

SOWERS ACTION

苗圃行動

Reports and Financial Statements
For the year ended 30 June 2021

SOWERS ACTION
苗圃行動
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

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SOWERS ACTION
苗圃行動
DIRECTORS' REPORT

The directors present their report and the audited financial statements of Sowers Action (the "Company") for the year ended 30 June 2021.

1. PRINCIPAL ACTIVITIES

The Company was engaged in funds raising to support the operations of the education program and livelihood needs around the world. There were no significant changes in the nature of the Company's principal activities during the year.

2. RESULTS

The Company's surplus for the year ended 30 June 2021 and the Company's financial position at that date are set out in the financial statements on pages 9 to 50.

3. DIRECTORS

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

Ho Ngai Leung (Chairman)	
Mo Sik Keung (Vice Chairman)	
Pak Paul (Vice Chairman)	
Chan Pui Yee	
Cheung Man Kwong	
Suen Man Fai	(Appointed on 14 November 2020)
Ching Shuk Ying, Vanessa	(Retired and re-appointed on 14 November 2020)
Lee Lap Kuen	(Retired and re-appointed on 14 November 2020)
Lee Yan Kit (Vice Chairman)	(Retired and re-appointed on 14 November 2020)

In accordance with Article 55(b) of the New Articles of Association, Cheung Man Kwong, Pak Paul and Mo Sik Keung will retire but eligible for re-election.

4. PERMITTED INDEMNITY

During the year ended 30 June 2021, 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.

SOWERS ACTION
苗圃行動
DIRECTORS' REPORT

5. BUSINESS REVIEW

The COVID pandemic and geo-political turmoil have severely impacted economy worldwide and affected our ability to fundraise. A number of fundraising activities were forced cancelled, and given the circumstances, we have no choice but to request voluntary pay reduction or attrition from our dedicated colleagues. Today's depressed social climate has further exacerbated the situation, and through this adversity, we worked tirelessly to achieve results.

Service Programs & Fundraising

During the past year, our inability to travel abroad has not slowed down progress on overseas projects. We worked closely with trusted overseas partners for their execution, and kept close and frequent contact over internet platforms for their implementation and monitoring.

Given the global COVID pandemic, our focus was placed on its combat. In particular, we provided relief aid to Nepal where infection has risen exponentially since May and a lack of medical supplies and equipment has caused significant deaths. Our organisation launched the "Nepal COVID-19 Appeal" and "Combating Covid on Foot" relief aid fundraising campaigns and raised over HK\$5 million owing to the generous support of our volunteers and donors. Through this, we purchased and furnished 400 units of oxygen concentrators and medical supplies and equipment to combat COVID, and provided food supply packages and hot meals to those in needs.

We are fortunate to have many long-term large-sum donors to help sustain existing services and support expansion of new programs to provide relief aids to low-income families in Hong Kong. During the year, we launched the "Walk with Children - Computer Donation Scheme" to provide computer equipment and accessories to enable remote learning, and introduced internet classes for academic tutoring and the learning of English, as well as Chinese for minority residents.

On our programs in China, the Board concurred with the recommendation of the Excom and regret to announce the closing of the Sowers Action Huaguang Girls' High School after the Spring 2021 semester and termination of all related fundraising activities. Our decision was based on changes in local conditions in Nan Ning City: continuous improvements in living standards, positive results of the government's poverty alleviation programs, a change in education policies restricting student enrollment to local residents as well our ability to recruit students from low-income families from out of province, the school Headmaster and management faced difficulty in renewing the school license and our inability locate and fundraise for a new location after scheduled demolition of the existing site. At the end of this report period, we are negotiating with potential new operators with conditions to rename as Huaguang Girls' High School as well as to provide tuition-free to previous Grade 10 and 11 students if they were to continue their studies at the school. At Sowers Action, we felt that our mission has been fulfilled as we put a closure to this meaningful chapter.

SOWERS ACTION
苗圃行動
DIRECTORS' REPORT

5. BUSINESS REVIEW (CONT'D)

Service Programs & Fundraising (cont'd)

To comply with anti-pandemic crowd-gathering restrictions, we had no choice but to cancel the majority of our out-door fundraising activities, thereby causing a substantial reduction in our annual funding. Fortunately, the Charity Golf Tournament 2020 was able to go forward in Nov after twice postponed but the “Challenging 12 Hours Charity Marathon” can only be held on-line. Separately, our Yunnan office organised the “Sending Love” activity working with volunteers in mainland China and other overseas partners to successfully deliver close to 20,000 warm coats to the hands of children who need the warmth.

