

Directors' Report

Audited Financial Statements

Habitat For Humanity Hong Kong Limited

(formerly known as Habitat For Humanity China Limited)

30 June 2015

Habitat For Humanity Hong Kong Limited
(formerly known as Habitat For Humanity China Limited)

Directors' Report

The directors submit herewith their report and audited consolidated financial statements of Habitat For Humanity Hong Kong Limited (the "Association") for the year ended 30 June 2015.

Change of name

At a general meeting held on 11 September 2014 and with effect from 24 October 2014, the name of the Association was changed from Habitat For Humanity China Limited to Habitat For Humanity Hong Kong Limited.

Principal activities

The principal activities of the Association are developing communities with people in need by building and renovating houses, as well as promoting and developing specific regional programmes towards elimination of sub-standard housing and homelessness in the region. The activities of its subsidiary are set out in note 7 to the consolidated financial statements.

Results and dividends

The results of the Association and its subsidiary (together the "Group") for the year ended 30 June 2015 are set out in the consolidated statement of profit or loss and other comprehensive income on page 5.

Directors

The directors who held office during the year or during the period from the end of the year to the date of this report were:

As a director of the Company and its subsidiary

Lai Kam Cheung, Michael
Yam Tak Fai, Ronald
Richard Kevin Hathaway
Peter Charles Witton
Anugerah Pekerti
Chen Darwin
To Yung Sing, Herman (resigned on 2 July 2014)
Green Denis James (resigned on 23 January 2015)

In accordance with the Association's Articles of Association, all directors will retire and being eligible, will offer themselves for re-election.

Arrangements for acquisition of shares or debentures

At no time during the year was the Association, its subsidiary a party to any arrangements to enable the directors of the Association to acquire benefits by means of acquisition of shares in, or debentures of, the Association or any other company.

Material interest in transactions, arrangements or contracts

After consideration, the directors are of the opinion that no transactions, arrangements and contracts of significance in relation to the Association's business to which the Company's subsidiary was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsidised at the end of the year or at any time during the year.

Habitat For Humanity Hong Kong Limited
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Directors' Report

Permitted indemnity provisions

No permitted indemnity provision was in force during the year or is in force at the date of this report, for the benefit of a then director or a director of the Company (whether made by the Company or otherwise) or a then director or a director of its subsidiary (if made by the Company).

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

Auditor

During the year, the auditor, Fan, Chan & Co. resigned and Mazars CPA Limited, *Certified Public Accountants*, was appointed as the auditor of the Company. A resolution will be submitted to the annual general meeting to re-appoint Mazars CPA Limited.

Approved by the Board of Directors and signed on its behalf by



Director

Peter Charles Witton

31 DEC 2015

Independent Auditor's Report

To the members of

Habitat For Humanity Hong Kong Limited

(formerly known as Habitat For Humanity China Limited)

(incorporated in Hong Kong with liability limited by guarantee and not having a share capital)

We have audited the consolidated financial statements of Habitat For Humanity Hong Kong Limited (the "Association") set out on pages 5 to 25, which comprise the consolidated statement of financial position as at 30 June 2015, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 consolidated financial statements.

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

Independent Auditor's Report

To the members of

Habitat For Humanity Hong Kong Limited

(formerly known as Habitat For Humanity China Limited)

(incorporated in Hong Kong with liability limited by guarantee and not having a share capital)

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Association and its subsidiary as at 30 June 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.



Certified Public Accountants

Hong Kong, 31 December 2015

Fung Shiu Hang

Practising Certificate number: P04793

Habitat For Humanity Hong Kong Limited
(formerly known as Habitat For Humanity China Limited)

Consolidated Statement of Profit or Loss and Other Comprehensive Income
Year ended 30 June 2015

	<i>Note</i>	2015 <i>HK\$</i>	2014 <i>HK\$</i>
Revenue	2	24,314,458	33,005,536
Other income	3	589,827	888,977
Administrative expenses		(2,596,026)	(2,359,916)
Fund raising expense		(2,611,141)	(5,212,700)
Programme expenses		<u>(23,129,541)</u>	<u>(26,410,145)</u>
Deficit before tax	4	(3,432,423)	(88,248)
Income tax expense	5	<u>-</u>	<u>-</u>
Deficit for the year		(3,432,423)	(88,248)
Other comprehensive income for the year, net of tax		<u>-</u>	<u>-</u>
Total comprehensive deficit for the year		<u>(3,432,423)</u>	<u>(88,248)</u>

