

核數報告
Audit Report

SOWERS ACTION

苗圃行動

(incorporated in Hong Kong with limited liability by guarantee)

REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

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2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS - continued

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the financial statements of the Company for the current or prior accounting periods.

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

The Company has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008 ¹
HKFRSs (Amendments)	Improvements to HKFRSs April 2009 ²
HKFRSs (Amendments)	Improvements to HKFRSs 2010 ³
HKAS 24 (Revised)	Related Party Disclosures ⁷
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ¹
HKAS 32 (Amendment)	Classification of Rights Issues ⁵
HKAS 39 (Amendment)	Eligible Hedged Items ¹
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters ⁴
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ⁶
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions ⁴
HKFRS 3 (Revised)	Business Combinations ¹
HKFRS 9	Financial Instruments ⁸
HK(IFRIC) - Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement ⁷
HK(IFRIC) - Int 17	Distributions of Non-cash Assets to Owners ¹
HK(IFRIC) - Int 19	Extinguishing Financial Liabilities with Equity Instruments ⁶

¹ Effective for annual periods beginning on or after July 1, 2009.

² Amendments that are effective for annual periods beginning on or after July 1, 2009 and January 1, 2010, as appropriate.

³ Effective for annual periods beginning on or after July 1, 2010 and January 1, 2011, as appropriate.

⁴ Effective for annual periods beginning on or after January 1, 2010.

⁵ Effective for annual periods beginning on or after February 1, 2010.

⁶ Effective for annual periods beginning on or after July 1, 2010.

⁷ Effective for annual periods beginning on or after January 1, 2011.

⁸ Effective for annual periods beginning on or after January 1, 2013.

The directors of the Company anticipate that the application of these new and revised standards, amendments or interpretations will have no material impact on the financial statements.

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3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared on the historical cost basis as explained in the accounting policies set out below.

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and include applicable disclosures required by the Hong Kong Companies Ordinance.

Income and expenditure

Income and expenditure is accounted for on an accrual basis, except for donations which are accounted for on a cash basis.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment including building held for administrative purpose are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual values, using the straight line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of comprehensive income and expenditure in the year in which the item is derecognised.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Company as lessee

Operating lease payments are recognised as an expense on a straight line basis over the terms of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease terms on a straight line basis.

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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010

	2010 HK\$	2009 HK\$
OPERATING ACTIVITIES		
(Deficit) surplus for the year	(9,122,406)	26,571,815
Adjustments for:		
Depreciation of property, plant and equipment	102,322	106,292
Interest on a finance lease	-	1,005
Gain on disposal of property, plant and equipment	-	(1,753)
Interest income	(1,851,952)	(2,422,228)
Operating cash flows before movements in working capital	(10,872,036)	24,255,131
Increase in other receivables, prepayments and deposits	(392,563)	(526,642)
Decrease in investments held for trading	-	2,212,132
Increase in other payables and accrued charges	419,927	1,771,168
Increase in deferred income	1,238,427	1,283,995
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(9,606,245)	28,995,784
INVESTING ACTIVITIES		
Decrease (increase) in fixed deposits with more than three months to maturity when raised	8,606,372	(16,090,655)
Interest income received	1,851,952	2,422,228
Purchase of property, plant and equipment	(247,788)	-
NET CASH FROM (USED IN) INVESTING ACTIVITIES	10,210,536	(13,668,427)
FINANCING ACTIVITIES		
Repayment of obligations under a finance lease	-	(3,499)
Interest on a finance lease	-	(1,005)
CASH USED IN FINANCING ACTIVITIES	-	(4,504)
NET INCREASE IN CASH AND CASH EQUIVALENTS	604,291	15,322,853
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	85,967,464	70,644,611
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	86,571,755	85,967,464
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Fixed deposits	75,608,130	93,026,936
Bank balances and cash	37,322,880	27,906,155
	112,931,010	120,933,091
Less: Fixed deposits with more than three months to maturity when raised	(26,359,255)	(34,965,627)
	86,571,755	85,967,464

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

1. GENERAL

The Company is incorporated in Hong Kong with limited liability by guarantee. The address of the registered office and principal place of business of the Company is Unit no. 101, 1/F Sunbeam Plaza, 1155 Canton Road, Kowloon, Hong Kong.

