

Revenue represented donations received from various fundraising projects during the year.

An analysis of other income and loss, net is as follows:

	Notes	2020 HK\$	2019 HK\$
<u>Other income</u>			
Subscription fee income		33,100	75,990
Dividend income		75,655	-
Bank interest income		1,565,439	2,573,541
Rental income from investment property		83,200	84,000
Government grant		270,810	-
Refund of project		-	506,991
Others		550	(803)
		<u>2,028,754</u>	<u>3,239,719</u>
<u>Loss</u>			
Fair value loss on financial assets at fair value through profit or loss		(191,000)	-
		<u>1,837,754</u>	<u>3,239,719</u>

6. ADMINISTRATION

The represents all executive, organisational, and clerical costs incurred for common objectives that benefit multiple functions administered by the Company, or the Company as a whole.

7. FUND RAISING

This represents all costs associated with acquiring and retaining donors to make voluntary contributions to the Company.

8. PUBLIC EDUCATION

This represents funds used to promote awareness on social, economic and spiritual factors of developing areas in PRC and other Southeast Asia Region.

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NOTES TO FINANCIAL STATEMENTS

30 June 2020

9. DEFICIT BEFORE TAX

The Company's deficit before tax is arrived at after charging/(crediting):

	2020 HK\$	2019 HK\$
Employee benefit expenses:		
Wages, salaries and allowances		
Administration	1,124,799	1,102,989
Fundraising	1,279,120	1,246,689
Public education	466,532	580,232
	<u>2,870,451</u>	<u>2,929,910</u>
Pension scheme contributions (defined contribution schemes):		
Administration	94,570	98,898
Fundraising	119,118	116,844
Public education	82,448	53,820
	<u>296,136</u>	<u>269,562</u>
	<u>3,166,587</u>	<u>3,199,472</u>
Minimum lease payments under operating lease	-	421,335
Lease payments not included in the measurement of lease liability	116,200	-
Auditor's remunerations	80,000	80,000
Depreciation of plant and equipment	44,775	51,603
Depreciation of right-of-use assets	295,257	-
Direct operating expenses arising from rental-earning investment property	2,844	2,655
Foreign exchange differences, net	<u>2,151,513</u>	<u>6,904,098</u>

10. DIRECTORS' REMUNERATION

No director received any fees or emoluments in respect of their services rendered to the Company during the year (2019: Nil).

11. INCOME TAX

The Company is an approved charitable institution within the meaning of Section 88 of the Hong Kong Inland Revenue Ordinance (Chapter 112) and, accordingly, is exempted from Hong Kong profits tax.

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NOTES TO FINANCIAL STATEMENTS

30 June 2020

12. INVESTMENT PROPERTY

	HK\$
Cost:	
At 1 July 2018, 30 June 2019, 1 July 2019 and 30 June 2020	<u>1</u>
Accumulated depreciation	
At 1 July 2018, 30 June 2019, 1 July 2019 and 30 June 2020	<u>-</u>
Net carrying amount:	
At 30 June 2020	<u><u>1</u></u>
At 30 June 2019	<u><u>1</u></u>

The investment property is commercial property located in Hong Kong and has been leased out to earn rental income to subsidise the daily operations of the Company.

The fair value of the investment property at 30 June 2020 was HK\$4,950,000 (2019: HK\$3,500,000). The valuation was determined by the directors with reference to recent market transactions of similar properties in similar locations and conditions. There has been no change of the valuation technique used in the prior year. In estimating the highest and best use of the property is their current use.

Fair value hierarchy

The fair value measurement hierarchy of the Company's investment property is as follows:

	Carrying amount as at 30 June 2020 and 2019	Fair value at level 3 as at 30 June 2020	30 June 2019
1/F, 204 Hang Tau, North, New Territories, Hong Kong	<u><u>1</u></u>	<u><u>4,950,000</u></u>	<u><u>3,500,000</u></u>

During the year, there were no transfers into or out of Level 3.

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NOTES TO FINANCIAL STATEMENTS

30 June 2020

13. PLANT AND EQUIPMENT

	Leasehold improvements HK\$	Furniture and equipment HK\$	Total HK\$
Costs:			
At 1 July 2018	302,147	729,029	1,031,176
Additions	-	9,490	9,490
At 30 June 2019 and 1 July 2019	302,147	738,519	1,040,666
Additions	-	10,197	10,197
At 30 June 2020	302,147	748,716	1,050,863
Accumulated depreciation:			
At 1 July 2018	302,147	579,731	881,878
Additions	-	51,603	51,603
At 30 June 2019 and 1 July 2019	302,147	631,334	933,481
Additions	-	44,775	44,775
At 30 June 2020	302,147	676,109	978,256
Net carrying amount:			
At 30 June 2020	-	72,607	72,607
At 30 June 2019	-	107,185	107,185

14. LEASE

The Company as a lessee

The Company has lease contract for an office premise used in its operations. Lease of office premise generally has lease terms of 3 years.