Habitat For Humanity Hong Kong Limited
(formerly known as Habitat For Humanity China Limited)

Consolidated Statement of Changes in Equity
Year ended 30 June 2015

	General fund HK\$
At 1 July 2013	7,498,095
Deficit for the year and total comprehensive deficit for the year	<u>(88,248)</u>
At 30 June 2014 and 1 July 2014	7,409,847
Deficit for the year and total comprehensive deficit for the year	<u>(3,432,423)</u>
At 30 June 2015	<u><u>3,977,424</u></u>

Habitat For Humanity Hong Kong Limited
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Consolidated Statement of Financial Position
At 30 June 2015

	Note	2015 HK\$	2014 HK\$
Non-current assets			
Property, plant and equipment	6	<u>55,747</u>	<u>147,741</u>
Current assets			
Accounts and other receivables	8	3,336,441	9,612,299
Bank balances and cash		<u>9,805,400</u>	<u>2,655,003</u>
		<u>13,141,841</u>	<u>12,267,302</u>
Current liabilities			
Accounts and other payables	9	<u>9,220,164</u>	<u>5,005,196</u>
Net current assets		<u>3,921,677</u>	<u>7,262,106</u>
NET ASSETS		<u>3,977,424</u>	<u>7,409,847</u>
Reserves			
General fund		<u>3,977,424</u>	<u>7,409,847</u>
TOTAL EQUITY		<u>3,977,424</u>	<u>7,409,847</u>

Approved and authorised for issue by the Board of Directors on 31 DEC 2015



Director
Peter Charles Wilson



Director
Yam Tak Fai, Ronald

Habitat For Humanity Hong Kong Limited
(formerly known as Habitat For Humanity China Limited)

Consolidated Statement of Cash Flows
Year ended 30 June 2015

	2015 <i>HK\$</i>	2014 <i>HK\$</i>
OPERATING ACTIVITIES		
Deficit before tax	(3,432,423)	(88,248)
Depreciation	97,062	111,758
Interest income	(56,864)	(18,313)
Bad debt written off	356,403	-
Impairment loss on revolving loan receivables	881,250	-
Written off of deposits and prepayment	88,811	-
Changes in working capital:		
Accounts and other receivables	4,949,394	(4,502,454)
Accounts and other payables	4,214,968	3,886,009
Net cash from (used in) operating activities	<u>7,098,601</u>	<u>(611,248)</u>
INVESTING ACTIVITIES		
Interest received	56,864	18,313
Purchase of property, plant and equipment	(5,068)	(19,150)
Net cash from (used in) investing activities	<u>51,796</u>	<u>(837)</u>
Net increase (decrease) in cash and cash equivalents	7,150,397	(612,085)
Cash and cash equivalents at beginning of year	<u>2,655,003</u>	<u>3,267,088</u>
Cash and cash equivalents at end of year, represented by bank balances and cash	<u><u>9,805,400</u></u>	<u><u>2,655,003</u></u>

Habitat For Humanity Hong Kong Limited
(formerly known as Habitat For Humanity China Limited)

Notes to the Financial Statements
Year ended 30 June 2015

CORPORATE INFORMATION

Habitat For Humanity Hong Kong Limited (the “Association”) is a private company limited by guarantee and incorporated in Hong Kong. The Association’s registered office is located at 17/F, Sun House, 181 Des Voeux Road Central, Sheung Wan, Hong Kong.

Every member of the Association undertakes to contribute to the assets of the Association, in the event of its being wound up while he/she is a member, or within one year after he/she ceases to be a member, for payment of the debts and liabilities of the Association contracted before he/she ceases to be a member, and of the costs, charges and expenses of winding up, and for the adjustment of the rights of the contributories among themselves, such amount as may be required but not exceeding the sum of one hundred dollars.