The Company continued to engage in funds raising to support the operations of the Education Program in the People's Republic of China (the "PRC").

The financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Company has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Hong Kong Accounting Standard ("HKAS") 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
Hong Kong Financial Reporting Standard ("HFRS") 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) - Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) - Int 13	Customer Loyalty Programmes
HK(IFRIC) - Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) - Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) - Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after July 1, 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

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STATEMENT OF FINANCIAL POSITION
AT JUNE 30, 2010

	NOTES	2010 HK\$	2009 HK\$
Non-current asset			
Property, plant and equipment	6	370,213	224,747
Current assets			
Other receivables, prepayments and deposits		2,030,946	1,638,383
Fixed deposits	7	75,608,130	93,026,936
Bank balances and cash	7	37,322,880	27,906,155
		<u>114,961,956</u>	<u>122,571,474</u>
Current liabilities			
Other payables and accrued charges		7,415,432	6,995,505
Deferred income		3,342,491	2,104,064
		<u>10,757,923</u>	<u>9,099,569</u>
Net current assets		<u>104,204,033</u>	<u>113,471,905</u>
Total assets less current liabilities		<u>104,574,246</u>	<u>113,696,652</u>
Reserves		<u>104,574,246</u>	<u>113,696,652</u>

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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2010

	Chinese Education Fund HK\$	Administration Fund HK\$	Development Fund HK\$	Administration Fund for Non-Recurring Projects HK\$	512 Sichuan Earthquake Relief Education Fund HK\$	Perpetual Education Aid Fund HK\$	Perpetual Operation Fund HK\$	Total HK\$
At July 1, 2008	64,444,842	4,051,405	1,005,739	1,127,677	16,495,174	-	-	87,124,837
Transfer (to) from surplus for the year	(1,031,325)	1,271,111	2,227,187	12,252	24,092,590	-	-	26,571,815
At June 30, 2009	63,413,517	5,322,516	3,232,926	1,139,929	40,587,764	-	-	113,696,652
Transfer (to) from deficit for the year	955,584	134,999	1,573,445	854	(11,517,827)	20,300	10,239	(9,122,406)
At June 30, 2010	<u>64,369,101</u>	<u>5,457,515</u>	<u>4,806,371</u>	<u>1,140,783</u>	<u>28,769,937</u>	<u>20,300</u>	<u>10,239</u>	<u>104,574,246</u>

The financial statements on pages 5 to 22 were approved and authorised for issue by the Board of Directors on August 31, 2010 and are signed on its behalf by:

DIRECTOR

DIRECTOR

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STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE
FOR THE YEAR ENDED JUNE 30, 2010