Finance

Financial situation of the organisation has been affected by back-to-back cancellation of fundraising activities. However, thanks to our donors' timely support, funds raised this year increased moderately to HK\$28.73 million. Administration funds raised has reached HK\$5.02 million due mainly to the benefits of the Employment Support Scheme of the HK Government.

Future Outlook

Looking ahead, Sowers Action is in the process of establishing a crowdfunding platform for anyone with a worthwhile idea to start joint or solo fundraising campaigns and have the ability to reach out to the public for support and/or participation. With this platform, we aim to harness the aggregate funding power of our society and turn it into many dreams-come-true.

In the coming year, we need to manage our finance prudently and balance spending within means. Subsequent to the year end, we have purchased a suitable headquarters office space in order to save on future rent and administrative expenses, and more importantly, to have a steady anchor for long term development.

The day will come when the COVID pandemic becomes a thing of the past. However, the ongoing geo-political turmoil will continue to impact our social fabric and structure, and that the number living in poverty, we estimate, will increase as income disparity becomes more extreme. Unfortunately, more and more will need assistance in the near future. Sowers Action believes that “benevolence has no boundaries” and although this road is long and remote, we will continue to explore and march forward.

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DIRECTORS' REPORT

6. AUDITORS

Subsequent to the year ended 30 June 2021, Messrs. Ernst & Young resigned as auditors of the Company and RSM Hong Kong were appointed by the directors to fill the casual vacancy so arising.

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

On behalf of the Board



Ho Ngai Leung
Chairman

Hong Kong, 18 October 2021

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**INDEPENDENT AUDITOR'S REPORT
TO THE BOARD OF DIRECTORS
SOWERS ACTION**

苗圃行動

(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the financial statements of Sowers Actions (the 'Company') set out on pages 9 to 50, which comprise the statement of financial position as at 30 June 2021, and the statement of income and expenditure and other comprehensive income, the statement of changes in funds and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 30 June 2021, 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 ("HKICPAs") 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 ("HKSAs") 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.

Other Matter

The financial statements of the Company for the year ended 30 June 2020 were audited by another auditor who expressed an unmodified opinion on those statements on 16 October 2020.

**INDEPENDENT AUDITOR'S REPORT
TO THE BOARD OF DIRECTORS
SOWERS ACTION
苗圃行動
(Incorporated in Hong Kong with limited liability)**

Other Information

The directors are responsible for the Other Information. The Other Information comprises all of the information included in the report other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

**INDEPENDENT AUDITOR'S REPORT
TO THE BOARD OF DIRECTORS
SOWERS ACTION**

苗圃行動

(Incorporated in Hong Kong with limited liability)

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 directors.
- Conclude on the appropriateness of the directors' 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.

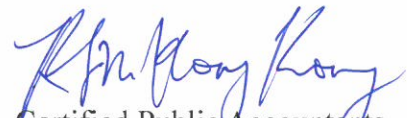
**TO THE BOARD OF DIRECTORS
SOWERS ACTION**

苗圃行動

(Incorporated in Hong Kong with limited liability)

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

We communicate with the directors 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

18 October 2021

SOWERS ACTION**苗圃行動****STATEMENT OF INCOME AND EXPENDITURE AND OTHER COMPREHENSIVE INCOME****FOR THE YEAR ENDED 30 JUNE 2021**

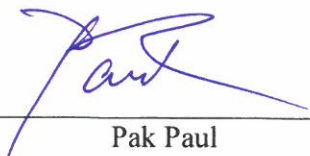
	Note	<u>2021</u> HK\$	<u>2020</u> HK\$
INCOME			
Donations	7	32,300,904	23,193,672
Other income	8	1,442,962	2,028,754
Other gains and losses, net	9	<u>5,396,233</u>	<u>(2,342,514)</u>
		<u>39,140,099</u>	<u>22,879,912</u>
EXPENDITURE			
Administration	10	1,703,234	1,996,936
Fund raising	11	1,347,099	1,530,963
Public education	12	22,937,472	33,833,579
Interest on lease liability		<u>7,409</u>	<u>10,879</u>
		<u>25,995,214</u>	<u>37,372,357</u>
SURPLUS/(DEFICIT) AND TOTAL COMPREHENSIVE INCOME/(EXPENSES) FOR THE YEAR	13	<u><u>13,144,885</u></u>	<u><u>(14,492,445)</u></u>

