

SOWERS ACTION

苗圃行動

Reports and Financial Statements
For the year ended 30 June 2026

SOWERS ACTION
苗圃行動
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2026

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DIRECTORS' REPORT

The directors present their report and the audited financial statements of Sowers Action (the "Company") for the year ended 30 June 2026.

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 results for the year ended 30 June 2026 and the Company's financial position at that date are set out in the financial statements on pages 10 to 52.

3. DIRECTORS

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

Leung Kin Wah (Chairman)	(Appointed on 13 December 2025)
Cheung Hon Fan Alex (Vice Chairman)	(Appointed on 13 December 2025)
Lau Wing Yan (Vice Chairman)	(Appointed on 13 December 2025)
Li Suet Ping Vickie (Vice Chairman)	(Appointed on 13 December 2025)
Au Ho (Treasurer)	(Appointed on 13 December 2025)
Mo Sik Keung Gilbert	
Sit Hung Hai	(Retired and re-appointed on 13 December 2025)
Leung Hok Yin	(Appointed on 13 December 2025)
Lui Chi Hang	(Appointed on 13 December 2025)
Yung Wing Hung Dominic	(Appointed on 5 June 2026)
Lee Yan Kit	(Retired on 13 December 2025)
Pak Paul	(Retired on 13 December 2025)
Zen Tung Yee Toni	(Retired on 13 December 2025)
Shum Wing Sze Quiny (Vice Chairman)	(Retired on 6 March 2026)
Tang Ho Lun Ronald	(Retired on 15 May 2026)
Lee Lap Kuen	(Retired on 19 May 2026)
Choi Shiu Ming	(Appointed on 13 December 2025 and retired on 5 June 2026)
Leung Yuk Kit	(Appointed on 13 December 2025 and retired on 5 June 2026)

In accordance with Article 55(b) of the New Articles of Association, Mo Sik Keung Gilbert, Leung Hok Yin, Sit Hung Hai and Yung Wing Hung Dominic will retire but eligible for re-election in forthcoming annual general meeting.

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DIRECTORS' REPORT

4. PERMITTED INDEMNITY

During the year ended 30 June 2026, 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

The 2025–26 fiscal year has been marred with global political turbulence and constant changes in economic dynamics. Overall, the disadvantaged and underserved communities everywhere bore the brunt of the challenges that were brought on. These difficulties highlighted the importance of Sower's value and dual commitments: to cultivate local grassroots support to empower the disadvantaged and to advance our overseas development.

Our organization met these challenges head on and remains steadfast in our core vision: "Boundless Charity. Borderless World." We gather funding from all walks of society, turning them into educational resources for underprivileged students and timely assistance for low-income families. Working hand-in-hand with a variety of partners, we have jointly opened new horizons for philanthropy.

Looking back at this fiscal year, our donation income breakdown follows: Project Fund HK\$10.35 million, Development Fund HK\$0.75 million and Operation Fund HK\$5.68 million. On expenditures, HK\$ 11.6 million was spent on projects, HK\$0.53 million on Development Fund, and HK\$3.29 million on operation expenses. Operating Fund income recorded a significant growth this year, due largely to the sale of a Sheung Shui village house donated by a benefactor some years ago. This transaction, however, is a one-off non-recurring gain and sustainable fundraising for operational expenses remains a major challenge for our organization.

Serving Locally and Deeply Rooted in the Grassroots

Our Sowers Action Shamshuipo Centre currently serves over 1,700 registered family members. Its core service philosophy emphasizes "Relationship Come First" — be it family relations or neighborly long-term trusting relations. Thanks to the strong support of corporate partners and sponsors across different industries, the Center has launched a multitude of services and thematic activities throughout the year which have yielded meaningful participation and results.

During the year we have held 194 activities benefiting a total of 6,585 persons; conducted 269 home visits and 786 phone calls to provide care and support, and our "Sowers Play" program served a total of 548 person-times.

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DIRECTORS' REPORT**5. BUSINESS REVIEW (CONT'D)****Serving Locally and Deeply Rooted in the Grassroots (cont'd)**

It is estimated that over 30% of families whom we serve have children with Special Educational Needs (SEN). To support them, we launched the "Sowers Play" and "Sowers Pulse" services. Through these, trained volunteers help children express their emotions through games, arts, musical and other activities, and at the same time, help hone their own professional capabilities to further their goals to helping others and oneself.

Chinese Mainland & Overseas: A Diversified Presence

At the end of 2020, Chinese Mainland achieved a historic milestone, completing its poverty alleviation campaign. As part of the effort, relocation resettlement communities were established in remote mountainous regions to house their residents. Despite improvements in living conditions, these communities still face a number of social issues and needs – left-behind children and live-alone-elderlies. Responding to such needs, Sowers designed and executed a three-year plan (2026–2029) to support local social work teams, with a strategic focus on serving the elderly and children in resettlement communities. Our overall service approach is shifting from the previous emphasis on "broad coverage and quantitative expansion" to a new priority on "quality effectiveness and qualitative enhancement."

