

**HABITAT FOR HUMANITY HONG KONG LIMITED**  
(incorporated in Hong Kong with liability by guarantee)

**Directors' Report and  
Consolidated Financial Statements  
For the year ended 30 June 2020**

## HABITAT FOR HUMANITY HONG KONG LIMITED

### DIRECTORS' REPORT

The Directors present their annual report together with the audited consolidated financial statements of Habitat for Humanity Hong Kong Limited (the "Association") and its subsidiaries (the "Group") for the year ended 30 June 2020.

#### PRINCIPAL ACTIVITIES

The principal activities of the Group 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 homeless in the region. The principal activity of its subsidiaries is set out in note 11 to the consolidated financial statements.

#### RESULTS AND DIVIDENDS

The financial performance of the Group for the year ended 30 June 2020 and the financial position of the Group at that date are set out in the financial statements on page 14 to 39.

#### GENERAL FUND

Movements in the general fund of the Group during the year are set out on page 16 of the consolidated financial statements.

#### DIRECTORS

The Directors who held office during the year and up to the date of this report are as follow:

Ms. Wong, Ka Ying Olivia (Chair)	
Mr. Hwang, Wing Cheung Peter (Vice-Chair)	(appointed on 7 September 2019)
Mr. Yam, Tak Fai Ronald (Treasurer)	
Ms. Chang, Ho Jenny (Secretary)	(appointed on 7 December 2019)
Dr. Chen, Darwin SBS (Honorary Chair)	
Ms. Bailey, Frances Ruth	(appointed on 7 December 2019)
Ms. Leung, Sing Man Sandra	(appointed on 7 September 2019)
Ms. Martin, Louise Emma	(appointed on 7 December 2019)
Mr. Montemayor, Marco Jose	(appointed on 7 September 2019)
Ms. Lim Moore, Claire Marie	(appointed on 7 September 2019)
Mr. Yeung, Kwong Sunny	(appointed on 7 September 2019)
Mr. Hathaway, Kevin Richard	(resigned on 7 December 2019)
Mr. Lai, Kam Cheung Michael	(resigned on 7 December 2019)
Mr. Szeto, Wing Fu Ricky	(resigned on 7 December 2019)

In accordance with the Articles of Association, Mr. Yam Tak Fai Ronald, Ms. Wong Ka Ying Olivia, Mr. Chen Darwin and Mr. Montemayor Marco Jose will retire and being eligible, offer themselves for re-election.

## **HABITAT FOR HUMANITY HONG KONG LIMITED**

### **DIRECTORS' REPORT**

#### **DIRECTORS' MATERIAL INTEREST IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS**

No transactions, arrangements and contracts of significance to which any of the Association's fellow subsidiaries, or its subsidiary was a party and in which a Director of the Association or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

#### **ARRANGEMENT TO PURCHASE SHARES AND DEBENTURES**

At no time during the year was the Association, its subsidiary, or any of fellow subsidiaries a party to any arrangements to enable the Directors of the Group to acquire benefits by means of the acquisition of shares in, or debentures of, the Association or any other body corporate.

#### **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.

#### **PERMITTED INDEMNITY PROVISIONS**

During the financial year and as at the date of this report, a qualifying indemnity provision made by the Association for the benefits of the Directors is in force.

#### **BUSINESS REVIEW**

The Members of the Board of Directors present their Business Review together with the audited financial statements for the year ended 30 June 2020.

##### ***Business Objectives***

Habitat for Humanity Hong Kong ("Habitat" or "Habitat Hong Kong") is driven by the vision that everyone deserves a decent place to live. Habitat for Humanity (the "Group" or "Habitat for Humanity") began in 1976 as a grassroots organisation on a community farm in the U.S. It has since grown to become a leading global nonprofit organisation, working in over 70 countries, to help more than 29 million people build or improve a place they call home. Since 2004, Habitat Hong Kong has played a significant role in raising awareness of housing as a critical foundation for a better, healthier and more financially stable life.

##### ***Principal Place of Business***

Habitat Hong Kong is a charitable organisation limited by guarantee, incorporated and domiciled in Hong Kong. Its registered office and principal place of business is 9/F, V-Point, 18 Tang Lung Street, Causeway Bay, Hong Kong.

Habitat is exempt from tax under Section 88 of the Inland Revenue Ordinance.

## **HABITAT FOR HUMANITY HONG KONG LIMITED**

### **DIRECTORS' REPORT**

#### **BUSINESS REVIEW - Continued**

##### ***Key Areas of our Work***

##### **Decent and Affordable Housing**

The Group addresses poverty-housing issues through home construction and renovation, advocacy, training, water and sanitation hygiene and microfinance. In Hong Kong, Habitat provides renovation and cleaning services to elderly people living below the poverty line in public rental housing and substandard housing. Habitat mobilizes individual volunteers, schools and corporations to help renovate the homes of low-income families, older persons and people living with disabilities through Project Home Works. In partnership with local social service non-governmental organisations, we identify families most in need, secure sponsorship from partners to fund the renovations, and recruit volunteers to carry out the work. Supporting partners include corporations, foundations, churches, clubs, associations, schools and universities. For Project School Works, together with our corporate partners, we provide mural painting and run activities to highlight housing issues and discuss solutions with students in some of Hong Kong's most underserved areas. A transformed school environment encourages school attendance and improves the learning of children in low-income districts. Habitat also raises awareness of housing issues including the living conditions of low-income families in public housing through social media, street fundraisers and community engagement events, although service days, community events and street fundraising have all been significantly disrupted due to COVID-19.

##### **Global Village**

A Global Village trip is a short-term service trip where volunteers build homes overseas. While the personal trip may last for a week or more, the financial, emotional and physical contributions can be life-changing for both those in the communities where the volunteers work and in the lives of the volunteers for years to come. The COVID-19 pandemic has brought unprecedented challenges to all parts of society, Habitat for Humanity included. Habitat's top priority is the health and safety of our staff, volunteers, partners and the people we serve and, as such, the group suspended all Global Village volunteer builds through spring 2021.

##### **Disaster Relief, Recovery and Resilience**

When a disaster strikes, the loss of a home can leave you at your most vulnerable. Habitat works to rebuild communities in these circumstances, moving them from ruin to recovery. Through Habitat's Disaster Risk Reduction and Response program, we are able to provide shelter assistance, education, training and partnerships to the affected individuals. We focus our response on multiple areas including: housing needs arising from natural disasters and emergency conflicts, including sustainable shelter and housing solutions, education, training and partnership solutions to those in need of our relief services, expertise in technical information, program design and implementation, and disaster response policies, protocols and procedures, preventative support and information for disaster-prone areas and year-round preparedness efforts to ensure we are ready when something happens.

