

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.

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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.

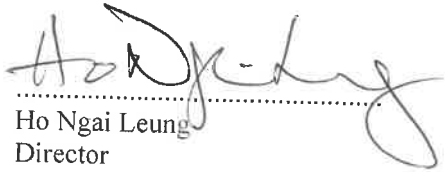
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REPORT OF THE DIRECTORS (continued)

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 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 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.



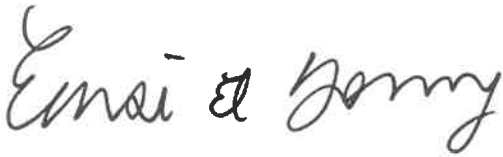
**Independent auditor's report (continued)**

**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

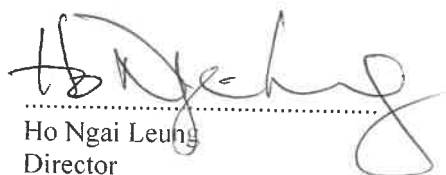
	Notes	2020 HK\$	2019 HK\$
<b>REVENUE</b>			
Donations	5	23,193,672	33,836,981
Other income and loss, net	5	<u>1,837,754</u>	<u>3,239,719</u>
		<u>25,031,426</u>	<u>37,076,700</u>
<b>EXPENDITURE</b>			
Administration	6	1,996,936	2,026,917
Exchange loss, net		2,151,514	6,904,098
Fund raising	7	1,530,963	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>

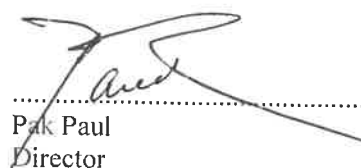
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STATEMENT OF FINANCIAL POSITION

30 June 2020

	Notes	2020 HK\$	2019 HK\$
<b>NON-CURRENT ASSETS</b>			
Investment property	12	1	1
Plant and equipment	13	72,607	107,185
Right-of-use assets	14	671,040	-
Total non-current assets		<u>743,648</u>	<u>107,186</u>
<b>CURRENT ASSETS</b>			
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	67,540,092	83,682,626
Total current assets		<u>69,765,078</u>	<u>85,097,580</u>
<b>CURRENT LIABILITIES</b>			
Other payables and accruals	18	93,636	70,550
Deferred income	19	764,856	1,583,713
Lease liability	14	322,591	-
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>
<b>NON-CURRENT LIABILITIES</b>			
Lease liability	14	269,585	-
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

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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\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
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)
<b>CASH FLOW USED IN A FINANCING ACTIVITY</b>			
Principal portion of lease payment		( 291,621)	-
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
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
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at beginning of year		( 27,919,532)	( 7,264,170)
		83,682,626	90,946,796
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>			
		55,763,094	83,682,626

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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>