SOWERS ACTION
苗圃行動
STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2021

	Note	<u>2021</u> HK\$	<u>2020</u> HK\$
NON-CURRENT ASSETS			
Investment property	17	1	1
Property, plant and equipment	18	33,035	72,607
Right-of-use asset	19	348,941	671,040
Prepayments for non-current assets	20	2,926,710	-
		<u>3,308,687</u>	<u>743,648</u>
CURRENT ASSETS			
Prepayments, other receivables and deposits	20	526,719	742,986
Financial assets at fair value through profit or loss	21	1,157,500	1,482,000
Fixed deposits with original maturity over three months		1,042,873	11,776,998
Cash and cash equivalents	22	76,917,220	55,763,094
		<u>79,644,312</u>	<u>69,765,078</u>
CURRENT LIABILITIES			
Other payables and accruals	23	79,516	93,636
Deferred income	24	400,955	764,856
Lease liability	25	269,585	322,591
		<u>750,056</u>	<u>1,181,083</u>
Net current assts		<u>78,894,256</u>	<u>68,583,995</u>
Total assets less current liabilities		<u>82,202,943</u>	<u>69,327,643</u>
NON-CURRENT LIABILITY			
Lease liability	25	-	269,585
NET ASSETS		<u>82,202,943</u>	<u>69,058,058</u>
FUNDS		<u>82,202,943</u>	<u>69,058,058</u>

Approved by the Board of Directors on 18 October 2021 and signed by the following directors:


 Ho Ngai Leung
 Chairman


 Pak Paul
 Vice Chairman

SOWERS ACTION
苗圃行動
STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED 30 JUNE 2021

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	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 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 income/(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 and 1 July 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
Surplus/(deficit) for the year and total comprehensive income/(expenses) for the year	(7,930,320)	1,757,729	1,991,056	5,448,167	-	238,038	11,276,711	362,794	710	13,144,885
At 30 June 2021	18,412,089	7,388,074	11,431,101	27,058,318	-	3,681,031	12,522,511	1,698,836	10,983	82,202,943

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.

SOWERS ACTION**苗圃行動****STATEMENT OF CASH FLOWS****FOR THE YEAR ENDED 30 JUNE 2021**

	Note	<u>2021</u> HK\$	<u>2020</u> HK\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus/(deficit) before tax		13,144,885	(14,492,445)
Adjustments for:			
Interest on lease liability		7,409	10,879
Depreciation of property, plant and equipment	13	39,572	44,775
Depreciation of right-of-use asset	13	322,099	295,257
Dividend income	8	(73,735)	(75,655)
Fair value (gain)/loss on financial assets at fair value through profit or loss	9	(328,000)	191,000
Interest income		(971,857)	(1,565,439)
Operating cash flows before working capital changes		12,140,373	(15,591,628)
Decrease in prepayments, other receivables and deposits		216,267	589,468
(Decrease)/increase in other payables and accruals		(14,120)	23,086
Decrease in deferred income		(363,901)	(818,857)
Proceed from disposal of financial assets at fair value through profit or loss		652,500	-
Purchase of financial assets at fair value through profit or loss		-	(1,673,000)
Cash generated from/(used in) operations		12,631,119	(17,470,931)
Interest on lease liability		(7,409)	(10,879)
Net cash generated from/(used in) operating activities		12,623,710	(17,481,810)
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend received		73,735	75,655
Interest received		971,857	1,565,439
Purchase of property, plant and equipment		-	(10,197)
Prepayments for leasehold property		(2,926,710)	-
Placement in bank deposits with maturity over three months		(1,042,873)	(11,776,998)
Repayment of bank deposits with maturity over three months		11,776,998	-
Net cash generated from/(used in) investing activities		8,853,007	(10,146,101)
CASH FLOW FROM FINANCING ACTIVITY			
Principal elements of lease payments		(322,591)	(291,621)
Net cash used in financing activity		(322,591)	(291,621)

SOWERS ACTION**苗圃行動****STATEMENT OF CASH FLOWS****FOR THE YEAR ENDED 30 JUNE 2021**

	Note	<u>2021</u> HK\$	<u>2020</u> HK\$
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		21,154,126	(27,919,532)
Cash and cash equivalents at beginning of year		<u>55,763,094</u>	<u>83,682,626</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	22	<u><u>76,917,220</u></u>	<u><u>55,763,094</u></u>

SOWERS ACTION**苗圃行動****NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021****1. GENERAL INFORMATION**

The Company is a company limited by guarantee incorporated in Hong Kong. The registered office and principal place of operations of the Company is located at Unit no. 101, I/F Sunbeam Plaza, 1155 Canton Road, Kowloon, Hong Kong.

The Company was engaged in funds raising to support the operations of the education program and livelihood needs around the world.

