SOWERS ACTION
苗圃行動

Reports and Financial Statements
For the year ended 30 June 2022

SOWERS ACTION
苗圃行動
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

CONTENTS

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 2022.

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 2022 and the Company's financial position at that date are set out in the financial statements on pages 8 to 50.

3. DIRECTORS

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

Ho Ngai Leung (Vice Chairman)	
Lee Yan Kit (Vice Chairman)	
Chan Pui Yee	
Suen Man Fai	
Ching Shuk Ying, Vanessa	
Lee Lap Kuen	(Retired on 6 June 2022)
Cheung Man Kwong	(Retired and re-appointed on 13 November 2021)
Mo Sik Keung	(Retired and re-appointed on 13 November 2021)
Pak Paul	(Retired and re-appointed on 13 November 2021)
Choi Shiu Ming (Chairman)	(Appointed on 13 November 2021)
Au Ho (Vice Chairman)	(Appointed on 13 November 2021)
Shum Wing Sze Quiny	(Appointed on 13 November 2021)
Tang Ho Lun Ronald	(Appointed on 13 November 2021)
Zen Tung Yee Toni	(Appointed on 13 November 2021)

In accordance with Article 55(b) of the Articles of Association, Ho Ngai Leung, Chan Pui Yee, Lee Yan Kit and Ching Shuk Ying, Vanessa will retire but eligible for re-election in forthcoming annual general meeting.

4. PERMITTED INDEMNITY

During the year ended 30 June 2022, a permitted indemnity provision as defined in the Companies Ordinance was in force for an indemnity against a liability incurred by directors of the Company, to a third party.

5. BUSINESS REVIEW

This year marks the 30th anniversary of the founding of Sowers Action, and throughout this time we were deeply touched by all that we have experienced. A provincial official in mainland China once described us this way: "*Sowers' workers selflessly contributed their golden years to our country to improve our country's education*". Throughout the years, we walk with China on its path of education and welfare development, evolving from the practice of "limited schooling" to "schooling" to "encouraging schooling". Thinking back, our beginning was humble, often using restaurants as our work space, later borrowing, renting, and now owning our office. As well, our Article of Association was revised three times to keep pace with changing social needs. Despite we have accomplished a lot over 30 years, we are always mindful that while quantifying the benefits of our programs is important, what ultimately matters is how one's action help change societal mindset towards public welfare and philanthropy. Philanthropy has become a mindset in China nowadays, and as public welfare resources continue to rise in China, we recognise that we can re-focus our effort in more needy areas outside of the mainland.

As a result, Sowers Action took the opportunity in 2017 to expand our reach into different parts of the world – Myanmar, Northern Thailand, and Nepal – as well as diversifying our services from education to basic livelihood, humanitarian relief and anti-epidemic programs; and have achieved great results. Recently, we have registered "Sowers Action Nepal" with aim to promote Chinese education overseas. And as soon as the epidemic subsides, work will resume everywhere.

These achievements may appear easy in words, but looking back on this 30-year journey, the road has been bumpy, fraught with challenges especially when operating overseas. Fortunately, the biggest skills we have is finding capable and caring people to help. However, the dual impact of the recent COVID pandemic and social movement have caused many of our supporters to emigrate from Hong Kong, resign from our organisation, or being busy with their own livelihood. This caused a significant drop in fundraising and cut-backs in social programs. Our project fund and administration fund dropped to HK$22.07 million and HK$2.27 million respectively. This unfortunate situation is seen industry-wide where most non-profits in Hong Kong are facing this sad reality.

As a result, welfare groups in Shamshuipo referred to us households, who as a result of COVID or unemployment, are living in sub-divided flats and some by means of welfare assistance. These families live hand to mouth in extreme condition with scarcely any money, food, or medications. Such families urgently need our assistance. At the onset of our program, there was no donation and no one dared to help deliver food and medication to the needy households. However, after 3 short weeks, the number of beneficiary households increased from 150 to more than 600. Sowers Action is indeed in action, raising nearly HK$4 million to help more than 1,100 households in the ensuing 3 months.