## HABITAT FOR HUMANITY HONG KONG LIMITED

### DIRECTORS' REPORT

#### BUSINESS REVIEW - Continued

##### Women Empowerment Programmes

Habitat's Women Build, an international campaign established in 1991, empowers disadvantaged women and children living in poverty across the globe. Through our women empowerment programmes, we address the poverty gap in Hong Kong and overseas. Habitat for Humanity is committed to the Sustainable Development Goals and housing, drives five SDGs, including #5 Gender Equality. We challenge the status quo and gender pay gap through upskilling women in masonry skills. We encourage girls and women to build with Habitat. In Nepal, we work with microfinancing institutions, to provide micro housing loans, transforming communities and empowering women to take charge of their finances and build better lives for their families. In India, we provide widows of farmers with safe and decent housing, financial literacy training and waterwheels; improving living conditions and giving them back a sense of security. In Indonesia, we provide rural communities with toilets, handwashing facilities, safe water, health and hygiene training; protecting women and children from diseases caused by open defecation. In Hong Kong, raising a child alone on a low income, can mean balancing the basic needs of children, with financial responsibilities and making difficult choices every single day. For women living with these challenges, a home renovated with care can mean decreased stress levels, positive mental health and dignity.

##### Youth Empowerment Programmes

In 2012, the group launched an annual Habitat Young Leaders Build (HYLB) campaign, bringing together youth from across the Asia-Pacific region to support people and families in need of decent housing. Over 2.6 million youth have participated in the campaign, raising over USD1m to build homes and sustainable communities. In Hong Kong, we have worked with thousands of young people to raise awareness of poverty housing issues, improve learning environments for low-income students and learn basic construction and leadership skills. In 2018, the group launched a youth leadership academy, designed to equip young people with self-leadership skills, enabling them to lead others and lead change in their communities.

##### World Habitat Day

More than 35 years ago, the United Nations General Assembly took an important step in promoting the idea that everyone deserves a decent place to live by declaring that the first Monday in October would be World Habitat Day. Every year Habitat for Humanity joins our partners around the world to rededicate ourselves to recognizing the basic right of everyone to adequate shelter.

##### Public Policy Campaigns

As a leading global advocate for decent and affordable housing, Habitat for Humanity is leading a targeted advocacy campaign on Sustainable Development Goal 11. Habitat is focusing efforts on urban populations living in *inadequate* housing and we are currently working on an '*adequate* housing charter'. Our short-term goal is to bring real estate developers, construction companies and architects together to design and commit to the charter. We are proactively orienting our programmes and policy efforts within the values of SDG 11 as we work to achieve decent housing for all in Hong Kong.

## **HABITAT FOR HUMANITY HONG KONG LIMITED**

### **DIRECTORS' REPORT**

#### **BUSINESS REVIEW - Continued**

##### **International Volunteer Day**

All year round, volunteers dedicate their time, effort and energy to fuel our vision of a world where everyone has a decent place to live. International Volunteer Day (IVD) mandated by the UN General Assembly, is held each year on 5 December. It is viewed as a unique chance for volunteers and organisations to celebrate their efforts, to share their values, and to promote their work among their communities. Every year to celebrate IVD, Habitat brings people together to raise awareness of the necessity of decent housing. This year Habitat ran three simultaneous events in public housing estates and a school, engaging over 200 volunteers and serving over 150 people in one special day.

##### **Habitat Young Leaders Build (HYLB)**

Habitat Hong Kong takes part in the annual HYLB campaign that engages youth volunteers in advocating, raising funds and building homes with families. In Hong Kong, the HYLB programme takes youth and young professionals to mainland China to build homes in rural areas. This year, instead of building houses, many Habitat volunteers turned to online activism to help their communities cope with COVID-19. Adapting to the new normal, some supporters highlighted their own volunteer experiences and journeys with Habitat to raise awareness of the need for adequate housing and engage more young people.

Using the hashtag #myBuildDiary, students used various media to share their insights. One volunteer, a student of King George V School in Hong Kong wrote, "...Because I am fortunate to not have to worry about living in a place that is unsafe, that doesn't mean I can ignore [the issues]." Habitat for Humanity's Young Leaders Build triumphed in its most challenging season ever to mobilize over 2 million supporters to raise awareness and funds for decent housing in Asia-Pacific.

##### **Housing Poverty in Mainland China**

China has an impressive record in reducing poverty. According to official data, the world's most populous country lifted more than 790 million people out of poverty between 1981 and 2012. Rapid growth and urbanization and economic reforms have been central to China's poverty reduction in the past few decades. By 2020, six in 10 persons living in China will be urban dwellers. However, inequality has increased and poverty has become concentrated in rural and minority areas, according to the World Bank. There are more than 70 million rural Chinese still living below the country's poverty line of 2,300 yuan (over US\$360) in annual income. Many of the poor lack access to affordable housing, shut out by soaring land and house prices, and the inadequate supply of low-cost accommodation. China's central government has committed to eliminating poverty from impoverished rural areas by 2020.

##### **Programmes in Mainland China**

Habitat for Humanity China works with local partners and the government in mostly rural areas to build secure, affordable homes with the help of international and domestic volunteers. Low-income families often lack adequate access to clean water and safe sanitation. Habitat homes are typically made of more durable materials such as bricks and include proper sanitation facilities. The homes rebuilt after the 2008 earthquake in Sichuan included single detached, row houses, townhouses and apartment buildings. Habitat also constructed classrooms in Sichuan and community infrastructure in Yunnan, Guangdong and Guangxi. In Shanghai and Guangzhou, corporate volunteers helped to renovate homes and improve the safety of low-income families. During the year, we closed the offices in Yunnan and Guangxi.

## HABITAT FOR HUMANITY HONG KONG LIMITED

### DIRECTORS' REPORT

#### BUSINESS REVIEW - Continued

##### Programmes in Mainland China - Continued

Whilst no impact or changes to operations and programme implementation in mainland China throughout FY2021, Habitat for Humanity has made the decision to close its offices in Sichuan, Guangdong and Shanghai in FY2022. Habitat for Humanity will continue to operate in Hong Kong SAR, developing and implementing projects that benefit the local community while providing thought leadership on long-term housing reform. We will do this by continuing key partnerships with the HKSAR government, corporate leaders, foundations and individual supporters across Hong Kong and the Asia-Pacific region.