On the overseas fronts, service programs in Nepal are progressing steadily, the Sowers Community Centre provides regular Chinese classes, and introduces new English classes, houses a community library, and holds regular cultural activities. Our girls' hostel provides not only food, room and tuition assistance for underprivileged high school girls, but also a variety of training programs arranged by overseas volunteers to foster youth growth and drive community development. We also supported Chinese classes for the school along China-Nepal border, nutritious meals program, disaster relief effort and more.

Our work in Northern Thailand was focused primarily on completing and closing out existing projects. Same time, we have visited border areas to survey education needs and identify local partners to collaborate with in planning and executing new projects for next year. In Myanmar, despite the geopolitical impact, we continue to support a special education school and a children's home to care for disadvantaged children.

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DIRECTORS' REPORT

5. BUSINESS REVIEW (CONT'D)

Action-Oriented Fundraising

Major fundraising events were held successfully, including many of our signature programs: Challenging 12 Hours Charity Trail Marathon, Long March for Education, Lunar New Year Charity Walk, and Sending Warm Love. In addition to above, we aim to instill positive social values and responsibilities to the young generations. These include leading Hong Kong university and secondary students on study tours to Shanghai and Nepal to broaden their horizons, and organizing service trip for City University of Hong Kong students to help install solar-powered streetlights in Wenshan, Yunnan.

Staying True to Our Mission and Moving Forward

We strictly adhere to the principle of raising operational expenditure funding separately. Donations received are 100% used in subsidizing the projects. Raising operation fund can be difficult, while donations from honorary directors are a good source of its funding, we are always mindful to explore ways to increase revenue and reduce costs to alleviate pressure from declining revenues.

This year, we are fortunate to have received a generous gift from a travel agency owner, donating his travel agency to Sowers. The agency has over 20 years of experience and a stellar reputation in operating cultural tourism. However, constrained by our current Articles of Association, Sowers cannot directly operate a profit-making entity. At present, we have engaged pro bono legal advisors to apply to the Companies Registry for permission to operate this travel agency business. After modification, net after profit from the agency can and will be fully donated to our Development Fund to provide funding for programs or operation expenses.

In the meantime, Sowers and the travel agency will operate as separate entities, and the travel agency is funded with voluntary loans (with no dividend distribution rights) from members of Sowers. And in the upcoming year, we hope to complete the legal procedure so that the travel agency can run as a social enterprise, thereby opening new ways to generate funding.

Looking ahead, we aim to recruit more like-minded supporters, adapt to changing times, implement impactful and sustainable projects, and leverage cross-sector collaborations to benefit the ones in needs. We will continue to stay true to our core mission and rely on professional management to ensure every resource achieves maximum impact.

SOWERS ACTION

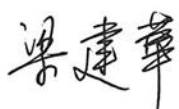
苗圃行動

DIRECTORS' REPORT

6. AUDITOR

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

On behalf of the Board



Leung Kin Wah
Chairman

23 August 2026

RSM Hong Kong

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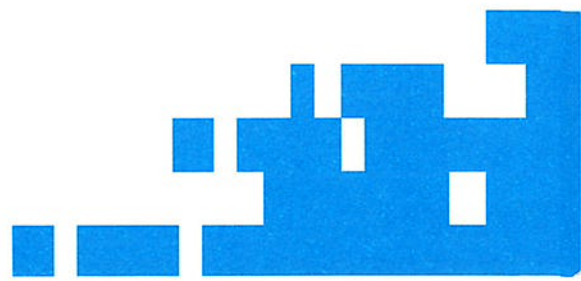
**INDEPENDENT AUDITOR'S REPORT
TO THE BOARD OF DIRECTORS
SOWERS ACTION****苗圃行動****(Incorporated in Hong Kong with limited liability)****Opinion**

We have audited the financial statements of Sowers Action (the "Company") set out on pages 10 to 52, which comprise the statement of financial position as at 30 June 2026, 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 material accounting policy information.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 30 June 2026, and of its financial performance and its cash flows for the year then ended in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") 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") as 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 HKFRS Accounting Standards as 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.

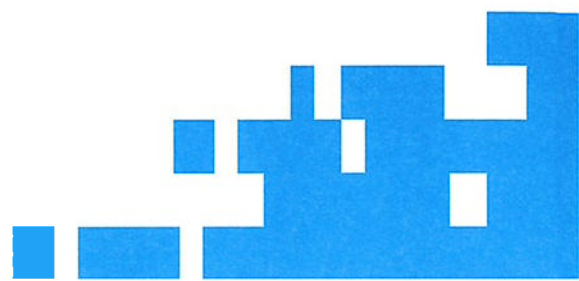
**INDEPENDENT AUDITOR'S REPORT
TO THE BOARD OF DIRECTORS
SOWERS ACTION
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(Incorporated in Hong Kong with limited liability)**

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 HKSAAs 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 HKSAAs, 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.