5. BUSINESS REVIEW (CONT'D)

Through this program and extensive visits to and contacts with the community, we learned a great deal about the hardships and problems faced by subsistence families that have limited means. And this 3-month period made us realise that there are many real and urgent social needs in our backyard waiting for solutions, and if Sowers can help, why not take prompt actions? The results, in less than a month, we set up the "Sowers Action Shamshuipo" service center with a two-year term to provide caring services to the community. In the center, we are mindful that while we have to provide instant relief – the fish itself, we also have to provide tools to anticipate future needs – teaching how to fish. Providing subsidy can only solve the issue temporarily as once subsidy stops, the problem returns. Our founding motto still stands true today, "To cure poverty, we need to cure the root cause, and education is the root cure."

No doubt we will face great challenges in operating the "Sowers Action Shamshuipo" service center, but we are hopeful and confident that we will succeed. A big announcement will be released shortly and we ask you to please keep an eye on it and for your generous support. We will continue to work hard in improving the workings and programs of the center and we look forward to using this service model to rolling out centers to other areas.

At the moment of writing, Hong Kong is under the influence of typhoon Siamba with signal 8 hoisted, and outside our window we can see and hear the gusting wind and torrential rain. However, "Sowers Action Shamshuipo" can confidently tell those who are now facing difficult times, the storm will no doubt end and pass us by one day.

6. AUDITORS

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

Choi Shiu Ming
Chairman

29 September 2022

RSM

RSM Hong Kong

29th Floor, Lee Garden Two, 28 Yun Ping Road,
Causeway Bay, Hong Kong

T +852 2598 5123
F +852 2598 7230

www.rsmhk.com

羅申美會計師事務所

香港銅鑼灣恩平道二十八號
利園二期二十九字樓

電話 +852 2598 5123
傳真 +852 2598 7230

www.rsmhk.com

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 8 to 50, which comprise the statement of financial position as at 30 June 2022, and the statement of income and expenditure and other comprehensive income, statement of changes in funds and 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 2022, 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 (the "HKICPAs") and have been properly prepared in compliance with the 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.

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 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 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.

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with HKSAs, we exercise professional 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.

RSM Hong Kong
Certified Public Accountants

29 September 2022

SOWERS ACTION
苗圃行動
STATEMENT OF INCOME AND EXPENDITURE AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2022

	Note	2022 HK$	2021 HK$
INCOME			
Donations	8	**19,122,286**	32,300,904
Other income	9	**1,158,569**	1,442,962
Other gains and losses, net	10	**2,970,224**	5,396,233
		23,251,079	39,140,099
EXPENDITURE			
Administration	11	**3,031,673**	1,703,234
Fund raising	12	**804,686**	1,347,099
Projects	13	**18,989,850**	22,937,472
Interest on secured bank borrowing		**50,711**	-
Interest on lease liabilities		**7,672**	7,409
		22,884,592	25,995,214
SURPLUS AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR	14	**366,487**	13,144,885

SOWERS ACTION
苗圃行動
STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2022

	Note	2022 HK$	2021 HK$
NON-CURRENT ASSETS			
Investment properties	18	**7,667,806**	1
Property, plant and equipment	19	**14,963,943**	33,035
Right-of-use assets	20	**866,783**	348,941
Prepayments for non-current assets	21	**-**	2,926,710
		23,498,532	3,308,687
CURRENT ASSETS			
Prepayments, other receivables and deposits	21	**680,595**	526,719
Financial assets at fair value through profit or loss ("FVTPL")	22	**-**	1,157,500
Fixed deposits with original maturity over three months		**1,044,504**	1,042,873
Cash and cash equivalents	23	**61,717,159**	76,917,220
		63,442,258	79,644,312
CURRENT LIABILITIES			
Other payables and accruals	24	**113,000**	79,516
Deferred income	25	**485,500**	400,955
Secured bank borrowing	26	**2,923,888**	-
Lease liabilities	27	**469,573**	269,585
		3,991,961	750,056
Net current assts		**59,450,297**	78,894,256
Total assets less current liabilities		**82,948,829**	82,202,943
NON-CURRENT LIABILITIES			
Lease liabilities	27	**379,399**	-
NET ASSETS		**82,569,430**	82,202,943
FUNDS		**82,569,430**	82,202,943