The decision to close offices in mainland China, comes from the pressing need for Habitat for Humanity to commit limited and critical resources to areas in the network where the organization can advance the strategic initiative to triple funds, scale and impact. Habitat will be in a position to fully outline this process and relevant details during the next auditing cycle.

##### *Investment in Programmes*

Habitat Hong Kong supported programmes in Hong Kong and countries primarily in the Asia Pacific region.

In Hong Kong, Habitat acts as a fundraising hub for the Asia-Pacific region and beyond with the majority of funds raised locally for overseas projects, coming from the Hong Kong Special Administrative Region Disaster Relief Fund. In FY20, the group secured a grant from the Disaster Relief Fund of HK\$9.296 million for the distribution of kits for emergency shelter, household needs, water, sanitation and hygiene following a cyclone and flooding in India for 10,000 families.

Habitat Hong Kong also secured a grant of US\$80,000 from a corporation for a third consecutive year, to empower low income people to improve their homes via housing microfinance market development in the Philippines and Indonesia.

##### *Financial Performance*

###### Key Financial Summary

In the financial year ended 30 June 2020, the total income was HK\$ 31.09 million (2019: HK\$ 27.95 million), and the surplus was HK\$ 1.10 million (2019: HK\$ 4.46 million), representing an increase of 11% and decrease of 75% respectively.

At 30 June 2020, the total assets were HK\$ 21.36 million (2019: HK\$ 15.36 million) and net assets were HK\$ 13.58 million (2019: HK\$ 12.47 million), representing an increase of 39% and 9% respectively. The current ratio (current assets ÷ current liabilities) was 2.7 (2019: 5.3) and the debt ratio (total liabilities ÷ total assets) was 0.4 (2019: 0.2).

The financial position was healthy.

###### Donations Summary

Habitat Hong Kong's income is primarily derived from donations from individual donors, corporations, foundations and the Hong Kong Government Disaster Relief Fund. These donations are either (i) general donations, not restricted by the donor on how they may be used or (ii) designated donations where funds are restricted to the development and running of a designated programme or programmes.

# HABITAT FOR HUMANITY HONG KONG LIMITED

## DIRECTORS' REPORT

### BUSINESS REVIEW - Continued

#### *Financial Performance - Continued*

##### Donations Summary - Continued

In FY2020, face to face fundraising efforts were severely impacted by the disruption on the streets and the team were temporarily unable to carry out their work. Subsequently, with the impact of COVID and in the interests of safety and eventually the need to allocate limited resources to where it was needed most, we suspended our face to face fundraising efforts.

##### Governance and Administration

Administrative costs were HK\$ 2.52 million (2019: HK\$ 2.12 million), representing an increase of 0.4M. Total administration costs represented 8% of total expenditure (2019: 9%)

##### Funds allocation

77% of our funds were committed to critical housing programmes and our advocacy work to raise awareness and change policies and systems so that we can eliminate barriers to adequate, affordable housing. The need for decent and affordable housing solutions in Asia-Pacific is immense. Based on the United Nations data, half of the world's poor – those living on less than US\$1.90 a day – are in this region. Amid rapid urbanization, one in two slum dwellers calls Asia-Pacific home.

To ensure we continuously faithfully steward every dollar raised and consistently allocate resources to the areas where our work is most urgently needed, we are bound by the group's strict cost controls, internal policies and standards of excellence.

#### ***Accountability measures and internal controls***

Habitat remains consistently focused on cost efficiencies and during a particularly challenging and changing environment, we downsized our office environment and moved into a co-working space, resulting in a sizable reduction in rent. We undertook an internal analysis of all locally run programmes and to confirm our analysis, we recruited a team of volunteer HKUST students to undertake a full ROI analysis of our local programmes. Under the guidance and leadership of the Board, Habitat continues to streamline operations.

On an annual basis, Habitat develops an Annual Operating Plan (AOP) that details a range of metrics including the number of repairs and home improvements, the numbers of volunteers we engage, and in alignment with our annual budget, the projected resources to be raised. On a quarterly basis, Habitat reports into the group's metrics system 'Global Metrics Tool' (GMT) on the quarterly targets and the actual results. This reporting system is reviewed and approved by the Board of Directors annually before being submitted to the group's regional and global leadership teams for review and consolidation. Every quarter Habitat submits a financial report to the group that includes financial indicators and a standards of excellence dashboard. This internal control ensures that all financial matters conform to the group's policies and that external audits are completed annually by an accredited audit firm.



## HABITAT FOR HUMANITY HONG KONG LIMITED

### DIRECTORS' REPORT

#### BUSINESS REVIEW - Continued

##### Equality, Diversity and Inclusion

Habitat Hong Kong is an equal opportunity employer and seeks to employ and assign the best qualified personnel for all our positions in a manner that does not unlawfully discriminate against any person because of race, colour, religion, gender, marital status, age, national origin, physical or mental disability, sexual orientation, veteran/reserve national guard status, or any other status or characteristic protected by law.

##### Board Subcommittees

In FY2020, the newly formed Nominations and Governance Committee, undertook a skills-based matrix analysis of the Board composition and applied diversity metrics. As a result, the Board almost doubled in size and brought in a wide range of expertise and experience, ensuring diversity metrics were adhered to. The growth in the Board, also paved the way for a growth of Board Subcommittees. The existing Finance Committee and Mainland China Oversight Committee grew in size and four new committees were established. Each standing committee is chaired by a board director.

The Development Committee acts as an advisor to the Board and leadership team, giving strategic guidance, oversight and support for Habitat's fundraising activities, fundraising strategies, campaigns and initiatives and assists in coordinating the support and participation of all individual members of the Board in these activities.

The Finance Committee assists the Board in fulfilling its oversight responsibility, including but not limited to (i) financial reporting and disclosures; (ii) financial planning and review of operating and capital plans; (iii) management and leveraging of assets and related commitments; (iv) financial risk management and leveraging of insurance to mitigate risk; (v) monitoring of policies and other financial matters.

The Mainland China Oversight Committee provides (i) operational oversight and guidance to Habitat China and Senior Management Staff in the implementation of the business and strategic plan, (ii) reviews the organisational risk register and advises on mitigation measures (iii) anticipates potential key challenges and helps determine appropriate responses in coordination with the Senior Management Team.

The Nominations and Governance Committee develops nominations of candidates to the Board of Directors, provides training and education to the Board, and oversees all governance processes and policies including internal auditing, the Articles of Association and applicable laws and regulations.