The principal activities of the Association are developing communities with people in need by building and renovating houses, as well as promoting and developing specific regional programmes towards elimination of sub-standard housing and homelessness in the region, and the principal activities of its subsidiary are detailed in note 7 to the consolidated financial statements.

With effect from 24 October 2014, the name of the Company was changed from Habitat For Humanity China Limited to Habitat For Humanity Hong Kong Limited.

1. PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”), Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2014 consolidated financial statements. The adoption of the new / revised HKFRSs that are relevant to the Group and effective from the current year had no significant effects on the results and financial position of the Group for the current and prior years. A summary of the principal accounting policies adopted by the Group is set out below.

Adoption of the new / revised HKFRSs

Amendments to HKAS 32: Presentation – Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify the requirements for offsetting financial instruments. These amendments do not have any impact on the consolidated financial statements.

Amendments to HKAS 36: Recoverable Amount Disclosures for Non-Financial Assets

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, additional information is required to be disclosed when the recoverable amount of impaired assets is based on fair value less costs of disposal. These amendments do not have an impact on the consolidated financial statements.

Notes to the Financial Statements
Year ended 30 June 2015

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Impact of the Ordinance (Cap. 622)

The financial-reporting requirements of Part 9 “Accounts and Audit” of the Ordinance comes into operation for the preparation of these financial statements and as a result, there are changes to the presentation and disclosures of certain information as compared with the 2014 financial statements. Where appropriate, the comparative information has been amended to achieve a consistent presentation.

Basis of measurement

The measurement basis used in the preparation of these consolidated financial statements is historical cost.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Association and its subsidiary. The financial statements of the subsidiary are prepared for the same reporting year as that of the Association using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiary are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Subsidiaries

A subsidiary is an entity that is controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

In the Association’s statement of financial position, which is presented within these notes, an investment in subsidiary is stated at cost less impairment loss. The carrying amount of the investment is reduced to its recoverable amount on an individual basis, if it is higher than the recoverable amount. The results of subsidiary are accounted for by the Association on the basis of dividends received and receivable.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to the profit or loss during the year in which they are incurred.

Notes to the Financial Statements
Year ended 30 June 2015

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (Continued)

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment over their estimated useful lives as set out below from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method. When parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis and is depreciated separately:

Furniture, fixtures and office equipment	5 years
Computer equipment	5 years

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 profit or loss in the period in which the item is derecognised.

Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when and only when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when and only when (i) the Group's contractual rights to future cash flows from the financial asset expire or (ii) the Group transfers the financial asset and either (a) it transfers substantially all the risks and rewards of ownership of the financial asset, or (b) it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

Classification and measurement

Financial assets or financial liabilities are initially recognised at their fair value plus, in the case of financial assets or financial liabilities not carried at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities.

1) Loans and receivables

Loans and receivables including accounts and other receivables and bank balances and cash are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. They are measured at amortised cost using the effective interest method, except where receivables are interest-free loans and without any fixed repayment term or the effect of discounting would be insignificant. In such case, the receivables are stated at cost less impairment loss. Amortised cost is calculated by taking into account any discount or premium on acquisition over the period to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in profit or loss.

Notes to the Financial Statements

Year ended 30 June 2015

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

2) Financial liabilities

The Group's financial liabilities include accounts and other payables. All financial liabilities 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 insignificant, in which case they are stated at cost.

Impairment of financial assets

At the end of each reporting period, the Group assesses whether there is objective evidence that financial assets are impaired. The impairment loss of financial assets carried at amortised cost is measured as the difference between the assets' carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate. Such impairment loss is reversed in subsequent periods through profit or loss when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Cash equivalents

For the purpose of the consolidated statement of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably and on the following bases:

Subsidy income is recognised when the Group's right to receive payment is established.

Fund raising income for general administration and designated project and administrative income for Project Global Village is recognised when the Group's right to receive payment is established; and

Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in the currency of Hong Kong dollars, which is the Company's functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Notes to the Financial Statements

Year ended 30 June 2015

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Leases

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.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

Employee benefits

Short term employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees.

Defined contribution plans

The obligations for contributions to defined contribution retirement scheme are recognised as an expense in profit or loss as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior the contributions are vested fully in those employees. The assets of the scheme are held separately from those of the Company in an independently administered fund.