Approved by the Board of Directors on 29 September 2022 and signed by the following directors:

Choi Shiu Ming	Chan Pui Yee
Chairman	Director

SOWERS ACTION
苗圃行動

STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED 30 JUNE 2022

	Chinese education fund	Administration fund	Development fund	Overseas fund	Disaster relief fund	Project fund	Perpetual education aid fund	Perpetual operation fund	Total
	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$
At 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
(Deficit)/surplus for the year and total comprehensive (expenses)/income for the year (note 7)	(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 and 1 July2021	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
(Deficit)/surplus for the year and total comprehensive (expenses)/income for the year (note 7)	(4,298,611)	(1,792,489)	4,015,765	-	(47,455)	2,549,213	(59,794)	(142)	366,487
Transfer to/(from) the fund (note)	-	2,100,000	(2,100,000)	-	-	-	-	-	-
At 30 June 2022	14,113,478	7,695,585	13,346,866	27,058,318	3,633,576	15,071,724	1,639,042	10,841	82,569,430

Note: During the year ended 30 June 2022, development fund of HK$2,100,000 was transferred to the administration fund upon the directors' approval dated 17 June 2022.

SOWERS ACTION
苗圃行動
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2022

	Note	**2022** **HK$**	2021 HK$
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus before tax		**366,487**	13,144,885
Adjustments for:			
Interest on lease liabilities		**7,672**	7,409
Interest on secured bank borrowing		**50,711**	-
Depreciation of investment properties	14	**307,738**	-
Depreciation of property, plant and equipment	14	**578,106**	39,572
Depreciation of right-of-use assets	14	**360,278**	322,099
Dividend income	9	**(17,250)**	(73,735)
Gain on disposal of property, plant and equipment	10	**(4,050,000)**	-
Fair value gain on financial assets at FVTPL	10	**(17,500)**	(328,000)
Interest income		**(708,147)**	(971,857)
Operating cash flows before working capital changes		**(3,121,905)**	12,140,373
(Increase)/decrease in prepayments, other receivables and deposits		**(71,376)**	216,267
Increase/(decrease) in other payables and accruals		**33,484**	(14,120)
Increase/(decrease) in deferred income		**84,545**	(363,901)
Proceeds from disposal of financial assets at FVTPL		**1,175,000**	652,500
Cash (used in)/generated from operations		**(1,900,252)**	12,631,119
Interest on lease liabilities		**(7,672)**	(7,409)
Net cash (used in)/generated from operating activities		**(1,907,924)**	12,623,710
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received		**17,250**	73,735
Interest received		**708,147**	971,857
Proceeds from disposal of property, plant and equipment		**4,050,000**	-
Purchases of property, plant and equipment		**(13,627,514)**	-
Purchases of investment properties		**(6,930,333)**	-
Prepayments for leasehold properties		-	(2,926,710)
Payments for right-of-use assets		**(20,405)**	-
Placement in bank deposits with maturity over three months		**(1,044,504)**	(1,042,873)
Repayment of bank deposits with maturity over three months		**1,042,873**	11,776,998
Net cash (used in)/generated from investing activities		**(15,804,486)**	8,853,007

SOWERS ACTION
苗圃行動
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2022

	Note	2022 HK$	2021 HK$
CASH FLOW FROM FINANCING ACTIVITIES			
Secured bank borrowing raised		**3,040,000**	-
Repayment of secured bank borrowing		**(166,823)**	-
Principal elements of lease payments		**(360,828)**	(322,591)
Net cash generated from/(used in) financing activities		**2,512,349**	(322,591)
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS		**(15,200,061)**	21,154,126
Cash and cash equivalents at beginning of year		**76,917,220**	55,763,094
CASH AND CASH EQUIVALENTS AT END OF YEAR	23	**61,717,159**	76,917,220

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 03, 12/F, Block C, Hong Kong Industrial Centre, 489-491 Castle Peak Road, Lai Chi Kok, 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 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 HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Company.