The Public Policy and Programmes Committee acts as an advisor to the Board and leadership team, giving strategic guidance, oversight and support for Habitat Hong Kong's public policy campaigns and domestic programme development activities and assisting in coordinating the support and participation of all individual members of the Board in these activities. The Committee has led on our programme resumption guidelines as well as working on our policy campaign to advocate for UN Sustainable Development Goal 11.1 and adequate housing.

The Risk Committee assists the Board in fulfilling its oversight responsibility, including but not limited to (i) Habitat's operations strategy and significant investments in support of such strategy and (ii) operations and operational risk through Enterprise Risk Management, including information security, fraud, vendor, data protection, business continuity and cybersecurity risks and (iii) internal controls and monitoring of policies, processes and systems.

## HABITAT FOR HUMANITY HONG KONG LIMITED

### DIRECTORS' REPORT

#### BUSINESS REVIEW - Continued

##### Principal Risks and Uncertainties

This year has presented Habitat and the group with a range of unprecedented challenges and we anticipate that COVID-19 and the socio-political tensions may continue to impact operations and fundraising in the years to come. The housing issues in Hong Kong are complex and deep rooted, and with the economic downturn, COVID-19 has exacerbated the housing crisis. In the Habitat Hong Kong risk register, we have identified and are monitoring the following risks, brought about primarily due to COVID-19, the economic downturn and the increasingly competitive fundraising market locally:

- Inability to meet programmatic and public policy commitments
- Inability to raise sufficient general funds for operations
- High turnover of staff
- Staff, beneficiaries or volunteers contracting COVID-19
- Cyber / IT / Data (GDPR) breach

Given the high level of risks encountered this year, Habitat has built risk mitigation and management into project management and objective setting frameworks, to ensure pre-planning and contingency planning is a core stage of planning and execution. The creation of an Operations Manager role ensures adequate focus and attention is given to all processes and procedures across the teams. The establishment of the Risk Committee is to ensure all policies, processes, programmes and operations are viewed through a risk lens.

##### Organisational Efficiency and Sustainability

In FY2020, to continuously improve our operational efficiency, a senior leader took up the newly created role of Operations Manager and a part-time HR Manager joined the team, bringing with them an extensive portfolio of HR expertise to help increase efficiency and support staff recruitment, training and retention. Due to the impact of COVID-19, Habitat needed to significantly reduce operational costs and achieved this through the downsizing of office space. In the second half of 2020, the creation of a new role of Impact & Sustainability Manager will replace the more traditional Programme Manager role. They will have a seat at the management table and influence grant submissions, ensuring impact, financial sustainability and programmatic sustainability are at the core of our decision making and programme development.

In the move to a new office environment, and with staff working remotely on a rotation basis, Habitat has moved towards a predominantly paperless office. At the 2019 Housing Forum event, we sourced a sustainable caterer to provide food and beverage that was sustainably sourced. Habitat applies the same sustainable sourcing planning to products needed for running local programmes.

## HABITAT FOR HUMANITY HONG KONG LIMITED

### DIRECTORS' REPORT

#### BUSINESS REVIEW - Continued

##### *Future development*

In the coming year, Habitat predicts continued disruption to its programmes and fundraising efforts. Habitat for Humanity expects the impact of COVID-19 to continue to affect our operations over the next several years. For this financial year under the guiding principle of weathering the storm, our strategic focus is on building financial sustainability and our reputation as the strategic partner for Hong Kong housing reforms.

Habitat Hong Kong's strategic goals for the coming years are:

- Continue to serve individuals, families and communities through our critical, mission-focused programmes
- Ensure financial sustainability and stability through deepening cross-sector partnerships and collaboration, diversifying funding streams to include digital channels and continuously examine our operational efficiencies
- Evolve our position as a strategic partner for housing solutions through increased engagement with local partners and policy makers
- Increase and strengthen donor and volunteer management efficiency and increase our donor intelligence, analysis and develop stakeholder journeys through the integration of Salesforce, a leading customer relationship management system (CRM) to internally manage our databases
- Continue to evaluate, monitor, measure and increase the impact the work we do

#### AUDITOR

During the year, Mazars CPA Limited resigned and BDO Limited was appointed as auditor of the Group. A resolution will be proposed at the forthcoming annual general meeting to re-appoint the auditor.

On behalf of the Board



Wong, Ka Ying Olivia  
Chair

Hong Kong, 11 November 2020

**INDEPENDENT AUDITOR'S REPORT**  
**TO THE MEMBERS OF HABITAT FOR HUMANITY HONG KONG LIMITED**  
(incorporated in Hong Kong with liability limited by guarantee)

**Opinion**

We have audited the financial statements of Habitat for Humanity Hong Kong Limited (the "Association") set out on pages 14 to 39, which comprise the consolidated statement of financial position as at 30 June 2020, and the consolidated statement of comprehensive income, statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Group as at 30 June 2020, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

**Basis for Opinion**

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Other Information**

The Directors are responsible for the other information. The other information comprises the information included in the Directors' Report.

Our opinion on the consolidated 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 consolidated 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.



**INDEPENDENT AUDITOR'S REPORT**  
**TO THE MEMBERS OF HABITAT FOR HUMANITY HONG KONG LIMITED**  
(incorporated in Hong Kong with liability limited by guarantee)

**Directors' Responsibilities for the Consolidated Financial Statements**

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

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group'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 Group or to cease operations, or have no realistic alternative but to do so.

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated 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. This report is made 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.

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

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 Group's internal control.



**INDEPENDENT AUDITOR'S REPORT**

**TO THE MEMBERS OF HABITAT FOR HUMANITY HONG KONG LIMITED**

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

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements - Continued**

- 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' use 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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the group audit. We remain solely responsible for our audit opinion.

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.