2. BASIS OF PREPARATION

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

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Company for the current and prior accounting periods reflected in these financial statements.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS**(a) Application of new and revised HKFRSs**

The Company has applied the Amendments to Reference to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 July 2020 for the preparation of the financial statements:

Amendments to HKAS 1 and HKAS 8

Definition of Material

SOWERS ACTION**苗圃行動****NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONT'D)**(a) Application of new and revised HKFRSs (cont'd)**

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year had no material impact on the Company's financial positions and performance for the current and prior years and/or on the disclosures set out in these financial statements.

Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments provide a new definition of material that states "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, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments had no impact on the financial statements.

SOWERS ACTION**苗圃行動****NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021****3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL
REPORTING STANDARDS (CONT'D)****(b) New and revised HKFRSs in issue but not yet effective**

The Company has not applied any new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 July 2020. These new and revised HKFRSs include the following which may be relevant to the Company.

	Effective for accounting periods beginning on or after
Amendments to HKAS 16 Property, plant and equipment: proceeds before intended use	1 January 2022
Amendments to HKAS 37 Onerous contracts - cost of fulfilling a contract	1 January 2022
Annual Improvements to HKFRSs 2018 - 2020 Cycle	1 January 2022
Amendments to HKAS 1 Classification of liabilities as current or non-current	1 January 2023
Amendments to HKAS 1 Disclosure of accounting policies	1 January 2023
Amendments to HKAS 8 Definition of accounting estimates	1 January 2023

The Company is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the financial statements.

SOWERS ACTION**苗圃行動****NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021****4. SIGNIFICANT ACCOUNTING POLICIES**

These financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting police below (e.g. financial assets at fair value through profit or loss (“FVTPL”) that are measured at fair value).

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies.

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

(a) Foreign currency translation**(i) Functional and presentation currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (the “functional currency”). The financial statements are presented in Hong Kong dollars (“HK\$”), which is the Company’s functional and presentation currency.

(ii) Transactions and balances in financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in surplus or deficit.

Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in surplus or deficit, any exchange component of that gain or loss is recognised in surplus or deficit.

SOWERS ACTION**苗圃行動****NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021****4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(b) Property, plant and equipment**

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

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

Leasehold improvements	The shorter of the lease terms or 20%
Furniture and equipment	2-4 years

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

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

(c) Investment property

Investment property is land and/or buildings which are owned or held under a leasehold interest to earn rentals and/or for capital appreciation. Such property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at cost less accumulated depreciation and any accumulated impairment losses.

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

An investment property is derecognised upon disposal or when the investment property is withdrawn from use. Any gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in surplus or deficit.

(d) Leases

At inception of a contract, the Company assesses whether the 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. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

SOWERS ACTION**苗圃行動****NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021****4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(d) Leases (cont'd)****(i) The Company as a lessee**

Where the contract contains lease component(s) and non-lease component(s), the Company has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Company recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Company enters into a lease in respect of a low-value asset the Company decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to surplus or deficit in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

Right-of-use assets in which the Company is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

SOWERS ACTION**苗圃行動****NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021****4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(d) Leases (cont'd)****(i) The Company as a lessee (cont'd)**

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Company will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in surplus or deficit if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of HKFRS 16. In such cases, the Company took advantage of the practical expedient set out in paragraph 46A of HKFRS 16 and recognised the change in consideration as if it were not a lease modification.

(ii) The Company as a lessor

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

SOWERS ACTION**苗圃行動****NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(e) Recognition and derecognition of financial instruments**

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in surplus or deficit.

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit.

SOWERS ACTION**苗圃行動****NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021****4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(f) Financial assets**

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Financial assets held by the Company are classified into one of the following measurement categories:

- At amortised cost, if the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows which represent solely payments of principal and interest on the principal amount outstanding. Interest income from the financial asset is calculated using the effective interest method.
- Financial assets as FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of income and expenditure.

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Company makes an election to designate the investment at fair value through other comprehensive income ("FVTOCI") (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to reserve. It is not recycled through surplus or deficit. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVTOCI, are recognised in surplus or deficit as other income.

SOWERS ACTION
苗圃行動
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Other receivables

A receivable is recognised when the Company has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses.

(h) Cash and cash equivalents

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

(i) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(j) Other payables

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

(k) Revenue and other income

Donations are recognised on a cash basis in the period in which the donations are received.

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset.

SOWERS ACTION**苗圃行動****NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021****4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(k) Revenue and other income (cont'd)**

Dividend income is recognised when the shareholders' rights to receive payment are established.

Rental income receivable under operating leases is recognised in surplus or deficit in equal instalments over the periods covered by the lease term.

(l) 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 surplus or deficit.

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 surplus or deficit when activity is completed.