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

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(Incorporated in Hong Kong with limited liability)

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

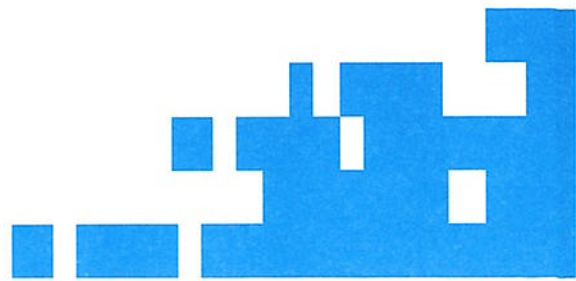
We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner on the audit resulting in this independent auditor's report is NG Wai Kwun (practising certificate number is P05893).



Certified Public Accountants

23 August 2026



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STATEMENT OF INCOME AND EXPENDITURE AND OTHER COMPREHENSIVE INCOME**FOR THE YEAR ENDED 30 JUNE 2026**

	Note	<u>2026</u> HK\$	<u>2025</u> HK\$
INCOME			
Donations	8	13,100,612	14,480,028
Other income	9	1,163,506	1,518,763
Other gains and losses, net	10	<u>4,823,922</u>	<u>420,563</u>
		<u>19,088,040</u>	<u>16,419,354</u>
EXPENDITURE			
Administration	11	3,095,764	3,061,202
Fund raising	12	847,000	1,001,743
Projects	13	11,411,119	13,569,597
Interest on secured bank borrowing		50,262	80,182
Interest on lease liabilities		<u>13,702</u>	<u>27,173</u>
		<u>15,417,847</u>	<u>17,739,897</u>
SURPLUS/(DEFICIT) AND TOTAL COMPREHENSIVE INCOME/(EXPENSES) FOR THE YEAR	14	<u><u>3,670,193</u></u>	<u><u>(1,320,543)</u></u>

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**STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2026**

	Note	<u>2026</u> <u>HK\$</u>	<u>2025</u> <u>HK\$</u>
NON-CURRENT ASSETS			
Investment properties	18	13,040,197	6,744,592
Property, plant and equipment	19	12,003,096	12,752,530
Right-of-use assets	20	90,572	287,755
		<u>25,133,865</u>	<u>19,784,877</u>
CURRENT ASSETS			
Prepayments, other receivables and deposits	21	218,517	537,892
Cash and cash equivalents	22	52,784,446	56,433,544
		<u>53,002,963</u>	<u>56,971,436</u>
CURRENT LIABILITIES			
Other payables and accruals	23	1,423,837	375,300
Deferred income	24	170,396	731,606
Secured bank borrowing	25	-	2,572,153
Lease liabilities	26	81,431	204,852
		<u>1,675,664</u>	<u>3,883,911</u>
Net current assets		<u>51,327,299</u>	<u>53,087,525</u>
Total assets less current liabilities		<u>76,461,164</u>	<u>72,872,402</u>
NON-CURRENT LIABILITIES			
Lease liabilities	26	-	81,431
NET ASSETS		<u>76,461,164</u>	<u>72,790,971</u>
FUNDS		<u>76,461,164</u>	<u>72,790,971</u>

Approved by the Board of Directors on 23 August 2026 and signed by the following directors:



 Leung Kin Wah
 Chairman



 Au Ho
 Director

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**STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED 30 JUNE 2026**

	Chinese education fund HK\$	Administration fund HK\$	Development fund HK\$	Overseas fund HK\$	Disaster relief fund HK\$	Project fund HK\$	Perpetual education aid fund HK\$	Perpetual operation fund HK\$	Total HK\$
At 1 July 2024 (Deficit)/surplus for the year and total comprehensive (expenses)/income for the year (note 7)	10,657,146 (2,754,707)	3,118,901 (1,634,045)	14,490,785 1,920,895	26,115,986 146,333	3,507,033 (214,699)	14,743,879 1,265,398	1,467,321 (49,777)	10,463 59	74,111,514 (1,320,543)
At 30 June 2025 and 1 July 2025 (Deficit)/surplus for the year and total comprehensive (expenses)/income for the year (note 7)	7,902,439 (2,044,163)	1,484,856 2,499,243	16,411,680 653,043	26,262,319 -	3,292,334 (229,713)	16,009,277 2,813,550	1,417,544 (22,044)	10,522 277	72,790,971 3,670,193
Transfer to/(from) the fund (note)	-	-	-	(26,262,319)	-	26,262,319	-	-	-
At 30 June 2026	5,858,276	3,984,099	17,064,723	-	3,062,621	45,085,146	1,395,500	10,799	76,461,164

Note: During the year ended 30 June 2026, overseas fund of HK\$26,262,319 was transferred to the project fund upon the directors' approval dated 10 June 2026.