BDO Limited  
Certified Public Accountants  
Tam Kwok Yiu  
Practising Certificate Number P02575

Hong Kong, 11 November 2020

**HABITAT FOR HUMANITY HONG KONG LIMITED**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2020**

	Note	2020 HK\$	2019 HK\$
Revenue	5	30,657,636	26,403,095
Other income	5	33,371	83,919
Other gains and losses	6	408,564	1,460,329
Administrative expenses		(2,519,876)	(2,115,751)
Fund raising expenses		(4,398,208)	(3,878,775)
Programme expenses		<u>(23,202,192)</u>	<u>(17,482,165)</u>
<b>Surplus before tax</b>	<b>7</b>	<b>979,295</b>	<b>4,470,652</b>
Income tax credit/(expense)	9	<u>124,790</u>	<u>(11,808)</u>
<b>Surplus for the year and total comprehensive income for the year</b>		<u><u>1,104,085</u></u>	<u><u>4,458,844</u></u>

**HABITAT FOR HUMANITY HONG KONG LIMITED**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2020**

	Note	2020 HK\$	2019 HK\$
<b>Non-current assets</b>			
Property, plant and equipment	10	<u>29,217</u>	<u>127,620</u>
		<u>29,217</u>	<u>127,620</u>
<b>Current assets</b>			
Accounts receivable	12	4,835,477	5,463,434
Prepayments, deposits and other receivables	13	416,163	327,973
Amounts due from affiliate offices	14	268,819	411,442
Tax recoverable		7,012	7,012
Bank balances and cash		<u>15,801,991</u>	<u>9,027,607</u>
		<u>21,329,462</u>	<u>15,237,468</u>
<b>Current liabilities</b>			
Provisions and other payables	15	5,533,022	2,352,068
Amount due to headquarter office	14	261,425	123,138
Amounts due to affiliate offices	14	<u>1,986,616</u>	<u>416,351</u>
		<u>7,781,063</u>	<u>2,891,557</u>
<b>Net current assets</b>		<u>13,548,399</u>	<u>12,345,911</u>
<b>NET ASSETS</b>		<u>13,577,616</u>	<u>12,473,531</u>
<b>Reserves</b>			
General fund		<u>13,577,616</u>	<u>12,473,531</u>
<b>TOTAL EQUITY</b>		<u>13,577,616</u>	<u>12,473,531</u>

On behalf of the Board

  
Wong, Ka Ying Olivia  
Chair

  
Yam, Tak Fai Ronald  
Director



**HABITAT FOR HUMANITY HONG KONG LIMITED**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2020**

	<b>General fund HK\$</b>
<b>At 1 July 2018</b>	8,014,687
Surplus and total comprehensive income for the year	<u>4,458,844</u>
<b>At 30 June 2019 and 1 July 2019</b>	12,473,531
Surplus and total comprehensive income for the year	<u>1,104,085</u>
<b>At 30 June 2020</b>	<u><u>13,577,616</u></u>

**HABITAT FOR HUMANITY HONG KONG LIMITED**

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2020**

	2020 HK\$	2019 HK\$
<b>Cash flow from operating activities</b>		
Surplus before income tax	979,295	4,470,652
Adjustments for:		
Depreciation	58,241	60,024
Interest income	(33,371)	(83,919)
Loss on disposal of property, plant and equipment	47,860	-
	<u>1,052,025</u>	<u>4,446,757</u>
<b>Operating surplus before working capital changes</b>	1,052,025	4,446,757
Decrease/(increase) in accounts receivable	539,767	(364,148)
Increase/(decrease) in provisions and other payables	3,305,744	(816,232)
Increase in amount due to headquarter office	138,287	25,945
Increase in amounts due to affiliate offices	1,712,888	(229,224)
	<u>6,748,711</u>	<u>3,063,098</u>
<b>Cash generated from operations</b>	6,748,711	3,063,098
Income tax paid	-	(18,820)
	<u>6,748,711</u>	<u>3,044,278</u>
<b>Net cash generated from operating activities</b>	<u>6,748,711</u>	<u>3,044,278</u>
<b>Investing activities</b>		
Interest received	33,371	83,919
Purchase of property, plant and equipment	(10,071)	(16,771)
	<u>23,300</u>	<u>67,148</u>
<b>Net cash generated from investing activities</b>	<u>23,300</u>	<u>67,148</u>
<b>Net increase in cash and cash equivalents</b>	6,772,011	3,111,426
<b>Effect of foreign exchange rate changes</b>	2,373	-
<b>Cash and cash equivalents at beginning of year</b>	<u>9,027,607</u>	<u>5,916,181</u>
<b>Cash and cash equivalents at end of year</b>		
- represented by bank balances and cash	<u>15,801,991</u>	<u>9,027,607</u>

**HABITAT FOR HUMANITY HONG KONG LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**30 JUNE 2020**

**1. GENERAL**

Habitat for Humanity Hong Kong Limited (the “Association”) is an association limited by guarantee and incorporated in Hong Kong. The Association’s registered office is located at 9/F, V-Point, 18 Tang Lung Street, Causeway Bay, Hong Kong.

The Association and its subsidiaries (hereafter referred to as the “Group”) principally engages in 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 subsidiaries are detailed in note 11.

**2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)**

**(a) Statement of compliance**

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (hereinafter collectively referred to as the “HKFRSs”), and the Hong Kong Companies Ordinance.

**(b) Adoption of new/revised HKFRSs - effective on 1 July 2019**

HKFRS 16	Leases
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3 Business Combinations; HKFRS 11 Joint Arrangements; HKAS 12 Income Taxes; and HKAS 23 Borrowing Costs

Adopting the above new HKFRSs has no significant impact on the Association’s accounting policies and consolidated financial statements.

**(c) New HKFRSs that have been issued but are not yet effective**

The following new HKFRSs, potentially relevant to the Association’s consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group’s current intention is to apply them when they become effective.

Amendments to HKAS 1 and HKAS 8	Definition of Material <sup>1</sup>
Amendments to HKFRS 16	Covid-19 Related Rent Concessions <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2020

<sup>2</sup> Effective for annual periods beginning on or after 1 June 2020

The Group considered that the application of the new HKFRSs will have no material impact on the Group’s accounting policies and consolidated financial statements in the future.

**HABITAT FOR HUMANITY HONG KONG LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**30 JUNE 2020**

**3. BASIS OF FINANCIAL STATEMENTS PREPARATION**

**(a) Basic of measurement**

The consolidated financial statements have been prepared under the historical cost basis.

**(b) Functional and presentation currency**

The consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is the Association's the functional currency.

**4. SIGNIFICANT ACCOUNTING POLICIES**

**(a) Subsidiaries**

A subsidiary is an investee over which the Association is able to exercise control. The Association controls an investee if all three of the following elements are present: power over the investee, exposure or rights to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Association's statement of financial position, investment in a subsidiaries are stated at cost less impairment loss, if any. The operating results of subsidiaries are accounted for by the Association on the basis of dividends received and receivable.

**(b) Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

The cost of a property, plant or equipment item includes its purchase price and the costs directly attributable to its acquisition.

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 Association and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance expenses are recognised in surplus or deficit during the reporting period in which they are incurred.

**HABITAT FOR HUMANITY HONG KONG LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**30 JUNE 2020**

**4. SIGNIFICANT ACCOUNTING POLICIES - Continued**

**(b) Property, plant and equipment - Continued**

Property, plant and equipment are depreciated so as to write off their cost or valuation net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Leasehold improvements	over the lease terms
Furniture and fixtures	5 years
Computer equipment	5 years

An asset is written down immediately to its recoverable amount if the asset's carrying amount is higher than its estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in surplus or deficit on disposal.