	2010 HK\$	2009 HK\$
INCOME		
Contribution from Ancient Tea Horse Route	729,125	-
Contribution from Challenging 12 Hours Project	2,422,864	1,742,938
Contribution from Charity Golf Tournament	277,600	608,113
Contribution from Long March for Education Project - 2008 Gansu	-	557,795
Contribution from Long March for Education Project - 2009 Yunnan	2,523,604	28,130
Contribution from Walk to Guangzhou Project	2,412,354	2,932,223
Contribution from 512 Walker Project	5,035,644	2,336,174
Contribution from 512 Sichuan Earthquake Relief Education Fund	11,056,607	30,914,709
Contribution from Cycling for Education	787,364	-
Contribution from Qinghai Earthquake	123,490	-
Donations	24,886,973	29,071,413
Interest income	1,851,952	2,422,228
Subscription fees	133,734	96,780
Gain on disposal of property, plant and equipment	-	1,753
Exchange gain	265,298	1,041,620
	<u>52,506,609</u>	<u>71,753,876</u>
EXPENDITURE ON EDUCATION PROGRAM		
Contribution to Education Program		
- General	27,043,280	27,965,382
- Long March for Education Project	1,824,737	3,084,755
- 512 Sichuan Earthquake Relief Education Fund	27,910,077	9,158,294
	<u>56,778,094</u>	<u>40,208,431</u>
Traveling subsidies to work group	220,082	283,813
TOTAL EXPENDITURE ON EDUCATION PROGRAM	<u>56,998,176</u>	<u>40,492,244</u>
PROMOTIONAL EXPENDITURE		
Promotion	82,083	3,416
ADMINISTRATIVE EXPENDITURE		
Auditor's remuneration	-	-
Bank charges	29,031	28,215
Computer accessories	200,253	256,118
Contribution to retirement benefit scheme	115,883	110,056
Depreciation of property, plant and equipment	102,322	106,292
Directors' remuneration	-	-
Office expenses	919,361	1,232,243
Other staff costs	2,831,963	2,562,590
Postage	79,366	94,911
Printing and stationery	129,534	180,215
Sundries	106,409	70,865
Telephone and facsimile	18,858	22,505
Travelling	15,776	9,574
TOTAL ADMINISTRATIVE EXPENDITURE	<u>4,548,756</u>	<u>4,673,584</u>

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	2010 HK\$	2009 HK\$
OTHER EXPENSES		
Loss on disposal of investments held for trading	-	11,812
FINANCE COSTS		
Interest on a finance lease	-	1,005
TOTAL EXPENDITURE	<u>61,629,015</u>	<u>45,182,061</u>
(DEFICIT) SURPLUS FOR THE YEAR	<u>(9,112,406)</u>	<u>26,571,815</u>

Deloitte
德勤

THE INDEPENDENT HONORARY AUDITOR'S REPORT

TO THE MEMBERS OF SOWERS ACTION

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(incorporated in Hong Kong with limited liability by guarantee)

We have audited the financial statements of Sowers Action (the "Company") set out on pages 5 to 22, which comprise the statement of financial position as at June 30, 2010, and the statement of comprehensive income and expenditure, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

THE INDEPENDENT HONORARY AUDITOR'S REPORT

TO THE MEMBERS OF SOWERS ACTION - continued

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Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company as at June 30, 2010 and of its deficit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
August 31, 2010

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DIRECTORS' REPORT

The directors present their annual report and the audited financial statements of the Company for the year ended June 30, 2010.

PRINCIPAL ACTIVITY

The Company continued to engage in funds raising to support the operations of the Education Program in the People's Republic of China.

RESULTS

The results of the Company for year ended June 30, 2010 are set out in the statement of comprehensive income and expenditure on pages 5 and 6.

FIXED ASSETS

Details of movements in the Company's property, plant and equipment during the year are set out in note 6 to the financial statements.

DIRECTORS

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

Lui Wing On (Chairman)	
Au Ho (Vice Chairman)	
Mo Sik Keung (Vice Chairman)	
Li Suet Ping, Vickie (Vice Chairman)	(resigned on October 11, 2009)
Cheung Kwan Hing	(resigned and re-appointed on October 11, 2009)
Yau Chi Keung	
Ng Kwok Keung	(resigned and re-appointed on October 11, 2009)
Leung Yuk Kit	(resigned on October 11, 2009)
Cheung Sui Lam	(resigned on October 11, 2009)

In accordance with Article 44(b) of the Company's Articles of Association, Lui Wing On, Au Ho, Mo Sik Keung and Yau Chi Keung will retire but eligible for re-election.

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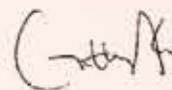
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AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as the honorary auditor of the Company.

On behalf of the Board



DIRECTOR
August 31, 2010