None of these developments have had a material effect on how the Company's results and financial position for the current or prior periods have been prepared or presented. The Company has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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 2021. 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 Presentation of Financial Statements and HKFRS Practice Statement 2 Making Materiality Judgements - Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - 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.

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 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 area where assumptions and estimates are significant to the financial statements is disclosed in note 5.

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 assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date the Company initially recognises such non-monetary assets or liabilities. 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.

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.

For ownership interests of properties which includes both leasehold land and building elements, the leasehold land and building elements are allocated in proportion to the relative fair values unless such allocation cannot be made reliably, in which case, the entire properties are classified as property, plant and equipment.

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

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

Leasehold land and buildings	Over the lease terms
Leasehold improvements	The shorter of the lease terms or 5 years
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, with the effect of any changes in estimate accounted for on a prospective basis.

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 properties

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Investment properties (cont'd)

Depreciation is calculated using the straight-line method to allocate the cost to the residual value 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. Rental income from investment properties is accounted for as described in note 4(l).

(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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Leases (cont'd)

(i) The Company as a lessee (cont'd)

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Leases (cont'd)

(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.

(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 instrument.

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.

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 funds. 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.

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) Borrowing

Borrowing is recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowing is classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(k) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) 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. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

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

Subscription fee income is recognised on a cash basis in the period in which the subscription fee is received.

Rental income receivable under operating leases is recognised in surplus or deficit in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in surplus or deficit as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

(m) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) 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.

(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.

(o) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Borrowing costs (cont'd)

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Company that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asses. Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings.

All other borrowing costs are recognised in surplus or deficit in the period in which they are incurred.

(p) 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 relating to income are deferred and recognised in surplus or deficit over the period to match them with the costs they are intended to compensate.

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.

(q) 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").

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Fund movement (cont'd)

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.

Overseas fund

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

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Fund movement (cont'd)

Operational costs

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

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

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

Program implementation costs include the expenditure of the mainland office and the project funding department; travelling subsides to work group and other program implementation costs. The cost of HK$755,848 (2021: HK$663,862) was included in the projects cost.

(r) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) Impairment of financial assets

The Company recognises a loss allowance for ECL on all 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 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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:

- 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. 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) 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.

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.

(t) 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.

(u) 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. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of investment properties, property, plant and equipment and right-of-use assets

Investment properties, property, plant and equipment and right-of-use assets are stated at cost less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Company has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

The carrying amount of investment properties, property, plant and equipment and right-of-use assets as at 30 June 2022 were HK$7,667,806 (2021: HK$1), HK$14,963,943 (2021: HK$33,035) and HK$866,783 (2021: HK$348,941) respectively.

6. FINANCIAL RISK MANAGEMENT AND POLICIES

The Company's activities expose it to a variety of financial risks: foreign currency 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.

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

(i) Foreign currency risk (cont'd)

At 30 June 2022, if RMB had weakened 5% (2021: 5%) against HK$ with all other variables held constant, surplus (2021: surplus) for the year would have been HK$2,117,424 (2021: HK$2,348,544) lower (2021: lower), arising mainly as a result of the net foreign exchange loss on bank balances denominated in RMB. There would be an equal and opposite impact on surplus (2021: surplus) for the year if RMB had strengthened 5% (2021: 5%) against HK$.

(ii) 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 is exposed to credit risk from its operating activities and from its financing activities, including deposits with banks. 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 deposits and other receivables and bank and cash balances.

(iii) 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.