(m) Employee benefits**(i) Employee leave entitlements**

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

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

(ii) Pension obligations

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

SOWERS ACTION

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021****4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(m) Employee benefits (cont'd)****(iii) Termination benefits**

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

(n) Government grants

A government grant is recognised when there is reasonable assurance that the Company will comply with the conditions attaching to it and that the grant will be received.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in surplus or deficit in the period in which they become receivable.

(o) 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 fund is to support and finance the development of the education and children welfare program in the People's Republic of China (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.

SOWERS ACTION**苗圃行動****NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021****4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(o) Fund movement (cont'd)***Overseas 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.

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.

SOWERS ACTION**苗圃行動****NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021****4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(o) Fund movement (cont'd)***Operational costs (cont'd)*

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; travelling subsidies to work group and other program implementation costs. The cost of HK\$663,862 (2020: HK\$716,023) was included in the public education cost.

(p) Impairment of non-financial assets

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

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

Impairment losses for cash-generating units are allocated pro rata amongst the assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to surplus or deficit to the extent that they reverse the impairment.

SOWERS ACTION**苗圃行動****NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(q) Impairment of financial assets**

The Company recognises a loss allowance for ECL on financial assets that are measured at amortised cost. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime ECL for financial assets. The ECL on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Impairment of financial assets (cont'd)

Significant increase in credit risk (cont'd)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- (i) The financial instrument has a low risk of default,
- (ii) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- (iii) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Impairment of financial assets (cont'd)

Significant increase in credit risk (cont'd)

The Company considers a financial asset to have low credit risk when the asset has external credit rating of “investment grade” in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of “performing”. Performing means that the counterparty has a strong financial position and there are no past due amounts.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collaterals held by the Company).

Irrespective of the above analysis, the Company considers that 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 lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

SOWERS ACTION**苗圃行動****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 30 JUNE 2021****4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(q) Impairment of financial assets (cont'd)***Credit-impaired financial assets (cont'd)*

- significant financial difficulty of the issuer or the counterparty;
- a breach of contract, such as a default or past due event;
- the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, including when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in surplus or deficit.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

SOWERS ACTION**苗圃行動****NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021****4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(q) Impairment of financial assets (cont'd)***Measurement and recognition of ECL (cont'd)*

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16.

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Company recognises an impairment gain or loss in surplus or deficit for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

(r) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

SOWERS ACTION**苗圃行動****NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(s) Events after the reporting period**

Events after the reporting period that provide additional information about the Company's position at the end of the reporting period are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

5. FINANCIAL RISK MANAGEMENT AND POLICIES

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

(i) Foreign currency risk

The Company has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in HK\$ and Renminbi ("RMB"). The Company currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Company monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

At 30 June 2021, if RMB had weakened 5% (2020: 5%) against HK\$ with all other variables held constant, surplus (2020: deficit) for the year would have been HK\$2,348,544 (2020: HK\$2,366,936) lower (2020: higher), arising mainly as a result of the net foreign exchange loss on bank balances denominated in RMB. There would be an equal and opposite impact on surplus (2020: deficit) for the year if RMB had strengthened 5% (2020: 5%) against HK\$.

(ii) Price risk

The Company is exposed to equity price risk mainly through its investment in equity securities. Management manages this exposure by maintaining a portfolio of investments with different risk and return profiles. The Company's equity price risk is mainly concentrated on equity securities quoted on the Stock Exchange of Hong Kong Limited.

SOWERS ACTION**苗圃行動****NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

5. FINANCIAL RISK MANAGEMENT AND POLICIES (CONT'D)**(ii) Price risk (cont'd)**

The sensitivity analyses below have been determined based on the exposure to equity price risk at the end of the reporting period.

If equity prices had been 5% (2020: 5%) higher/lower, surplus/deficit for the year ended 30 June 2021 would increase/decrease (2020: decrease/increase) by approximately HK\$57,875 (2020: HK\$74,100). This is mainly due to the changes in fair value of held-for-trading investments.

(iii) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument, leading to a financial loss. The Company's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks with high credit-rating assigned by international credit-rating agencies, for which the Company considers to have low credit risk.

All of the Company's financial assets measured at amortised cost are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12-month expected losses. They are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

Financial assets at amortised cost include prepayments, deposits and other receivables and bank and cash balances.