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STATEMENT OF CASH FLOWS**FOR THE YEAR ENDED 30 JUNE 2026**

	Note	<u>2026</u> HK\$	<u>2025</u> HK\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus/(deficit) before tax		3,670,193	(1,320,543)
Adjustments for:			
Interest on lease liabilities		13,702	27,173
Interest on secured bank borrowing		50,262	80,182
Depreciation of investment properties	18	333,838	307,738
Depreciation of property, plant and equipment	19	749,434	774,018
Depreciation of right-of-use assets	20	197,183	204,953
Gain on disposal of an investment property	10	(2,512,568)	-
Interest income	9	(746,026)	(1,109,443)
Operating cash flows before working capital changes		1,756,018	(1,035,922)
Decrease in prepayments, other receivables and deposits		319,375	342,329
Increase/(decrease) in other payables and accruals		1,048,537	(5,800)
(Decrease)/increase in deferred income		(561,210)	97,813
Cash generated from/(used in) operations		2,562,720	(601,580)
Interest on secured bank borrowing		(50,262)	(80,182)
Interest on lease liabilities		(13,702)	(27,173)
Net cash generated from/(used in) operating activities		2,498,756	(708,935)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	9	746,026	1,109,443
Purchase of investment property	18	(6,629,444)	-
Repayment of bank deposits with maturity over three months		-	390,950
Proceeds from disposal of investment property		2,512,569	-
Net cash (used in)/generated from investing activities		(3,370,849)	1,500,393

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STATEMENT OF CASH FLOWS**FOR THE YEAR ENDED 30 JUNE 2026**

	Note	<u>2026</u> HK\$	<u>2025</u> HK\$
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of secured bank borrowing	27(a)	(2,572,153)	(122,293)
Principal elements of lease payments	27(a)	<u>(204,852)</u>	<u>(191,380)</u>
Net cash used in financing activities		<u>(2,777,005)</u>	<u>(313,673)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS			
		(3,649,098)	477,785
Cash and cash equivalents at beginning of year		<u>56,433,544</u>	<u>55,955,759</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR			
	22	<u>52,784,446</u>	<u>56,433,544</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2026****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 HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). HKFRS Accounting Standards 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).

The HKICPA has issued certain new and revised HKFRS Accounting Standards 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 HKFRS ACCOUNTING STANDARDS**(a) Application of new and revised HKFRS Accounting Standards**

The HKICPA has issued a number of amendments to HKFRS Accounting Standards that are first effective for the current accounting period of the Company. Of these, the following amendments to HKFRS Accounting Standards are relevant to the Company:

Amendments to HKAS 21 and HKFRS 1 Lack of Exchangeability

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 amendments to HKFRS Accounting Standards that are not yet effective for the current accounting period.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2026****3. ADOPTION OF NEW AND REVISED HKFRS ACCOUNTING STANDARDS
(CONT'D)****(b) Revised HKFRS Accounting Standards in issue but not yet effective**

Up to the date of issue of these financial statements, the HKICPA has issued a number of new standards and amendments to standards and interpretation, which are not effective for the year ended 30 June 2026 and which have not been early adopted by the Company for the annual reporting period ended 30 June 2026. The Company's assessment of the impact of these new or amended HKFRS Accounting Standards and Interpretations, most relevant to the Company, are set out below:

	Effective for accounting periods beginning on or after
Amendments to HKFRS 9 and HKFRS 7 - Classification and Measurement of Financial Instruments	1 January 2026
Annual Improvements to HKFRS Accounting Standards - Volume 11	1 January 2026
HKFRS 18 - Presentation and Disclosure in Financial Statements	1 January 2027
Amendments to HK Int 5 - Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2027

The directors of the Company are in the process of making an assessment of what the impacts of these new standards, amendments to standards and interpretation are 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 except for the following.

HKFRS 18 "Presentation and Disclosure in Financial Statements"

HKFRS 18 will replace HKAS 1 "Presentation of financial statements", introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though HKFRS 18 will not impact the recognition or measurement of items in the financial statements, HKFRS 18 introduces significant changes to the presentation of financial statements, with a focus on information about financial performance presented in the statement of profit or loss, which will affect how the Company presents and discloses financial performance in the financial statements.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2026****3. ADOPTION OF NEW AND REVISED HKFRS ACCOUNTING STANDARDS
(CONT'D)****(b) Revised HKFRS Accounting Standards in issue but not yet effective
(cont'd)*****HKFRS 18 "Presentation and Disclosure in Financial Statements" (cont'd)***

The new accounting standard introduces the following key new requirements:

- Entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly-defined operating profit subtotal. Entities' net profit will not change.
- Management-defined performance measures (MPMs) are disclosed in a single note in the financial statements.
- Enhanced guidance is provided on how to group information in the financial statements.