(a) Right-of-use assets

	Office premises HK\$
As at 1 July 2019	-
Additions	966,297
Depreciation charge	(295,257)
As at 30 June 2020	671,040

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NOTES TO FINANCIAL STATEMENTS

30 June 2020

14. LEASE (continued)

The Company as a lessee (continued)

(b) Lease liability

The carrying amount of lease liability and the movements during the year are as follows:

	2020 Lease liability HK\$
Carrying amount at 1 July	-
New leases	883,797
Accretion of interest recognised during the year	10,879
Payments	<u>(302,500)</u>
Carrying amount at 30 June	<u>592,176</u>
Analysed into:	
Current portion	322,591
Non-current portion	<u>269,585</u>
	<u>592,176</u>

The maturity analysis of lease liability is as follows:

	2020 HK\$
Analysed into:	
Within one year	322,591
In the second year	<u>269,585</u>
	<u>592,176</u>

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2020 HK\$
Interest on lease liability	10,879
Depreciation charge of right-of-use asset	295,257
Expense relating to short-term lease and other lease with remaining lease term ended on or before 30 June 2020	<u>116,200</u>
Total amount recognised in profit or loss	<u>422,336</u>

(d) The total cash outflow for lease is disclosed in note 20 to the financial statements.

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NOTES TO FINANCIAL STATEMENTS

30 June 2020

14. LEASE (continued)

The Company as a lessor

The Company leases its investment property consisting of one commercial property under operating lease arrangement, with leases negotiated for terms of 2 years. The terms of the lease generally require the tenants to pay rental deposits. Rental income recognised by the Company during the year was HK\$83,200 (2019: HK\$84,000), details of which are included in note 5 to the financial statements.

At 30 June 2020, the Company had total undiscounted minimum lease payments receivables by the Company in future periods under non-cancellable operating leases with its tenants falling due are as follows:

	2020 HK\$	2019 HK\$
Within one year	81,600	56,000
After one year but within two years	54,400	-
	<u>136,000</u>	<u>56,000</u>

15. PREPAYMENTS, OTHER RECEIVABLES AND DEPOSITS

	2020 HK\$	2019 HK\$
Prepayments	1,427	31,978
Deposits	77,143	196,493
Other receivables	664,416	1,186,483
	<u>742,986</u>	<u>1,414,954</u>

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 30 June 2020 and 2019, the loss allowance was assessed to be minimal.

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16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 HK\$	2019 HK\$
Listed equity investments in Hong Kong, at fair value	<u>1,482,000</u>	<u>-</u>

The above equity investments were classified as financial assets at fair value through profit or loss as they were held for trading.

17. CASH AND CASH EQUIVALENTS

	2020 HK\$	2019 HK\$
Fixed deposits	46,721,567	63,572,134
Cash and bank balances	<u>20,818,525</u>	<u>20,110,492</u>
	<u>67,540,092</u>	<u>83,682,626</u>

Fixed deposits include deposits with an original maturity of one year or less. The deposits carry interest at prevailing market rate ranging from 0.01% to 5% (2019: 0.01% to 4%) per annum.

At the end of the reporting period, the fixed deposits and cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK\$47,338,711 (2019: HK\$58,217,606). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Company is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

The bank balances are deposited with licensed banks with no recent history of default.

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18. OTHER PAYABLES AND ACCRUALS

	2020 HK\$	2019 HK\$
Other payables	11,827	22,545
Accruals	<u>81,809</u>	<u>48,005</u>
	<u>93,636</u>	<u>70,550</u>

Other payables are non-interest-bearing and repayable on demand.

19. DEFERRED INCOME

The balance represents the projects funds received for which the projects not yet completed and related expenditure has not yet been undertaken. The decrease in deferred income in 2020 was mainly due to the decrease in activities organised during the year.

The following table shows the amounts of donations recognised in the current reporting period that were included in the deferred income at the beginning of the reporting period:

	2020 HK\$	2019 HK\$
Donations	<u>1,240,690</u>	<u>1,052,899</u>

20. NOTES TO THE STATEMENT OF CASH FLOWS

	Lease liability HK\$
At 1 July 2018, 30 June 2019 and 1 July 2019	-
Changes from financing cash flows	(291,621)
New lease	883,797
Interest expense	10,879
Interest paid classified as operating cash flows	<u>(10,879)</u>
At 30 June 2020	<u>592,176</u>

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21. OPERATING LEASE ARRANGEMENTS

As lessee

Prior to the adoption of HKFRS 16, as at 30 June 2019, the Company had total future minimum lease payments under non-cancellable operating lease falling due as follows:

	2019 HK\$
Within one year	104,175
In the second to fifth years, inclusive	<u>121,327</u>
	<u>225,502</u>

Upon adoption of HKFRS 16, the present value of minimum lease payments, which are no longer disclosed as commitments as shown above, is recognised as right-of-use assets. The comparative information has not been restated.

22. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2020 HK\$	2019 HK\$
Contracted, but not provided for:		
Commitments to contribute funds to the Education Programs	<u>20,972,022</u>	<u>18,844,821</u>

23. RELATED PARTY TRANSACTIONS

Other than the remuneration of key management personnel during the year stated as follows, the directors are not aware of any related party transaction for years ended 30 June 2020 and 2019.