(iv) Liquidity risk

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

SOWERS ACTION**苗圃行動****NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021****5. FINANCIAL RISK MANAGEMENT AND POLICIES (CONT'D)****(iv) Liquidity risk (cont'd)**

The maturity analysis based on contractual undiscounted cash flows of the Company's non-derivative financial liabilities is as follows:

	Less than 1 year and on demand HK\$	Between 1 and 2 years HK\$	Total HK\$
30 June 2021			
Other payables and accruals	79,516	-	79,516
Lease liability	275,000	-	275,000
30 June 2020			
Other payables and accruals	93,636	-	93,636
Lease liability	330,000	275,000	605,000

(v) 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 has 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 (2020: 10 basis points) increase or decrease is 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 (2020: 10 basis points) higher/lower and all other variables were held constant, the Company's income for the year ended 30 June 2021 would increase/decrease by HK\$15,690 (2020: HK\$14,303). This is mainly attributable to the Company's exposure to interest rates on its variable-rate bank deposits.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

5. FINANCIAL RISK MANAGEMENT AND POLICIES (CONT'D)

(vi) 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 funds on page 11.

(vii) Categories of financial instruments

	<u>2021</u> HK\$	<u>2020</u> HK\$
Financial assets:		
Financial assets at amortised cost	78,485,385	68,281,651
Financial assets at FVTPL	1,157,500	1,482,000
Financial liabilities:		
Financial liabilities at amortised cost	<u>79,516</u>	<u>93,636</u>

(viii) Fair values

The carrying amounts of the Company's financial assets and financial liabilities as reflected in the statement of financial position approximate their respective fair values.

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 following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

5. FINANCIAL RISK MANAGEMENT AND POLICIES (CONT'D)

(viii) Fair values (cont'd)

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

Disclosures of level in fair value hierarchy at the end of the reporting period:

Description	Fair value measurement using:	
	Level 1	
	<u>2021</u>	<u>2020</u>
	HK\$	HK\$
Recurring fair value measurements:		
Financial assets:		
Financial assets at FVTPL		
- Listed equity securities	<u>1,157,500</u>	<u>1,482,000</u>

During the years ended 30 June 2021 and 2020, there were no transfers among Level 1, Level 2 and Level 3.

Year ended 30 June 2021

Surplus/(deficit) for the year

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

6. FUND MOVEMENT (CONT'D)

	Chinese education fund	Administration fund	Development fund	Overseas fund	Children's home fund	Disaster relief fund	Project fund	Perpetual education aid fund	Perpetual operation fund	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Income										
Donations	8,827,328	2,145,818	-	5,832,376	-	-	6,388,150	-	-	23,193,672
Other income	-	387,627	1,592,108	-	-	-	-	48,989	30	2,028,754
Other gains and losses, net	(832,459)	(277,829)	(440,901)	(145,740)	-	(98,100)	(421,275)	(125,918)	(292)	(2,342,514)
	7,994,869	2,255,616	1,151,207	5,686,636	-	(98,100)	5,966,875	(76,929)	(262)	22,879,912
Expenditure										
Administration	-	(1,996,936)	-	-	-	-	-	-	-	(1,996,936)
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)
	(21,486,664)	(4,207,876)	-	(9,332,712)	-	-	(2,345,105)	-	-	(37,372,357)
Surplus/(deficit) 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)

SOWERS ACTION**苗圃行動****NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021****7. INCOME**

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

8. OTHER INCOME

	<u>2021</u> HK\$	<u>2020</u> HK\$
Subscription fee income	14,960	33,100
Dividend income	73,735	75,655
Bank interest income	971,857	1,565,439
Rental income from investment property	81,600	83,200
Government grant	270,810	270,810
Others	30,000	550
	<u>1,442,962</u>	<u>2,028,754</u>

9. OTHER GAINS AND LOSSES, NET

	<u>2021</u> HK\$	<u>2020</u> HK\$
Fair value gain/(loss) on financial assets at FVTPL	328,000	(191,000)
Net foreign exchange gains/(losses)	5,068,233	(2,151,514)
	<u>5,396,233</u>	<u>(2,342,514)</u>

SOWERS ACTION**苗圃行動****NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021****10. ADMINISTRATION**

This 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.

11. FUND RAISING

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

12. 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.

13. SURPLUS/(DEFICIT) FOR THE YEAR

The Company's surplus/(deficit) for the year is stated at after charging the following:

	<u>2021</u>	<u>2020</u>
	HK\$	HK\$
Auditor's remuneration	55,000	80,000
Depreciation of plant and equipment	39,572	44,775
Depreciation of right-of-use asset	322,099	295,257
Direct operating expenses arising from rental-earning investment property	2,844	2,844
Staff costs	2,407,617	3,019,852
Expenses relating to short-term leases	<u>89,700</u>	<u>116,200</u>

SOWERS ACTION**苗圃行動****NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021****14. EMPLOYEE BENEFITS EXPENSE**

	<u>2021</u> HK\$	<u>2020</u> HK\$
Employee benefit expenses:		
Salaries, bonuses and allowances		
Administration	936,105	1,124,799
Fund raising	938,863	1,279,120
Public education	396,182	466,532
	<u>2,271,150</u>	<u>2,870,451</u>
Retirement benefit contributions:		
Administration	40,650	41,224
Fund raising	42,870	48,618
Public education	52,947	59,559
	<u>136,467</u>	<u>149,401</u>
Total	<u>2,407,617</u>	<u>3,019,852</u>

15. DIRECTORS' EMOLUMENTS

No emoluments were paid or receivable in respect of the services as directors or the other services in connection with the management of the affairs of the Company to the directors during the year (2020: Nil).