Long service payments

The Company's net obligation in respect of long service payments under the Employment Ordinance is the amounts of future benefit that employees have earned in return for their services in the current and prior periods. The obligation is calculated using the projected unit credit method and discounted to its present value and after deducting the fair value of any related assets, including those retirement scheme benefits.

Taxation

The charge for current income tax is based on the results for the year as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, any deferred tax arising from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss is not recognised.

The deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Notes to the Financial Statements

Year ended 30 June 2015

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Related parties

A related party is a person or entity that is related to the Group.

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of the parent of the Group.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (a) that person's children and spouse or domestic partner;
- (b) children of that person's spouse or domestic partner; and
- (c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

Habitat For Humanity Hong Kong Limited
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Notes to the Financial Statements

Year ended 30 June 2015

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Critical accounting estimates and judgements

Estimates and assumptions concerning the future and judgements are made by the management in the preparation of the consolidated financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

Key sources of estimation uncertainty

Allowance for bad and doubtful debts

The provisioning policy for bad and doubtful debts of the Group is based on the evaluation by management of the collectability of the accounts receivable. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including assessing the current creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance will be required. At the end of the reporting period, the carrying amount of receivables after provision for impairment amounted to HK\$2,862,760 (2014: HK\$4,620,057).

Future changes in HKFRSs

At the date of authorisation of these consolidated financial statements, the HKICPA has issued a number of new / revised HKFRSs that are not yet effective for the current year, which the Group has not early adopted. The directors are in the process of assessing the possible impact on the future adoption of these new / revised HKFRSs, but are not yet in a position to reasonably estimate their impact on the Group's consolidated financial statements.

2. REVENUE

	2015 HK\$	2014 HK\$
Subsidy income	4,456,250	8,137,500
Fund raising income	14,193,338	16,840,372
Income from Project Global Village	5,664,870	8,027,664
	<u>24,314,458</u>	<u>33,005,536</u>

Habitat For Humanity Hong Kong Limited
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Notes to the Financial Statements

Year ended 30 June 2015

3. OTHER INCOME

	2015 HK\$	2014 HK\$
Bank interest income	56,864	18,313
Exchange gain, net	-	74,069
Project construction cost recovery	529,323	784,613
Sundry income	3,640	11,982
	<u>589,827</u>	<u>888,977</u>

4. DEFICIT BEFORE TAX

This is stated after crediting:

	2015 HK\$	2014 HK\$
Staff cost by nature:		
Salaries and allowances	8,076,973	11,702,999
Contributions to defined contribution plans	1,011,211	1,311,778
	<u>9,088,184</u>	<u>13,014,777</u>
Staff cost by function:		
Administrative expenses	1,513,589	1,539,560
Fund raising expense	1,602,295	3,611,386
Programme expenses	5,972,300	7,863,831
	<u>9,088,184</u>	<u>13,014,777</u>
Auditor's remuneration	75,000	31,500
Construction costs	5,892,936	5,163,140
Depreciation	97,062	111,758
Exchange loss (gain), net	76,212	-
Operating lease payments on premises	1,564,163	1,298,016
Allowance for doubtful debts	356,403	-
Impairment loss on revolving loan receivables (<i>Note 8(b)</i>)	881,250	-
Written off of deposits and prepayment	88,811	-

Habitat For Humanity Hong Kong Limited
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Notes to the Financial Statements

Year ended 30 June 2015

5. TAXATION

Hong Kong Profits Tax has not been provided as the Association is an approved charitable institution and is exempted from Hong Kong Tax under section 88 of the Hong Kong Inland Revenue Ordinance.

Hong Kong Profits Tax has not been provided as the Group's subsidiary incurred a loss for taxation purposes for the year ended 30 June 2015 and 2014.