**(c) Impairment of property, plant and equipment**

At the end of each reporting period, the Association reviews the carrying amounts of property, plant and equipment and interest in subsidiaries to determine whether there is any indication that these assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the impairment loss is treated as a revaluation decrease under that HKFRS.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the reversal of the impairment loss is treated as a revaluation increase under that HKFRS.

**HABITAT FOR HUMANITY HONG KONG LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**30 JUNE 2020**

**4. SIGNIFICANT ACCOUNTING POLICIES - Continued**

**(d) Financial instruments**

**(i) Financial assets at amortised cost**

Financial assets at amortised cost are initially measured at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest method, less any identified impairment losses.

Interest income, foreign exchange gains and losses, impairment, gain or loss on derecognition are recognised in surplus or deficit.

**(ii) Impairment loss on financial assets at amortised cost**

The Association recognises loss allowances for ECL on trade receivables and financial assets measured at amortised cost. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Association is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Association considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

**HABITAT FOR HUMANITY HONG KONG LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**30 JUNE 2020**

**4. SIGNIFICANT ACCOUNTING POLICIES - Continued**

**(d) Financial instruments - Continued**

**(ii) Impairment loss on financial assets at amortised cost - Continued**

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, unless the Group has reasonable and supportable information that demonstrate otherwise.

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full; or (2) the financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets, interest income is calculated based on the gross carrying amount.

**(iii) Financial liabilities at amortised cost**

Financial liabilities at amortised cost including amounts due to group company and other payables are initially recognised at fair value and subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in surplus or deficit.

Gains or losses are recognised in surplus or deficit when the liabilities are derecognised or through amortisation.

**(e) Leasing (accounting policies applied from 1 July 2019)**

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group recognises a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially recognised at cost (which comprises the initial measurement of the lease liabilities, initial direct costs, reinstatement costs, any payments made at or before the commencement date less any lease incentives received), and subsequently at costs less accumulated depreciation and impairment losses. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

**HABITAT FOR HUMANITY HONG KONG LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**30 JUNE 2020**

**4. SIGNIFICANT ACCOUNTING POLICIES - Continued**

**(e) Leasing (accounting policies applied from 1 July 2019) - Continued**

The lease liability is initially measured at the present value of the lease payments that are not paid at the date of commencement of the lease, discounting using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate is used. Generally, the Group uses its incremental borrowing rate as the discount rate. The lease liability is subsequently increased by the interest costs on the lease liability and decreased by lease payments made.

Payments associated with short-term leases (i.e. leases with a lease term of 12 months or less) and low value leases are expensed on a straight-line basis.

**(f) Leasing (accounting policies applied until 30 June 2019)**

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 recognised in surplus or deficit on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expenses, over the term of the lease.

**(g) Taxation**

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of the reporting period.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.



**HABITAT FOR HUMANITY HONG KONG LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**30 JUNE 2020**

**4. SIGNIFICANT ACCOUNTING POLICIES - Continued**

**(h) Foreign currency**

Transactions entered into by the Group in currencies other than the currency of the primary economic environment in which a group entity operates (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated into Hong Kong dollars at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in surplus or deficit in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in surplus or deficit for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which case, the exchange differences are also recognised directly in other comprehensive income.

**(i) Employee benefits**

**(i) Short term employee benefits**

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the reporting period when the employees render the related service.

**(ii) Defined contribution retirement plan**

Payments to the Mandatory Provident Fund Scheme and other defined contribution retirement schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

**(iii) Termination benefits**

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

**HABITAT FOR HUMANITY HONG KONG LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**30 JUNE 2020**

**4. SIGNIFICANT ACCOUNTING POLICIES - Continued**

**(j) Related parties**

- (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 key management personnel of the Group or the Association's parent.
- (b) An entity is related to the Group if any of the following conditions apply:
  - (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 the employees of the Group or an entity 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 key management personnel of the entity (or of a parent of the entity).
  - (viii) The entity, or any member of a group of which 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:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

**HABITAT FOR HUMANITY HONG KONG LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**30 JUNE 2020**

**4. SIGNIFICANT ACCOUNTING POLICIES - Continued**

**(k) Revenue recognition**

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

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

**(l) Government grants**

Government grants are recognised at their fair value in the period where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income and expenditure statement over the expected useful life of the relevant asset on a straight line basis.

**(m) Provisions and contingent liabilities**

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

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 of economic benefits is remote. Possible obligations, the existence of which 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 of economic benefits is remote.

**HABITAT FOR HUMANITY HONG KONG LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**30 JUNE 2020**

**5. REVENUE AND OTHER REVENUE**

	2020 HK\$	2019 HK\$
Subsidy income	-	799,500
Fund raising income (Note(i),(ii)and (iii))	21,361,142	18,540,045
HKSAR Government Disaster Relief Fund	9,296,494	3,924,000
Income from Project Global Village	554,809	3,139,550
	<u>30,657,636</u>	<u>26,403,095</u>
Bank interest income	33,371	53,589
Other interest income	-	30,330
	<u>33,371</u>	<u>83,919</u>
<b>Total revenue</b>	<u><u>30,691,007</u></u>	<u><u>26,487,014</u></u>

Note:

- (i) Public Subscription Permit No. 2018/051/1 was obtained from the Social Welfare Department of the Government of the Hong Kong Special Administrative Region ("SWD") for the fund-raising activity held from 9 March 2018 to 31 July 2018 (the "Event"). The purpose of the Event is to support Habitat for Humanity Hong Kong Limited's operations in Hong Kong.

The Event resulted in a surplus of HK\$9,145. The gross income raised of HK\$13,245 and the gross expenses incurred of HK\$4,100 are included in the consolidated statement of comprehensive income under the items of revenue and fund raising expenses respectively.

- (ii) The Hong Kong Jockey Club Charities Trust contributed HK\$322,000 under the COVID-19 Emergency Fund for providing emergency support to local communities in preventing and mitigating the health and social impact caused by the novel coronavirus infection. The donation is included in the consolidated statement of comprehensive income under the item of revenue.
- (iii) CWM/Nethersole Fund granted HK\$343,356 in support of the "Project Home Work" project held from 12 October 2019 to 8 February 2020. The donation is included in the consolidated statement of comprehensive income under the item of revenue.