16. INCOME TAX EXPENSE

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.

SOWERS ACTION**苗圃行動****NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021****17. INVESTMENT PROPERTY**

	HK\$
Cost	
At 1 July 2019, 30 June 2020, 1 July 2020 and 30 June 2021	<u>1</u>
Accumulated depreciation	
At 1 July 2019, 30 June 2020, 1 July 2020 and 30 June 2021	<u>-</u>
Net carrying amount	
At 30 June 2021	<u><u>1</u></u>
At 30 June 2020	<u><u>1</u></u>

The investment property is a residential 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 2021 was HK\$4,980,000 (2020: HK\$4,950,000). 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.

SOWERS ACTION**苗圃行動****NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021****18. PLANT AND EQUIPMENT**

	Leasehold improvements HK\$	Furniture and equipment HK\$	Total HK\$
Costs			
At 1 July 2019	302,147	738,519	1,040,666
Additions	-	10,197	10,197
At 30 June 2020, 1 July 2020 and 30 June 2021	302,147	748,716	1,050,863
Accumulated depreciation			
At 1 July 2019	302,147	631,334	933,481
Charge for the year	-	44,775	44,775
At 30 June 2020 and 1 July 2020	302,147	676,109	978,256
Charge for the year	-	39,572	39,572
At 30 June 2021	302,147	715,681	1,017,828
Net carrying amount			
At 30 June 2021	-	33,035	33,035
At 30 June 2020	-	72,607	72,607

19. RIGHT-OF-USE ASSET

	Office premises HK\$
At 1 July 2019	-
Additions	966,297
Depreciation	(295,257)
At 30 June 2020 and 1 July 2020	671,040
Depreciation	(322,099)
At 30 June 2021	348,941

SOWERS ACTION**苗圃行動****NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021****19. RIGHT-OF-USE ASSET (CONT'D)**

Lease liability of HK\$269,585 (2020: HK\$592,176) is recognised with related right-of-use asset of HK\$348,941 (2020: HK\$671,040) as at 30 June 2021. The lease agreement does not impose any covenants other than the security interests in the leased asset that are held by the lessor. Leased property may not be used as security for borrowing purposes.

	<u>2021</u> HK\$	<u>2020</u> HK\$
Depreciation expenses on right-of-use asset	322,099	295,257
Interest expense on lease liability	7,409	10,879
Expenses relating to short-term leases	<u>89,700</u>	<u>116,200</u>

Details of total cash outflow for leases is set out in note 26(b).

For both years, the Company leases an office for its operations. Lease contract is entered into for a fixed term of 3 years. In determining the lease term and assessing the length of the non-cancellable period, the Company applies the definition of a contract and determines the period for which the contract is enforceable.

20. PREPAYMENTS, OTHER RECEIVABLES AND DEPOSITS

	<u>2021</u> HK\$	<u>2020</u> HK\$
Included in current assets		
Prepayments	1,427	1,427
Deposits	77,143	77,143
Other receivables	<u>448,149</u>	<u>664,416</u>
	<u>526,719</u>	<u>742,986</u>
Included in non-current assets		
Prepayments for property, plant and equipment	<u>2,926,710</u>	<u>-</u>

The financial assets included in the above balances relate to receivables for which there were no recent history of default and past due amounts. As at 30 June 2021 and 2020, the loss allowance was assessed to be minimal.

SOWERS ACTION**苗圃行動****NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021****21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<u>2021</u> HK\$	<u>2020</u> HK\$
Listed equity investments in Hong Kong, at fair value	<u>1,157,500</u>	<u>1,482,000</u>

The above equity investments were classified as financial assets at FVPTL as they were held for trading.

22. CASH AND CASH EQUIVALENTS

	<u>2021</u> HK\$	<u>2020</u> HK\$
Fixed deposits	<u>51,930,254</u>	34,944,569
Cash and bank balances	<u>24,986,966</u>	<u>20,818,525</u>
	<u>76,917,220</u>	<u>55,763,094</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 0.5% (2020: 0.01% to 5%) per annum.