	2015 HK\$	2014 HK\$
<i>Reconciliation of tax expense</i>		
Loss before tax	<u>(3,432,423)</u>	<u>(88,248)</u>
Income tax at applicable tax rate of 16.5% (2014: 16.5%)	(566,350)	(14,561)
Non-deductible expenses	500,281	-
Tax exempt revenue	(184)	(4,260)
Unrecognised tax losses	62,225	14,191
Unrecognised temporary differences	<u>4,028</u>	<u>4,630</u>
Tax expense for the year	<u>-</u>	<u>-</u>

At the end of the reporting period, the Group did not recognise deferred tax assets arising from tax losses of HK\$684,957 (2014: HK\$307,836).

Neither the tax losses nor the deductible temporary differences expire under current tax legislation. Deferred tax assets have not been recognised because it is not probable that future taxable profit will be available against which the Company can utilise the benefits therefrom.

Habitat For Humanity Hong Kong Limited
(formerly known as Habitat For Humanity China Limited)

Notes to the Financial Statements

Year ended 30 June 2015

6. PROPERTY, PLANT AND EQUIPMENT

	Furniture, and fixtures HK\$	Computer equipment HK\$	Total HK\$
Reconciliation of carrying amount – year ended 30 June 2014			
At 1 July 2013	110,539	129,810	240,349
Addition	3,275	15,875	19,150
Depreciation	(56,885)	(54,873)	(111,758)
At 30 June 2014	<u>56,929</u>	<u>90,812</u>	<u>147,741</u>
Reconciliation of carrying amount – year ended 30 June 2015			
At 1 July 2014	56,929	90,812	147,741
Addition	-	5,068	5,068
Depreciation	(50,675)	(46,387)	(97,062)
At 30 June 2015	<u>6,254</u>	<u>49,493</u>	<u>55,747</u>
At 30 June 2014			
Cost	323,662	411,185	734,847
Accumulated depreciation	(266,733)	(320,373)	(587,106)
Net carrying amount	<u>56,929</u>	<u>90,812</u>	<u>147,741</u>
At 30 June 2015			
Cost	323,662	416,253	739,915
Accumulated depreciation	(317,408)	(366,760)	(684,168)
Net carrying amount	<u>6,254</u>	<u>49,493</u>	<u>55,747</u>

Habitat For Humanity Hong Kong Limited
(formerly known as Habitat For Humanity China Limited)

Notes to the Financial Statements

Year ended 30 June 2015

7. INTERESTS IN A SUBSIDIARY

	2015 HK\$	2014 HK\$
Unlisted shares, at cost	<u>1</u>	<u>1</u>

At 30 June 2015, particulars of the subsidiary are as follows:

Name of subsidiary	Principal place of business and place of incorporation	Class of shares held	Proportion of value of issued capital held by the Company	Principal activities
Habitat For Humanity Consultants Limited	People's Republic of China ("PRC") / Hong Kong	Ordinary share	100%	Providing consultancy and supportive services to the Group

8. ACCOUNTS AND OTHER RECEIVABLES

	Note	2015 HK\$	2014 HK\$
Accounts receivables		3,219,163	4,620,057
Less: Allowance for doubtful debts	8(a)	<u>(356,403)</u>	<u>-</u>
		<u>2,862,760</u>	<u>4,620,057</u>
Revolving loan receivables		881,250	618,750
Less: Impairment for revolving loan receivables	8(b)	<u>(881,250)</u>	<u>-</u>
		<u>-</u>	<u>618,750</u>
Due from headquarter		-	3,875,000
Deposits and prepayment		<u>473,681</u>	<u>498,492</u>
		<u>3,336,441</u>	<u>9,612,299</u>

8(a) Allowance for doubtful debts

	2015 HK\$	2014 HK\$
Balance at beginning of year	-	-
Increase in allowance	<u>356,403</u>	<u>-</u>
	<u>356,403</u>	<u>-</u>

There were no past due nor impaired accounts receivables at the end of the reporting date. The Group does not hold any collateral over these balances.

Receivables that were neither past due nor impaired related to donors for whom there was no history of default and the management believes that the amounts are recoverable.

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Notes to the Financial Statements

Year ended 30 June 2015

8. ACCOUNTS AND OTHER RECEIVABLES (CONTINUED)

8(b) Revolving loan receivables

Revolving loans are made to village families located in rural areas with an aim to improve their living standard. They are unsecured, interest bearing of 2% and contained repayment terms that might be repayable after more than one year.