In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under the indirect method.

The Company is currently assessing the impact of HKFRS 18, with respect to the structure of the Company's statement of income and expenditure and other comprehensive income, the statement of cash flows and the additional disclosures required for MPMs. The Company is also assessing the impact on how information is grouped in the financial statements. Preliminary assessments indicate the following key impacts:

- The Company will need to reclassify certain income and expense items (e.g., interest income on certain investments and foreign exchange gains/losses) into the new categories, namely investing and financing categories.
- The Company disclosed certain MPMs (e.g., adjusted operating surplus and adjusted operating surplus before depreciation and amortization) in the report. Under HKFRS 18, this will likely require additional disclosure for the MPMs within the notes to the financial statements.
- The statement of cash flows will also be impacted, as the operating profit subtotal will be the required starting point for the indirect method.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2026****4. MATERIAL ACCOUNTING POLICY INFORMATION**

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

The preparation of financial statements in conformity with HKFRS Accounting Standards 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 material accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(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 on which 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.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2026****4. MATERIAL ACCOUNTING POLICY INFORMATION (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.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2026****4. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)****(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.

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.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2026****4. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)****(d) Leases (cont'd)****(i) The Company as a lessee (cont'd)**

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. Lease payments to be made under reasonably certain extension option are also included in the measurement of the lease liability. 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.

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the Company as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company, which does not have recent third-party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

SOWERS ACTION**苗圃行動****NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2026****4. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)****(d) Leases (cont'd)****(i) The Company as a lessee (cont'd)**

If a readily observable amortising loan rate is available to the Company (through recent financing or market data) which has a similar payment profile to the lease, then the Company use that rate as a starting point to determine the incremental borrowing rate.

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.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2026****4. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)****(d) Leases (cont'd)****(i) The Company as a lessee (cont'd)**

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.

(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.

SOWERS ACTION**苗圃行動****NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2026****4. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)****(e) Recognition and derecognition of financial instruments (cont'd)**

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.

(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 amortised cost.

(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 recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Company holds the receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method less allowance for credit losses.

SOWERS ACTION**苗圃行動****NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2026****4. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)****(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 HKFRS Accounting Standards. 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. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in surplus or deficit over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

Covenants that the Company is required to comply with, on or before the end of the reporting period, are considered in classifying loan arrangements with covenants as current or non-current. Covenants that the Company is required to comply with after the reporting period do not affect the classification at the reporting date.

SOWERS ACTION**苗圃行動****NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2026****4. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)****(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.

(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.

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.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2026****4. MATERIAL ACCOUNTING POLICY INFORMATION (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.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2026****4. MATERIAL ACCOUNTING POLICY INFORMATION (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 asset. 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) 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 advancement of education and relief of poverty 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 advancement of education and relief of poverty in overseas.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2026****4. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)****(p) Fund movement (cont'd)***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 advancement of education and relief of poverty.

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 implementation 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 subsidies to work group and other program implementation costs. The cost of HK\$499,505 (2025: HK\$714,622) was included in the projects cost.

SOWERS ACTION**苗圃行動****NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2026****4. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)****(q) 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.

(r) 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.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2026****4. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)****(r) Impairment of financial assets (cont'd)***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.

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.

SOWERS ACTION**苗圃行動****NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2026****4. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)****(r) Impairment of financial assets (cont'd)***Significant increase in credit risk (cont'd)*

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.

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.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2026****4. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)****(r) 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.

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.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2026****4. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)****(r) Impairment of financial assets (cont'd)***Measurement and recognition of ECL (cont'd)*

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.

(s) 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. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

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.

(t) 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.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2026****5. CRITICAL JUDGEMENTS AND KEY ESTIMATES**

In applying the Company's accounting policies, which are described in note 4, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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 2026 were HK\$13,040,197 (2025: HK\$6,744,592), HK\$12,003,096 (2025: HK\$12,752,530) and HK\$90,572 (2025: HK\$287,755) respectively.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2026****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.

At 30 June 2026, if RMB had weakened 5% (2025: 5%) against HK\$ with all other variables held constant, surplus (2025: deficit) for the year would have been HK\$1,713,468 (2025: HK\$1,924,414) lower (2025: 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 (2025: deficit) for the year if RMB had strengthened 5% (2025: 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.