**HABITAT FOR HUMANITY HONG KONG LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**30 JUNE 2020**

**6. OTHER GAINS AND LOSSES**

	2020 HK\$	2019 HK\$
Exchange (loss)/gain, net	(109,343)	279,968
Programme expenses recovered	-	699,254
Project construction cost recovered	570,540	431,048
Sundry (losses)/income	(52,633)	50,059
	<u>408,564</u>	<u>1,460,329</u>

**7. SURPLUS BEFORE INCOME TAX**

	2020 HK\$	2019 HK\$
Surplus before income tax is arrived at after charging:		
Staff costs		
Salaries and staff benefits expense (Note)	8,393,482	7,052,785
Less: Government grant to subsidise salary costs for June 2020	(144,000)	-
Severance payments for restructuring in PRC	946,219	-
Contributions to defined contribution plans	920,235	1,037,110
	<u>10,115,936</u>	<u>8,089,895</u>
Staff costs by function:		
Administrative expenses	996,387	1,424,031
Fund raising expenses	3,327,012	2,625,503
Programme expenses	5,792,537	4,040,361
	<u>10,115,936</u>	<u>8,089,895</u>
Auditor's remuneration	100,000	86,000
Construction costs	3,294,986	5,420,451
Depreciation	58,241	60,024
Operating lease payments on premises	-	1,219,613
Payments for short-term leases	1,118,744	-
Impairment loss on construction costs recoverable	-	260,801

Note:

During the year, the Group applied for government grant under the Employment Support Scheme to subsidise salary costs for June to August 2020. Under the term of the grant, the Group is required not to make redundancies during the subsidy period and to spend all funding on paying staff salaries.

**HABITAT FOR HUMANITY HONG KONG LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**30 JUNE 2020**

**8. DIRECTORS' EMOLUMENTS**

No remuneration has been paid or will be payable to the Directors for their services (2019: Nil).

**9. INCOME TAX (CREDIT)/EXPENSE**

The Association is exempted from Hong Kong Profits Tax under section 88 of the Hong Kong Inland Revenue Ordinance.

The Hong Kong subsidiary is subject to a two-tiered profits tax rates regime - the first HK\$2 million of profits are taxed at 8.25%, and profits above HK\$2 million are taxed at 16.5%. No tax provision has been made for the subsidiary as it incurred a loss during the year (2019: Nil).

Enterprise Income Tax arising in the People's Republic of China ("PRC") is calculated at 25% on the estimated assessable profits of the Group's operations arising from Mainland China calculated by means of the expenditure-plus method for the year based on existing legislation interpretations and practices in respect thereof.

	2020 HK\$	2019 HK\$
Hong Kong Profits Tax		
- current year	-	-
- under-provision in respect of prior year	-	954
PRC Enterprise Income Tax		
- current year	-	10,854
- over-provision in respect of prior year	<u>(124,790)</u>	<u>-</u>
Tax (credit)/expense for the year	<u><u>(124,790)</u></u>	<u><u>11,808</u></u>

**HABITAT FOR HUMANITY HONG KONG LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**30 JUNE 2020**

**9. INCOME TAX (CREDIT)/EXPENSE - Continued**

The income tax (credit)/expense for the year can be reconciled to the surplus before income tax per the consolidated statement of comprehensive income as follows:

	2020 HK\$	2019 HK\$
Surplus before tax	<u>979,295</u>	<u>4,470,652</u>
Tax calculated at Hong Kong Profits Tax rate of 8.25% (2019: 8.25%)	80,792	368,829
Tax effect of revenue not taxable	(80,802)	(367,984)
Tax effect of deductible temporary difference not recognised	10	220
Under-provision in respect of prior years	-	954
PRC Enterprise Income Tax	(124,790)	10,854
Others	<u>-</u>	<u>(1,065)</u>
Income tax (credit)/expense	<u>(124,790)</u>	<u>11,808</u>

Deferred taxation has not been recognised as the tax effect of temporary difference is insignificant at the reporting date.

**HABITAT FOR HUMANITY HONG KONG LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**30 JUNE 2020**

**10. PROPERTY, PLANT AND EQUIPMENT**

	Leasehold improvements HK\$	Furniture and fixtures HK\$	Computer equipment HK\$	Total HK\$
<b>Cost</b>				
At 1 July 2018	230,000	63,965	268,738	562,703
Additions	-	-	16,771	16,771
At 30 June 2019 and 1 July 2019	230,000	63,965	285,509	579,474
Additions	-	-	10,071	10,071
Written off	(230,000)	(25,992)	(119,962)	(375,954)
Exchange alignment	-	(2,771)	(11,605)	(14,376)
At 30 June 2020	-	35,202	164,013	199,215
<b>Accumulated depreciation</b>				
At 1 July 2018	103,500	54,901	233,429	391,830
Charge for the year	46,000	3,102	10,922	60,024
At 30 June 2019 and 1 July 2019	149,500	58,003	244,351	451,854
Charge for the year	38,333	2,838	17,070	58,241
Written off	(187,833)	(23,875)	(116,386)	(328,094)
Exchange alignment	-	(2,605)	(9,398)	(12,003)
At 30 June 2020	-	34,361	135,637	169,998
<b>Net book value</b>				
At 30 June 2020	-	841	28,376	29,217
At 30 June 2019	80,500	5,962	41,158	127,620



**HABITAT FOR HUMANITY HONG KONG LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**30 JUNE 2020**

**11. INTERESTS IN SUBSIDIARIES**

	2020 HK\$	2019 HK\$
Unlisted investment, at cost	<u>1</u>	<u>1</u>

Particulars of the Association's subsidiaries as at 30 June 2020 and 2019 were as follows:

<u>Name of company</u>	<u>Place of incorporation and operations and legal entity status</u>	<u>Registered capital</u>	<u>Percentage of equity interest held</u>		<u>Principal activities</u>
			<u>directly</u>	<u>indirectly</u>	
Habitat For Humanity Consultants Limited	Hong Kong	Registered HK\$1	100%	-	Providing consultancy and supportive services to the Group
援建房信息咨询(上海)有限公司	PRC (wholly foreign-owned enterprise)	Registered US\$350,000	-	100%	Not yet commenced business

Investment in the subsidiary represents 100% of the registered capital of 援建房信息咨询(上海)有限公司, a company incorporated in PRC on 23 July 2015 which has not yet commenced business. The registered capital will be fully paid up within 5 years from the date of incorporation. At the end of reporting period no investment cost was paid and the Association had a capital commitment of US\$350,000 for capital injection into the subsidiary.