Under HKAS 39, such revolving loans should have been recognised at amortised cost using the effective interest method and should be stated at fair value at the end of reporting period, and classified under non-current assets or current assets accordingly. Imputed interest should also be calculated and recorded in the accounts while the carrying amount would be subject to impairment assessment periodically. The Association adopted a policy to critically assess the impairment at initial recognition and recorded a full impairment loss whenever appropriate and, on this basis, the financial impact on calculating the amortised cost and imputed interest in accordance with HKAS 39 would be minimal.

During the year, management reviewed the recoverability of the revolving loans and determined that the amount should be fully impaired. Accordingly, the carrying value of the revolving loan receivables has been reduced by HK\$881,250 (2014: nil).

Impairment for revolving loan receivables

	2015 HK\$	2014 HK\$
Balance at beginning of year	-	-
Increase in impairment	881,250	-
	<u>881,250</u>	<u>-</u>

9. ACCOUNTS AND OTHER PAYABLES

	2015 HK\$	2014 HK\$
	<i>Note</i>	
Accounts payables	9(a) 5,482,011	4,394,515
Accrued charges	275,816	270,835
Due to headquarter	9(b) 2,247,500	-
Other payables	1,214,837	339,846
	<u>9,220,164</u>	<u>5,005,196</u>

9(a) Accounts payables

Accounts payables amounted to HK\$5,384,535 (2014: HK\$3,791,707) represented provision for donation to affiliates. The amounts due are unsecured, interest-free and have no fixed repayment term.

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Notes to the Financial Statements

Year ended 30 June 2015

9. ACCOUNTS AND OTHER PAYABLES (CONTINUED)

9(b) Due to headquarter

The amount due is unsecured, interest-free and has no fixed repayment term.

10. RELATED PARTY TRANSACTIONS

In addition to the transactions / information disclosed elsewhere in these financial statements, during the year, the Group had the following significant transactions with its related parties.

Related party relationship	Nature of transaction	2015 HK\$	2014 HK\$
Headquarter of the Group	Subsidy income	4,456,250	8,137,500
	Administrative income for Project Global Village	644,800	275,900
	Fund raising income for designated project	2,669,887	1,664,435
	Management fee expenses	467,339	595,618
Other affiliates of the Group	Subsidy paid	7,125,472	7,552,931
	Fund raising income for designated project	157,906	-
	Administrative income for project Global Village	326,841	1,091,680
		<u>326,841</u>	<u>1,091,680</u>

11. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise of bank balances. The main purpose of these financial instruments is to raise and maintain finance for the Group's operations. The Group has various other financial instruments such as accounts and other receivables and accounts and other payables, which arise directly from its business activities.

The main risk arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The Group does not have any written risk management policies and guidelines. However, the board of directors generally adopts conservative strategies on the Group's risk management and limits the Group's exposure to these risks to a minimum. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risks

The Group's foreign currency exposures arise mainly from the exchange rate movement of United States Dollar ("US Dollar") and Renminbi ("RMB").

The Group considers the risk exposure to foreign currency fluctuation in US Dollar would be minimal as long as the Hong Kong dollar remains pegged to the US Dollar.

Notes to the Financial Statements

Year ended 30 June 2015

11. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risks (Continued)

At the end of the reporting period, HK\$3,743,009 (2014: HK\$1,354,057) of accounts receivable and HK\$1,084,376 (2014: HK\$1,167,748) of bank balance were denominated in RMB. As at 30 June 2015, if the currency had strengthened/weakened by 5% (2014: 5%) against RMB with all other variables held constant, the Group's net loss for the year would have been HK\$241,369 (2014: HK\$126,090) lower/higher, mainly as a result of foreign exchange gains/losses on translation of RMB-denominated other receivables, bank balances and cash, and other payables and accrued charges.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to Group's exposure to currency risk for all financial instruments in existence at that date, and that all other variables remain constant. The stated changes in foreign currency represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the end of the next reporting period. the analysis is performed on the same basis for 2014.

Credit risk

The Group's credit risk is primarily attributable to bank balances, accounts receivables and revolving loan receivable. The related credit risk of the bank balances is considered limited because the counterparty is a reputable licensed bank in Hong Kong and PRC.