	2020 HK\$	2019 HK\$
Short-term employee benefits	1,116,229	1,080,920
Post-employment	<u>36,000</u>	<u>36,000</u>
	<u>1,152,229</u>	<u>1,116,920</u>

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24. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

2020

	Financial assets at fair value through profit or loss HK\$	Financial assets at amortised cost HK\$	Total HK\$
Financial assets included in prepayments, other receivables and deposits	-	741,559	741,559
Financial assets at fair value through profit or loss	1,482,000	-	1,482,000
Cash and cash equivalents	-	67,540,092	67,540,092
	<u>1,482,000</u>	<u>68,281,651</u>	<u>69,763,651</u>

2019

	Financial assets at amortised cost HK\$
Financial assets included in prepayments, other receivables and deposits	1,382,976
Cash and cash equivalents	83,682,626
	<u>85,065,602</u>

Financial liabilities

	2020 HK\$	2019 HK\$
<i>Financial liabilities at amortised costs</i>		
Financial liabilities included in other payables and accruals	93,636	70,550
Lease liability	602,176	-
	<u>695,812</u>	<u>70,550</u>

NOTES TO FINANCIAL STATEMENTS

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24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial instruments comprise cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Company's operations. The Company has various other financial assets and liabilities such as financial assets at fair value through profit or loss, financial assets included in prepayment, other receivables and deposits, financial liabilities included in other payables and accruals and lease liability which arise directly from its operations.

The main risks arising from the Company's financial instruments are price risk, interest rate risk, currency risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Price risk

Equity price risk is the risk that the fair values of equity investments decrease as a result of changes in the levels of equity indices and the value of individual securities.

The Company is exposed to equity securities price risk because certain investments held by the Company are classified in the consolidated statements of financial position as financial assets at fair value through profit or loss. Result for the year would increase/decrease as a result of gains/losses on equity securities classified as financial assets at fair value through profit or loss. At 30 June 2020, if there had been a 5% increase/decrease in the market value of financial assets at fair value through profit or loss with all other variables held constant, the Company's deficit before tax would have been approximately HK\$74,100 higher/lower. The Company has not entered into derivative to manage such exposure.

Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's interest-bearing financial instruments relate primarily to the Company's bank balances. It is the Company's policy to keep fixed-rate deposits so as to minimise cash flow interest rate risk.

The sensitivity analysis below have been determined based on the exposure to interest rate for non-derivative instruments at the end of the reporting period. For variable-rate bank deposits, the analysis is prepared assuming the amount of assets outstanding at the end of the reporting period was outstanding for the whole year.

A 10 basis points (2019: 10 basis points) increase or decrease s used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 10 basis points (2019: 10 basis points) higher/lower and all other variable were held constant, the Company's income for the year ended 31 June 2020 would increase/decrease by HK\$14,303 (2019: HK\$14,686). This is mainly attributable to the Company's exposure to interest rates on its variable-rate bank deposits.

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24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

The Company has foreign currency denominated certain bank balances at the end of the reporting and the Company mainly exposed to currency risk of Renminbi ("RMB").

The sensitivity analysis below has been determined based on a 5% (2019: 5%) possible appreciation or depreciation in RMB against HK\$. The Company currently does not have any foreign currency hedging policy and will consider hedging its foreign currency exposure should the need arise. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjust its translation at the end of the reporting period for a 5% (2019: 5%) change in the foreign currency rates. The sensitivity rate used is the rate when reporting foreign currency risk internally to key management personnel and represents the management's assessment of the reasonably possible change in foreign exchange rates.

If the RMB appreciates 5% (2019: 5%) against HK\$ and all other variables were held constant, the Company's deficit for the year ended 30 June 2020 would decrease by HK\$2,366,936 (2019: HK\$3,219,585). There would be an equal and opposite impact on income for the year if RMB depreciates 5% (2019: 5%) against HK\$.

Credit risk

All the Company's cash and cash equivalent are held in major financial institutions located in Hong Kong and PRC, which management believes are of high credit quality.

Maximum exposure and year-end staging as at 30 June

The loss allowance for the financial assets of the Company is measured at an amount equal to 12-month expected credit loss.

The credit quality of the financial assets included in financial assets included prepayments, other receivables and deposits is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. The credit quality of cash and cash equivalents is considered to be "not yet past due".

Liquidity risk

The Company monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Company's operations and mitigate the effects of fluctuations in cash flows.

All of the Company's financial liabilities are repayable on demand.

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24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital policy

The Company is incorporated in Hong Kong as a limited company without a share capital. It is a tax-exempt charity recognised by the Inland Revenue Department. Its constitution prohibits the payment of remuneration to its directors, and the distribution of its surplus and assets to its members.

The Company manages its general operating fund and designated funds so as to (i) fulfill its commitments to relief and community development ministries, (ii) support its own long-term development, and (iii) meet short-term cash flow requirements.

A summary of the general operating fund and designated funds is set out in the statement of changes in equity on page 10.

25. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current year's presentation.

26. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the director on 16 October 2020.