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FOR THE YEAR ENDED 30 JUNE 2026****6. FINANCIAL RISK MANAGEMENT AND POLICIES (CONT'D)****(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 2026			
Other payables and accruals	1,423,837	-	1,423,837
Lease liabilities	82,500	-	82,500
30 June 2025			
Other payables and accruals	375,300	-	375,300
Secured bank borrowing (note)	2,572,153	-	2,572,153
Lease liabilities	218,554	82,500	301,054

Note: As at 30 June 2025, 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 HK\$	Between 1 and 2 years HK\$	Between 2 and 5 years HK\$	Over 5 years HK\$	Total HK\$
At 30 June 2025					
Secured bank borrowing	209,367	209,367	488,036	2,452,424	3,359,194

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2026****6. FINANCIAL RISK MANAGEMENT AND POLICIES (CONT'D)****(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.

(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 12.

(vi) Categories of financial instruments at 30 June 2026

	<u>2026</u> HK\$	<u>2025</u> HK\$
Financial assets:		
Financial assets at amortised cost	<u>53,002,963</u>	<u>56,956,984</u>
Financial liabilities:		
Financial liabilities at amortised cost	<u>1,505,268</u>	<u>3,233,736</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2026**

7. FUND MOVEMENT

	Year ended 30 June 2026								
	Chinese education fund HK\$	Administration fund HK\$	Development fund HK\$	Overseas Fund HK\$	Disaster relief fund HK\$	Project fund HK\$	Perpetual education aid fund HK\$	Perpetual operation fund HK\$	Total HK\$
Income									
Donations	-	2,748,490	1,010	-	-	10,351,112	-	-	13,100,612
Other income	-	417,480	746,026	-	-	-	-	-	1,163,506
Other gains and losses, net	163,627	2,618,404	437,517	-	81,155	1,486,987	35,955	277	4,823,922
	163,627	5,784,374	1,184,553	-	81,155	11,838,099	35,955	277	19,088,040
Expenditure									
Administration	-	(2,387,262)	(531,510)	-	-	(176,992)	-	-	(3,095,764)
Fund raising	-	(847,000)	-	-	-	-	-	-	(847,000)
Projects	(2,207,790)	-	-	-	(310,868)	(8,834,462)	(57,999)	-	(11,411,119)
Interest on secured bank borrowing	-	(50,262)	-	-	-	-	-	-	(50,262)
Interest on lease liabilities	-	(607)	-	-	-	(13,095)	-	-	(13,702)
	(2,207,790)	(3,285,131)	(531,510)	-	(310,868)	(9,024,549)	(57,999)	-	(15,417,847)
(Deficit)/surplus for the year	(2,044,163)	2,499,243	653,043	-	(229,713)	2,813,550	(22,044)	277	3,670,193

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2026**

7. FUND MOVEMENT (CONT'D)

	Year ended 30 June 2025								
	Chinese education fund HK\$	Administration fund HK\$	Development fund HK\$	Overseas Fund HK\$	Disaster relief fund HK\$	Project fund HK\$	Perpetual education aid fund HK\$	Perpetual operation fund HK\$	Total HK\$
Income									
Donations	-	2,068,344	1,222,577	-	-	11,189,107	-	-	14,480,028
Other income	-	409,320	1,109,443	-	-	-	-	-	1,518,763
Other gains and losses, net	59,714	5,758	94,285	146,333	19,001	87,191	8,222	59	420,563
	59,714	2,483,422	2,426,305	146,333	19,001	11,276,298	8,222	59	16,419,354
Expenditure									
Administration	-	(2,320,801)	(505,410)	-	-	(176,992)	(57,999)	-	(3,061,202)
Fund raising	-	(1,001,743)	-	-	-	-	-	-	(1,001,743)
Projects	(2,814,421)	(714,622)	-	-	(233,700)	(9,806,854)	-	-	(13,569,597)
Interest on secured bank borrowing	-	(80,182)	-	-	-	-	-	-	(80,182)
Interest on lease liabilities	-	(119)	-	-	-	(27,054)	-	-	(27,173)
	(2,814,421)	(4,117,467)	(505,410)	-	(233,700)	(10,010,900)	(57,999)	-	(17,739,897)
(Deficit)/surplus for the year	(2,754,707)	(1,634,045)	1,920,895	146,333	(214,699)	1,265,398	(49,777)	59	(1,320,543)

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2026****8. INCOME**

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

9. OTHER INCOME

	<u>2026</u> HK\$	<u>2025</u> HK\$
Bank interest income	746,026	1,109,443
Rental income from investment properties (note 28)	349,800	349,800
Subscription fee income	<u>67,680</u>	<u>59,520</u>
	<u><u>1,163,506</u></u>	<u><u>1,518,763</u></u>

10. OTHER GAINS AND LOSSES, NET

	<u>2026</u> HK\$	<u>2025</u> HK\$
Net foreign exchange gains	2,311,354	420,563
Gain on disposal of an investment property	<u>2,512,568</u>	<u>-</u>
	<u><u>4,823,922</u></u>	<u><u>420,563</u></u>