Management also closely monitors the outstanding accounts receivables and revolving loan receivable and reviews collectability of the borrower periodically.

The carrying amount of financial assets recorded in the financial statements represents the Group's maximum exposure to credit risk.

Liquidity risk

The Group manages to maintain its liquidity position at a prudent and adequate level. The directors monitor the cash flows daily to ensure sufficient funds available.

The remaining undiscounted contractual maturity profile of the Group's non-derivative financial liabilities at the end of reporting period, based on the earliest date on which the Group is required to settle are within one year or repayable on demand.

12. CAPITAL MANAGEMENT

The objectives of the Group's capital management are to safeguard its ability to continue as a going concern for its charitable objectives. The Group principally relies on funding from donation received. No changes were made in the objectives, policies or processes during the year ended 30 June 2015 and the year ended 30 June 2014.

Notes to the Financial Statements

Year ended 30 June 2015

13. COMMITMENTS

Commitments under operating leases

The Group leases a number of properties under operating leases, which typically run for an initial period of 1 to 2 years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases, which are payable as follows:

	2015 HK\$	2014 HK\$
Within one year	533,554	226,142
In the second to fifth years inclusive	<u>10,000</u>	<u>2,837</u>
	<u><u>543,554</u></u>	<u><u>228,979</u></u>

14. INFORMATION ABOUT THE BENEFITS OF DIRECTORS

The following disclosures are presented pursuant to section 383 of the Ordinance.

(a) Directors' emoluments

There is no directors' remuneration for the year (2014: nil).

(b) Loans, quasi-loans and other dealings in favour of directors

There are no loans, quasi-loans or other dealings in favour of the directors of the Association or its holding company that were entered into or subsisted during the year (2014: nil).

(c) Directors' material interests in transactions, arrangements or contracts

After consideration, the directors are of the opinion that no transactions, arrangements and contracts of significance in relation to the Association's business to which the Association was a party and in which a director of the Association or a connected entity of the director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2014: nil).

15. COMPARATIVE FIGURES

Conforming to current year's presentation, the loan receivable of HK\$525,000 that was included in accounts receivables as of 30 June 2014 has been reclassified under revolving loan receivables. The revised presentation reflects more appropriately the nature of this item. This reclassification has no effect on the reported financial position, results or cash flows of the Group.

Habitat For Humanity Hong Kong Limited
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Notes to the Financial Statements
Year ended 30 June 2015

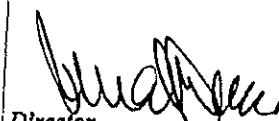
16. STATEMENT OF FINANCIAL POSITION OF THE ASSOCIATION

Pursuant to the Ordinance, the statement of financial position of the Association and the movements in its reserves are set out below:

	2015 HK\$	2014 HK\$
Non-current assets		
Property, plant and equipment	49,326	115,475
Investment in a subsidiary	<u>1</u>	<u>1</u>
	<u>49,327</u>	<u>115,476</u>
Current assets		
Accounts and other receivables	3,290,366	9,481,612
Amount due from a subsidiary	13,788	895,323
Bank balances and cash	<u>9,386,448</u>	<u>1,956,183</u>
	<u>12,690,602</u>	<u>12,333,118</u>
Current liabilities		
Accounts and other payables	<u>8,090,004</u>	<u>4,766,664</u>
Net current assets	<u>4,600,598</u>	<u>7,566,454</u>
NET ASSETS	<u>4,649,925</u>	<u>7,681,930</u>
Capital and reserves		
General funds	<u>4,649,925</u>	<u>7,681,930</u>
TOTAL EQUITY	<u>4,649,925</u>	<u>7,681,930</u>

Approved and authorised for issue by the Board of Directors on 31 DEC 2015 and signed on its behalf by


Director
Peter Charles Witton


Director
Yam Tak Fai, Ronald

Habitat For Humanity Hong Kong Limited
(formerly known as Habitat For Humanity China Limited)