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 2022			
Other payables and accruals	**113,000**	-	**113,000**
Secured bank borrowing (note)	**2,923,888**	-	**2,923,888**
Lease liabilities	**489,500**	**385,000**	**874,500**
30 June 2021			
Other payables and accruals	79,516	-	79,516
Lease liabilities	275,000	-	275,000

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

(iii) Liquidity risk (cont'd)

Note: Secured bank borrowing with a repayment on demand clause is included in the 'Less than 1 year and on demand' time band in the above maturity analysis. Taking into account the Company's financial position, the directors do not believe that it is probable that the bank will exercise its discretionary rights to demand immediate repayment. The directors believe that such secured bank borrowing will be repaid in accordance with the scheduled repayment dates set out in the loan agreement.

The maturity analysis of secured bank borrowing subject to a repayment on demand clause based on scheduled repayments is as follows:

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	HK$	HK$	HK$	HK$	HK$
At 30 June 2022					
Secured bank borrowing	180,816	180,816	542,448	2,547,675	3,451,755

(iv) Interest rate risk

The Company's cash flow interest rate risk primarily relates to variable-rate bank deposits and bank borrowing. It is the Company's policy to keep its bank deposits and borrowing at floating rate of interest so as to minimise the fair value interest rate risk. The Company currently does not have an interest rate hedging policy. However, management monitors interest rate exposure closely and will consider other necessary action when significant interest rate exposure is anticipated.

The effect of changes in interest rates is not significant to the financial statements. The Company has no other significant interest-bearing assets and liabilities except for bank deposits and bank borrowing, the Company's surplus and operating cash flows are substantially independent of changes in market interest rates.

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

(v) 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 10.

(vi) Categories of financial instruments at 30 June 2022

	2022	2021
	HK$	HK$
Financial assets:		
Financial assets at amortised cost	**63,440,831**	78,485,385
Financial assets at FVTPL	-	1,157,500
Financial liabilities:		
Financial liabilities at amortised cost	**3,036,888**	79,516

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

(vii) 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:

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:

	Fair value measurement using: Level 1	
	2022	2021
	HK$	HK$
Description		
Recurring fair value measurements:		
Financial assets:		
Financial assets at FVTPL		
- Listed equity securities	-	1,157,500

During the years ended 30 June 2022 and 2021, there were no transfers among Level 1, Level 2 and Level 3.

7. FUND MOVEMENT

	Year ended 30 June 2022							
	Chinese education fund	Administration fund	Development fund	Disaster relief fund	Project fund	Perpetual education aid fund	Perpetual operation fund	Total
	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$
Income								
Donations	1,909,339	1,843,500	-	-	15,369,447	-	-	19,122,286
Other income	-	433,172	718,497	-	-	6,900	-	1,158,569
Other gains and losses, net	(174,583)	(73,762)	3,817,185	(47,455)	(537,983)	(13,036)	(142)	2,970,224
	1,734,756	2,202,910	4,535,682	(47,455)	14,831,464	(6,136)	(142)	23,251,079
Expenditure								
Administration	-	(2,424,711)	(516,947)	-	(38,179)	(51,836)	-	(3,031,673)
Fund raising	-	(804,686)	-	-	-	-	-	(804,686)
Projects	(6,033,367)	(709,912)	(2,970)	-	(12,241,779)	(1,822)	-	(18,989,850)
Interest on secured bank borrowing	-	(50,711)	-	-		-	-	(50,711)
Interest on lease liabilities	-	(5,379)	-	-	(2,293)	-	-	(7,672)
	(6,033,367)	(3,995,399)	(519,917)	-	(12,282,251)	(53,658)	-	(22,884,592)
(Deficit)/surplus for the year	(4,298,611)	(1,792,489)	4,015,765	(47,455)	2,549,213	(59,794)	(142)	366,487