At the end of the reporting period, the fixed deposits and cash and bank balances of the Company denominated in RMB amounted to HK\$46,970,889 (2020: HK\$36,598,710). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

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

SOWERS ACTION**苗圃行動****NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021****23. OTHER PAYABLES AND ACCRUALS**

	<u>2021</u> HK\$	<u>2020</u> HK\$
Other payables	11,827	11,827
Accruals	<u>67,689</u>	<u>81,809</u>
	<u>79,516</u>	<u>93,636</u>

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

24. 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 2021 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:

	<u>2021</u> HK\$	<u>2020</u> HK\$
Donations	<u>336,130</u>	<u>1,240,690</u>

SOWERS ACTION**苗圃行動****NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021****25. LEASE LIABILITY**

	Minimum lease payments		Present value of minimum lease payments	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	HK\$	HK\$	HK\$	HK\$
Within one year	275,000	330,000	269,585	322,591
More than one year, but not exceeding two years	-	275,000	-	269,585
	<u>275,000</u>	<u>605,000</u>	<u>269,585</u>	<u>592,176</u>
Less: Future finance charges	(5,415)	(12,824)	N/A	N/A
Present value of lease obligations	<u>269,585</u>	<u>592,176</u>	<u>269,585</u>	<u>592,176</u>
Less: Amount due for settlement within 12 months (shown under current liabilities)			<u>(269,585)</u>	<u>(322,591)</u>
Amount due for settlement after 12 months			<u>-</u>	<u>269,585</u>

26. NOTES TO STATEMENT OF CASH FLOWS**(a) Reconciliation of liability arising from financing activity**

The table below details changes in the Company's liability arising from financing activity, including both cash and non-cash changes. Liability arising from financing activity is the liability for which cash flows were or future cash flows will be classified in the Company's statement of cash flows from financing activity.

	<u>1 July 2020</u>	<u>Cash flows</u>	<u>Addition of</u>	<u>30 June 2021</u>
	HK\$	HK\$	lease	HK\$
			HK\$	
Lease liability	<u>592,176</u>	<u>(322,591)</u>	<u>-</u>	<u>269,285</u>

	<u>1 July 2019</u>	<u>Cash flows</u>	<u>Addition of</u>	<u>30 June 2020</u>
	HK\$	HK\$	lease	HK\$
			HK\$	
Lease liability	<u>-</u>	<u>(291,621)</u>	<u>883,797</u>	<u>592,176</u>

SOWERS ACTION**苗圃行動****NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021****26. NOTES TO STATEMENT OF CASH FLOW (CONT'D)****(b) Total cash outflow for leases**

Amounts included in the statement of cash flows for lease comprise the following:

	<u>2021</u> HK\$	<u>2020</u> HK\$
Within operating cash flows	97,109	127,079
Within investing cash flows	2,926,710	-
Within financing cash flows	<u>322,591</u>	<u>291,621</u>
	<u><u>3,346,410</u></u>	<u><u>418,700</u></u>

These amounts relate to the following:

	<u>2021</u> HK\$	<u>2020</u> HK\$
Lease rental paid	419,700	418,700
Prepayment for leasehold property	<u>2,926,710</u>	<u>-</u>

27. OPERATING LEASE ARRANGEMENTS

The Company as lessor

Operating leases relate to the investment property (Note 17) owned by the Company with lease term of 2 years. The lessee does not have an option to purchase the property at the expiry of the lease period.

Minimum lease payments receivable on lease are as follows:

	<u>2021</u> HK\$	<u>2020</u> HK\$
Within one year	54,400	81,600
In the second year	<u>-</u>	<u>54,400</u>
	<u><u>54,400</u></u>	<u><u>136,000</u></u>

SOWERS ACTION**苗圃行動****NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021****28. COMMITMENTS**

Commitments contracted for at the end of the reporting period but not yet incurred are as follows:

	<u>2021</u> HK\$	<u>2020</u> HK\$
Capital commitments to property, plant and equipment	19,440,000	-
Commitments to contribute funds to the Education Programs	<u>15,548,798</u>	<u>20,972,022</u>
	<u><u>34,988,798</u></u>	<u><u>20,972,022</u></u>

29. RELATED PARTY TRANSACTIONS

The remuneration of members of key management during the year was as follows:

	<u>2021</u> HK\$	<u>2020</u> HK\$
Short-term employee benefits	1,075,650	1,116,229
Post-employment benefits	<u>36,000</u>	<u>36,000</u>
	<u><u>1,111,650</u></u>	<u><u>1,152,229</u></u>

30. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation. The new classification of the accounting items was considered to provide a more appropriate presentation of the state of affairs of the Company.