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.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2026****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:

	<u>2026</u> HK\$	<u>2025</u> HK\$
Community development	3,722,850	3,576,281
Children and youth welfare	791,285	2,506,268
General donation and other expenses	557,504	714,622
Humanitarian aid	573,002	1,225,280
School construction and facilities	1,061,681	1,696,969
Sending love program	1,042,816	1,547,419
Student sponsorship	3,661,981	2,302,758
	<u>11,411,119</u>	<u>13,569,597</u>

14. SURPLUS/(DEFICIT) FOR THE YEAR

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

	<u>2026</u> HK\$	<u>2025</u> HK\$
Auditor's remuneration	66,000	65,000
Depreciation of investment properties	333,838	307,738
Depreciation of property, plant and equipment	749,434	774,018
Depreciation of right-of-use assets	197,183	204,953
Direct operating expenses arising from rental-earning investment properties	65,701	60,537
Expenses relating to short-term leases	84,221	79,056
Staff costs	2,375,292	2,596,726

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2026****15. EMPLOYEE BENEFITS EXPENSE**

	<u>2026</u> HK\$	<u>2025</u> HK\$
Employee benefits expense:		
Salaries, bonuses and allowances		
Administration	1,126,822	1,081,888
Fund raising	715,532	829,717
Projects	<u>420,838</u>	<u>553,742</u>
	<u>2,263,192</u>	<u>2,465,347</u>
Retirement benefit contributions:		
Administration	47,302	50,671
Fund raising	36,019	45,598
Projects	<u>28,779</u>	<u>35,110</u>
	<u>112,100</u>	<u>131,379</u>
Total	<u><u>2,375,292</u></u>	<u><u>2,596,726</u></u>

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 (2025: 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.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2026****18. INVESTMENT PROPERTIES**

	HK\$
Cost	
At 1 July 2024, 30 June 2025 and 1 July 2025	7,975,544
Addition	6,629,444
Disposal	<u>(1)</u>
At 30 June 2026	14,604,987
Accumulated depreciation	
At 1 July 2024	923,214
Charge for the year	<u>307,738</u>
At 30 June 2025 and 1 July 2025	1,230,952
Charge for the year	<u>333,838</u>
At 30 June 2026	<u>1,564,790</u>
Net carrying amount	
At 30 June 2026	<u>13,040,197</u>
At 30 June 2025	<u>6,744,592</u>

The investment properties consist of two commercial properties (2025: one residential property and one commercial property) located in Hong Kong and one of the commercial properties (2025: the commercial property) has been leased out to earn rental income to support the daily operations of the Company.

The fair value of the investment properties at 30 June 2026 were HK\$15,162,400 (2025: HK\$10,745,700). 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 2026, the carrying amount of an investment property pledged as security for the Company's bank borrowing amounted to HK\$6,436,853 (2025: HK\$6,744,592) and the pledge was formally released on 14 July 2026.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2026****19. PROPERTY, PLANT AND EQUIPMENT**

	Leasehold land and buildings HK\$	Leasehold improvements HK\$	Furniture and equipment HK\$	Total HK\$
Cost				
At 1 July 2024, 30 June 2025, 1 July 2025 and 30 June 2026	14,595,727	922,186	315,736	15,833,649
Accumulated depreciation				
At 1 July 2024	1,600,820	415,129	291,152	2,307,101
Charge for the year	564,996	184,438	24,584	774,018
At 30 June 2025 and 1 July 2025	2,165,816	599,567	315,736	3,081,119
Charge for the year	564,996	184,438	-	749,434
At 30 June 2026	2,730,812	784,005	315,736	3,830,553
Net carrying amount				
At 30 June 2026	11,864,915	138,181	-	12,003,096
At 30 June 2025	12,429,911	322,619	-	12,752,530

20. RIGHT-OF-USE ASSETS

	Office premises HK\$
At 1 July 2024	452,327
Lease modification	40,381
Depreciation	(204,953)
At 30 June 2025 and 1 July 2025	287,755
Depreciation	(197,183)
At 30 June 2026	90,572

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2026****20. RIGHT-OF-USE ASSETS (CONT'D)**

Lease liabilities of HK\$81,431 (2025: HK\$286,283) are recognised with related right-of-use assets of HK\$90,572 (2025: HK\$287,755) as at 30 June 2026. 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.