7. FUND MOVEMENT (CONT'D)

	Year ended 30 June 2021								
	Chinese education fund	Administration fund	Development fund	Overseas fund	Disaster relief fund	Project fund	Perpetual education aid fund	Perpetual operation fund	Total
	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$
Income									
Donations	9,086,828	4,619,087	-	5,373,730	-	13,221,259	-	-	32,300,904
Other income	-	397,370	1,008,907	-	-	-	36,685	-	1,442,962
Other gains and losses, net	1,406,463	462,876	982,149	584,853	238,038	1,395,035	326,109	710	5,396,233
	10,493,291	5,479,333	1,991,056	5,958,583	238,038	14,616,294	362,794	710	39,140,099
Expenditure									
Administration	-	(1,703,234)	-	-	-	-	-	-	(1,703,234)
Fund raising	-	(1,347,099)	-	-	-	-	-	-	(1,347,099)
Projects	(18,423,611)	(663,862)	-	(510,416)	-	(3,339,583)	-	-	(22,937,472)
Interest on lease liabilities	-	(7,409)	-	-	-	-	-	-	(7,409)
	(18,423,611)	(3,721,604)	-	(510,416)	-	(3,339,583)	-	-	(25,995,214)
(Deficit)/surplus 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

8. INCOME

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

During the period from 5 January 2022 to 12 January 2022, the Company held a public fund-raising activity under Section 4(17)(i), Summary Offences Ordinance, Cap. 228 and was approved by the Social Welfare Department with public subscription permit number 2022/001/01. The Company received gross proceed of HK$9,053 with Nil expenditure for the purpose of community development.

9. OTHER INCOME

	2022	2021
	HK$	HK$
Subscription fee income	**41,220**	14,960
Dividend income	**17,250**	73,735
Bank interest income	**708,147**	971,857
Rental income from investment properties	**315,500**	81,600
Government grant (note)	**72,000**	270,810
Others	**4,452**	30,000
	1,158,569	1,442,962

Note: During the year, the Company recognised government grants of HK$72,000 (2021: HK$270,810) in respect of COVID-19 related subsidies relates to Employment Support Scheme provided by the Hong Kong Special Administrative Region Government.

10. OTHER GAINS AND LOSSES, NET

	2022	2021
	HK$	HK$
Fair value gain on financial assets at FVTPL	**17,500**	328,000
Net foreign exchange (losses)/gains	**(1,097,276)**	5,068,233
Gain on disposal of property, plant and equipment (note)	**4,050,000**	-
	2,970,224	5,396,233

Note: During the year, the Company disposed of a commercial property used for storage purpose which was written off during the year ended 30 June 2005.

11. 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.

12. FUND RAISING

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

13. PROJECTS

This represents funds used to promote awareness on social, economic and spiritual factors of developing areas in PRC or elsewhere and the details as below:

	2022	2021
	HK$	HK$
School construction and facilities	**4,014,633**	7,447,650
Student sponsorship	**5,001,884**	6,110,162
Sending love program	**1,783,375**	1,699,361
Children and youth welfare	**-**	3,034,961
Community development	**1,342,155**	463,132
Humanitarian aid	**6,095,340**	3,137,059
General donation and other expenses	**752,463**	1,045,147
	18,989,850	22,937,472

14. SURPLUS FOR THE YEAR

The Company's surplus for the year is stated at after charging the following:

	2022	2021
	HK$	HK$
Auditor's remuneration	**58,000**	55,000
Depreciation of investment properties	**307,738**	-
Depreciation of property, plant and equipment	**578,106**	39,572
Depreciation of right-of-use assets	**360,278**	322,099
Direct operating expenses arising from rental-earning investment properties	**39,663**	2,844
Staff costs	**2,286,576**	2,407,617
Expenses relating to short-term leases	**227,158**	89,700

15. EMPLOYEE BENEFITS EXPENSE

	2022 HK$	2021 HK$
Employee benefits expense:		
Salaries, bonuses and allowances		
Administration	**1,019,921**	936,105
Fund raising	**600,638**	938,863
Projects	**535,413**	396,182
	2,155,972	2,271,150
Retirement benefit contributions:		
Administration	**43,002**	40,650
Fund raising	**38,287**	42,870
Projects	**49,315**	52,947
	130,604	136,467
Total	**2,286,576**	2,407,617

16. 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 (2021: Nil).

17. 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.