Notes to the Financial Statements

Year ended 30 June 2015

16. STATEMENT OF FINANCIAL POSITION OF THE ASSOCIATION (CONTINUED)

(a) Movements of reserves

	2015	2014
	HK\$	HK\$
At beginning of the reporting period	7,681,930	7,657,361
(Deficit) Surplus for the year and total comprehensive (deficit) surplus for the year	<u>(3,032,005)</u>	<u>24,569</u>
At end of the reporting period	<u>4,649,925</u>	<u>7,681,930</u>

Management Information

Habitat For Humanity Hong Kong Limited (formerly known as Habitat For Humanity China Limited)

Detailed Income Statement

Year ended 30 June 2015

	<i>Schedule</i>	2015 <i>HK\$</i>	2014 <i>HK\$</i>
Revenue	<i>A</i>	24,314,458	33,005,536
Other income	<i>B</i>	588,712	964,045
Other operating expenses	<i>C</i>	(27,935,175)	(33,945,012)
(Deficit) Surplus before tax		<u>(3,032,005)</u>	<u>24,569</u>

A. REVENUE	2015 <i>HK\$</i>	2014 <i>HK\$</i>
Subsidy income	4,456,250	8,137,500
Fund raising income	14,193,338	16,840,372
Income from Project Global Village	<u>5,664,870</u>	<u>8,027,664</u>
	<u>24,314,458</u>	<u>33,005,536</u>

B. OTHER INCOME	2015 <i>HK\$</i>	2014 <i>HK\$</i>
Bank interest income	55,749	17,060
Exchange gain, net	-	150,391
Project construction cost recovery	529,323	784,613
Sundry income	<u>3,640</u>	<u>11,981</u>
	<u>588,712</u>	<u>964,045</u>

(continued)

Management Information

Habitat For Humanity Hong Kong Limited (formerly known as Habitat For Humanity China Limited)

Detailed Income Statement

Year ended 30 June 2015

	2015 HK\$	2014 HK\$
C. OTHER OPERATING EXPENSES		
Advertising recruitment	14,186	3,800
Auditor's remuneration	50,000	25,000
Allowance for doubtful debts	356,403	-
Bank charges	113,763	31,416
Computer expenses	54,093	24,505
Construction costs	5,672,936	5,023,702
Contribution to defined contribution plans	144,169	449,979
Depreciation	71,218	81,907
Entertainment and meal expenses	38,562	87,454
Exchange loss, net	43,892	-
Impairment loss on revolving loan receivables	881,250	-
Insurance	144,273	199,285
Legal and profession fees	142,081	1,258,128
Local travelling	25,323	80,699
Office supplies	15,247	27,842
Overseas travelling	46,092	196,555
Postage and stamp	7,121	26,340
Printing and stationary	32,596	45,820
Project expenses	122,870	1,261,206
Marketing	245,876	1,343,129
Rent and building management fee	1,190,148	1,061,707
Repairs and maintenance	4,897	3,639
Salaries and allowance	5,713,433	8,728,495
SOSI – management fee to Habitat For Humanity International	467,339	595,618
Subsidy for Habitat For Humanity Consultants Limited	4,931,485	5,564,678
Subsidy for other affiliates	7,125,472	7,552,931
Sundry expenses	90,048	85,089
Telephone and telex	122,291	151,616
Utilities expenses	68,111	34,472
	<u>27,935,175</u>	<u>33,945,012</u>

(continued)

Management Information

Habitat For Humanity Hong Kong Limited *(formerly known as Habitat For Humanity China Limited)*

Detailed Income Statement

Year ended 30 June 2015

Disclosure pursuant to section 436 of the Hong Kong Companies Ordinance (the “HKCO”)

The above financial information relating to years ended 30 June 2015 and 2014 does not constitute the Company's specified financial statements for those years as defined in section 436 of the HKCO but is derived therefrom.

The Company is not required to deliver its specified financial statements to the Registrar of Companies and has not done so.

Auditor's reports have been prepared on the specified financial statements for both years.

The auditor's report for the year:

- was not qualified or otherwise modified;
- did not refer to any matter to which the auditor drew attention by way of emphasis without qualifying the reports; and
- did not contain a statement under section 406(2) or 407(2) or (3) of the HKCO.