	<u>2026</u> HK\$	<u>2025</u> HK\$
Depreciation expenses on right-of-use assets	197,183	204,953
Interest expense on lease liabilities	13,702	27,173
Expenses relating to short-term leases	<u>84,221</u>	<u>79,056</u>

Details of total cash outflow for leases is set out in note 27(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. 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

	<u>2026</u> HK\$	<u>2025</u> HK\$
Included in current assets:		
Deposits	128,638	97,954
Other receivables	<u>89,879</u>	<u>439,938</u>
	<u>218,517</u>	<u>537,892</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 2026 and 2025, the loss allowance was assessed to be minimal.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2026****22. CASH AND CASH EQUIVALENTS**

	<u>2026</u> HK\$	<u>2025</u> HK\$
Fixed deposits	47,003,000	48,907,300
Cash and bank balances	<u>5,781,446</u>	<u>7,526,244</u>
	<u>52,784,446</u>	<u>56,433,544</u>

Fixed deposits include deposits with an original maturity of three months or less. The deposits carry interest at prevailing market rate ranging from 1.06% to 2.79% (2025: 1.00% to 3.10%) 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\$34,206,081 (2025: HK\$38,334,740). 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.

23. OTHER PAYABLES AND ACCRUALS

	<u>2026</u> HK\$	<u>2025</u> HK\$
Other payables	1,357,837	310,300
Accruals	<u>66,000</u>	<u>65,000</u>
	<u>1,423,837</u>	<u>375,300</u>

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

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2026****24. DEFERRED INCOME**

The balance represents the projects funds received for which the projects have not yet been completed and related expenditure has not yet been undertaken. The decrease in deferred income in 2026 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>2026</u> HK\$	<u>2025</u> HK\$
Donations	<u>186,436</u>	<u>303,143</u>

25. SECURED BANK BORROWING

	<u>2026</u> HK\$	<u>2025</u> HK\$
Mortgage loan	<u>-</u>	<u>2,572,153</u>
The borrowing is repayable as follows:		
Within one year	-	121,911
More than one year, but not exceeding two years	-	126,216
More than two years, but not more than five years	-	265,950
More than five years	<u>-</u>	<u>2,058,076</u>
	<u>-</u>	<u>2,572,153</u>

As at 30 June 2025, 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.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2026****26. LEASE LIABILITIES**

	Minimum lease payments		Present value of minimum lease payments	
	<u>2026</u>	<u>2025</u>	<u>2026</u>	<u>2025</u>
	HK\$	HK\$	HK\$	HK\$
Within one year	82,500	218,554	81,431	204,852
More than one year, but not exceeding two years	-	82,500	-	81,431
Second to fifth years, inclusive	-	-	-	-
	82,500	301,054	81,431	286,283
Less: Future finance charges	(1,069)	(14,771)	N/A	N/A
Present value of lease obligations	81,431	286,283	81,431	286,283
Less: Amount due for settlement within 12 months (shown under current liabilities)			(81,431)	(204,852)
Amount due for settlement after 12 months			-	81,431

The incremental borrowing rates applied to lease liabilities was 7.875% (2025: range from 3.60% to 7.875%).

27. 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.

	<u>1 July 2025</u>	<u>Cash flows</u>	<u>30 June 2026</u>
	HK\$	HK\$	HK\$
Secured bank borrowing	2,572,153	(2,572,153)	-
Lease liabilities	<u>286,283</u>	<u>(204,852)</u>	<u>81,431</u>
	2,858,436	(2,777,005)	81,431

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2026****27. NOTES TO STATEMENT OF CASH FLOWS (CONT'D)****(a) Reconciliation of liabilities arising from financing activities (cont'd)**

	1 July 2024	Cash flows	Lease modification	30 June 2025
	HK\$	HK\$	HK\$	HK\$
Secured bank borrowing	2,694,446	(122,293)	-	2,572,153
Lease liabilities	437,282	(191,380)	40,381	286,283
	<u>3,131,728</u>	<u>(313,673)</u>	<u>40,381</u>	<u>2,858,436</u>

(b) Total cash outflow for leases

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

	<u>2026</u> HK\$	<u>2025</u> HK\$
Within operating cash flows	97,923	106,229
Within financing cash flows	<u>204,852</u>	<u>191,380</u>
	<u>302,775</u>	<u>297,609</u>

These amounts relate to the following:

	<u>2026</u> HK\$	<u>2025</u> HK\$
Lease rental paid	<u>302,775</u>	<u>297,609</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2026****28. 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:

	<u>2026</u> HK\$	<u>2025</u> HK\$
Within one year	<u>349,800</u>	<u>87,450</u>

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

	<u>2026</u> HK\$	<u>2025</u> HK\$
Lease income on operating leases (note 9)	<u>349,800</u>	<u>349,800</u>

29. COMMITMENTS

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

	<u>2026</u> HK\$	<u>2025</u> HK\$
Commitments to contribute funds to the Education Programs	<u>9,477,873</u>	<u>10,993,138</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2026****30. RELATED PARTY TRANSACTIONS**

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

	<u>2026</u> HK\$	<u>2025</u> HK\$
Short-term employee benefits	877,486	1,205,724
Post-employment benefits	<u>27,000</u>	<u>36,000</u>
	<u>904,486</u>	<u>1,241,724</u>