18. INVESTMENT PROPERTIES

	HK$
Cost	
At 1 July 2020, 30 June 2021 and 1 July 2021	1
Addition	7,975,543
At 30 June 2022	7,975,544
Accumulated depreciation	
At 1 July 2020, 30 June 2021 and 1 July 2021	-
Charge for the year	307,738
At 30 June 2022	307,738
Net carrying amount	
At 30 June 2022	7,667,806
At 30 June 2021	1

The investment properties consist of one residential property and one commercial property (2021: one residential property) located in Hong Kong and have been leased out to earn rental income to subsidise the daily operations of the Company.

The fair value of the investment properties at 30 June 2022 were HK$14,519,920 (2021: HK$4,980,000). 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.

At 30 June 2022, the carrying amount of an investment property pledged as security for the Company's bank borrowing amounted to HK$7,667,805 (2021: HK$Nil).

SOWERS ACTION
苗圃行動
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

19. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$	Leasehold improvements HK$	Furniture and equipment HK$	Total HK$
Cost				
At 1 July 2020, 30 June 2021 and 1 July 2021	-	302,147	748,716	1,050,863
Additions	14,595,727	790,350	122,937	15,509,014
Written off	-	(302,147)	(531,317)	(833,464)
At 30 June 2022	14,595,727	790,350	340,336	15,726,413
Accumulated depreciation				
At 1 July 2020	-	302,147	676,109	978,256
Charge for the year	-	-	39,572	39,572
At 30 June 2021 and 1 July 2021	-	302,147	715,681	1,017,828
Charge for the year	470,830	46,255	61,021	578,106
Written off	-	(302,147)	(531,317)	(833,464)
At 30 June 2022	470,830	46,255	245,385	762,470
Net carrying amount				
At 30 June 2022	14,124,897	744,095	94,951	14,963,943
At 30 June 2021	-	-	33,035	33,035

20. RIGHT-OF-USE ASSETS

	Office premises HK$
At 1 July 2020	671,040
Depreciation	(322,099)
At 30 June 2021 and 1 July 2021	348,941
Addition	878,120
Depreciation	(360,278)
At 30 June 2022	866,783

20. RIGHT-OF-USE ASSETS (CONT'D)

Lease liabilities of HK$848,972 (2021: HK$269,585) are recognised with related right-of-use assets of HK$866,783 (2021: HK$348,941) as at 30 June 2022. The lease agreement does not impose any covenants other than the security interests in the leased asset that are held by the lessor. Leased properties may not be used as security for borrowing purposes.

	2022	2021
	HK$	HK$
Depreciation expenses on right-of-use assets	**360,278**	322,099
Interest expense on lease liabilities	**7,672**	7,409
Expenses relating to short-term leases	**227,158**	89,700

Details of total cash outflow for leases is set out in note 28(b).

For both years, the Company leases various offices for its operations. Lease contract is entered into for a fixed term of 2 to 3 years (2021: 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.

21. PREPAYMENTS, OTHER RECEIVABLES AND DEPOSITS

	2022	2021
	HK$	HK$
Included in current assets		
Prepayments	**1,427**	1,427
Deposits	**257,353**	77,143
Other receivables	**421,815**	448,149
	680,595	526,719
Included in non-current assets		
Prepayments for property, plant and equipment	**-**	2,926,710

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 2022 and 2021, the loss allowance was assessed to be minimal.

22. FINANCIAL ASSETS AT FVTPL

	2022 HK$	2021 HK$
Listed equity investments in Hong Kong, at fair value	-	1,157,500

The above equity investments were classified as financial assets at FVPTL as they were held for trading. As at 30 June 2021, fair value of equity investments listed in Hong Kong are primarily based on quoted market prices.

23. CASH AND CASH EQUIVALENTS

	2022 HK$	2021 HK$
Fixed deposits	**46,428,100**	51,930,254
Cash and bank balances	**15,289,059**	24,986,966
	61,717,159	76,917,220

Fixed deposits include deposits with an original maturity of three months or less. The deposits carry interest at prevailing market rate ranging from 0.01% to 2% (2021: 0.01% to 0.5%) 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$42,348,481 (2021: HK$46,970,889). 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.

24. OTHER PAYABLES AND ACCRUALS

	2022	2021
	HK$	HK$
Other payables	**55,000**	11,827
Accruals	**58,000**	67,689
	113,000	79,516

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

25. 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 increase in deferred income in 2022 was mainly due to the increase 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:

	2022	2021
	HK$	HK$
Donations	**90,173**	336,130

26. SECURED BANK BORROWING

	2022	2021
	HK$	HK$
Mortgage loan	**2,923,888**	-

26. SECURED BANK BORROWING (CONT'D)

The borrowing is repayable as follows:

	2022 HK$	2021 HK$
Within one year	**129,748**	-
More than one year, but not exceeding two years	**132,013**	-
More than two years, but not more than five years	**410,719**	-
More than five years	**2,251,408**	-
	2,923,888	-

The 20-year mortgage loan containing a repayment on demand clause is repayable on demand and carries interest at a rate of 1.7% per annum over 1-month Hong Kong Interbank Offer Rate.

The secured bank borrowing is secured by a charge over the Company's investment property as disclosed in note 18.

27. LEASE LIABILITIES

	Minimum lease payments		Present value of minimum lease payments	
	2022 HK$	2021 HK$	**2022 HK$**	2021 HK$
Within one year	**489,500**	275,000	**469,573**	269,585
More than one year, but not exceeding two years	**385,000**	-	**379,399**	-
	874,500	275,000	**848,972**	269,585
Less: Future finance charges	**(25,528)**	(5,415)	**N/A**	N/A
Present value of lease obligations	**848,972**	269,585	**848,972**	269,585
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(469,573)**	(269,585)
Amount due for settlement after 12 months			**379,399**	-

The weighted average incremental borrowing rates applied to lease liabilities range from 1.58% to 3.21% (2021: 1.58%).

28. NOTES TO STATEMENT OF CASH FLOWS

(a) Reconciliation of liabilities arising from financing activities

The table below details changes in the Company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Company's statement of cash flows from financing activities.

	1 July 2021	Cash flows	Addition of lease	Interest expense	30 June 2022
	HK$	HK$	HK$	HK$	HK$
Secured bank borrowing	-	2,873,177	-	50,711	2,923,888
Lease liabilities	269,585	(286,000)	857,715	7,672	848,972
	269,585	2,587,177	857,715	58,383	3,772,860

	1 July 2020	Cash flows	Interest expense	30 June 2021
	HK$	HK$	HK$	HK$
Lease liabilities	592,176	(330,000)	7,409	269,585

(b) Total cash outflow for leases

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

	2022	2021
	HK$	HK$
Within operating cash flows	**317,330**	97,109
Within investing cash flows	**20,578,252**	2,926,710
Within financing cash flows	**360,828**	322,591
	21,256,410	3,346,410

These amounts relate to the following:

	2022	2021
	HK$	HK$
Lease rental paid	**678,158**	419,700
Payments for right-of-use assets	**20,405**	-
Prepayments for leasehold properties	**20,557,847**	2,926,710

29. OPERATING LEASE ARRANGEMENTS

The Company as lessor

Operating leases relate to the investment properties (note 18) 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:

	2022 **HK$**	2021 HK$
Within one year	**137,500**	54,400

The following table presents the amounts reported in surplus or deficit:

	2022 **HK$**	2021 HK$
Lease income on operating leases	**315,500**	81,600

30. COMMITMENTS

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

	2022 **HK$**	2021 HK$
Capital commitments to property, plant and equipment	-	19,440,000
Commitments to contribute funds to the Education Programs	**10,731,201**	15,548,798
	10,731,201	34,988,798

31. RELATED PARTY TRANSACTIONS

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

	2022 HK$	2021 HK$
Short-term employee benefits	**1,112,650**	1,075,650
Post-employment benefits	**36,000**	36,000
	1,148,650	1,111,650