**12. ACCOUNTS RECEIVABLE**

	2020 HK\$	2019 HK\$
Accounts receivable	<u>4,835,477</u>	<u>5,463,434</u>
Construction costs recoverable (Note)	1,139,894	1,750,847
Less: ECL allowances for construction costs recoverable	<u>(1,139,894)</u>	<u>(1,750,847)</u>
	-	-
	<u>4,835,477</u>	<u>5,463,434</u>

The Group does not hold any collateral over these receivables and management believes that the amounts are recoverable.

**HABITAT FOR HUMANITY HONG KONG LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**30 JUNE 2020**

**12. ACCOUNTS RECEIVABLE - Continued**

Note:

Construction costs recoverable are funding for the construction costs of new houses provided as loans to rural families. Homeowners are required to repay such construction costs in 5 years, and the money so recovered will go to help build still more houses for needy families. As the loans are for poverty alleviation purpose and are unsecured, 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 funds are expensed in the year of spend, any recovery in later years from the homeowners will be shown under "Project Construction Cost Recovery" (classified as Other Gains in note 6).

**Movement of construction costs recoverable**

	2020 HK\$	2019 HK\$
Balance at beginning of year	1,750,847	1,921,094
Increase during the year	-	260,801
Repayment	(570,541)	(431,048)
Exchange realignment	(40,412)	-
	<u>1,139,894</u>	<u>1,750,847</u>

Construction costs recoverable contained repayment terms that might be repayable after more than one year.

Under HKFRS 9, such amount should have been recognised at amortised cost using the effective interest method, 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 HKFRS 9 would be minimal.

**Movement of Impairment**

	2020 HK\$	2019 HK\$
Balance at beginning of year	1,750,847	1,921,094
Increase in impairment	-	260,801
Amount recovered	(570,541)	(431,048)
Exchange realignment	(40,412)	-
	<u>1,139,894</u>	<u>1,750,847</u>

**HABITAT FOR HUMANITY HONG KONG LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**30 JUNE 2020**

**13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES**

	2020 HK\$	2019 HK\$
Prepayments	159,058	282,090
Deposits and other receivables	<u>257,105</u>	<u>45,883</u>
	<u><u>416,163</u></u>	<u><u>327,973</u></u>

**14. AMOUNTS DUE FROM/(TO) HEADQUARTER OFFICE/ AFFILIATE OFFICES**

The amounts are unsecured, interest-free and have no fixed repayment term.

**15. PROVISIONS AND OTHER PAYABLES**

	2020 HK\$	2019 HK\$
Provision for restructuring (Note)	984,719	-
Accounts payables	380,998	40,707
Accrued charges	106,800	115,549
Deferred income	3,848,516	1,497,360
Other payables	<u>211,989</u>	<u>698,452</u>
	<u><u>5,533,022</u></u>	<u><u>2,352,068</u></u>

Note: Provision for restructuring

	2020 HK\$
Balance at 1 July 2019	-
Provision made in the year	<u>984,719</u>
Balance at 30 June 2020	<u><u>984,719</u></u>

On 15 June 2020, the Group announced a restructuring plan to close certain representative offices in PRC. Provision for staff severance payments and other closure costs that can be reasonably estimated has been made in the year.

**HABITAT FOR HUMANITY HONG KONG LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**30 JUNE 2020**

**16. RELATED PARTY TRANSACTIONS**

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

Related parties	Nature of transactions	2020 HK\$	2019 HK\$
Headquarter office	Subsidy income	-	799,500
	Fund raising income for designated project	1,945,468	2,884,862
	Management fee paid	857,930	683,279
Affiliate offices	Subsidies paid	10,634,150	6,169,966

**17. OPERATING LEASE COMMITMENT AS AT 30 JUNE 2019**

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 30 June 2019, the Group had total future minimum lease payments under non-cancellable operating leases, which are payable as follows:

	2019 HK\$
Within one year	918,661
In the second to fifth years inclusive	<u>51,984</u>
	<u>970,645</u>

**HABITAT FOR HUMANITY HONG KONG LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**30 JUNE 2020**

**18. FUND RISK MANAGEMENT**

The Group's objective when managing funds is to safeguard the Group's ability to continue as a going concern in order to continue to developing communities for the needy. The Group actively and regularly reviews and manages its funds to maintain an optimal fund structure, taking into consideration of future funding requirements, projected operating cash flows, and projected capital expenditure.

**19. FINANCIAL RISK MANAGEMENT**

The Group is mainly exposed to the following risks:

**(a) Credit risk**

Credit risk is the risk that a counterparty will be unable or unwilling to pay amounts in full when due.

The major exposure to credit risk arise from accounts receivable, other receivables, amounts due from affiliate offices and bank balances with the maximum exposure equal to the carrying amount of these financial assets on the statement of financial position.

The credit risk on bank balances is limited since the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

**(b) Liquidity risk**

The Group actively manages operating cash flows and the availability of funding so as to ensure that all financing, repayment and funding needs are met.

All the contractual maturities of financial liabilities are less than one year.

**HABITAT FOR HUMANITY HONG KONG LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**30 JUNE 2020**

**19. FINANCIAL RISK MANAGEMENT - Continued**

**(c) Foreign currency risk**

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.

At the end of the reporting period, HK\$4,691,404 (2019: HK\$3,855,605) of accounts receivable and HK\$2,964,011 (2019: HK\$1,679,763) of bank balances were denominated in RMB. As at 30 June 2020, if Hong Kong Dollar had strengthened/weakened by 5% (2019:5%) against RMB with all other variables held constant, the Group's surplus for the year would have been HK\$382,771 (2019: HK\$276,768) lower/higher, mainly as a result of foreign exchange gains/losses on translation of RMB-denominated receivables, bank balances, 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 the 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 has been performed on the same basis for 2019 and 2020.

**20. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY**

The carrying amounts of the Group's financial assets and financial liabilities as recognised at the reporting date may be categorised as follows:

	2020 HK\$	2019 HK\$
<u>Financial assets</u>		
Financial assets at amortised cost	<u>21,163,392</u>	<u>14,948,366</u>
<u>Financial liabilities</u>		
Financial liabilities measured at amortised cost	<u>2,947,828</u>	<u>1,394,197</u>

**HABITAT FOR HUMANITY HONG KONG LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**30 JUNE 2020**

**21. STATEMENT OF FINANCIAL POSITION OF THE ASSOCIATION**

	2020 HK\$	2019 HK\$
<b>Non-current assets</b>		
Property, plant and equipment	29,217	119,810
Interest in subsidiaries	<u>1</u>	<u>1</u>
	<u>29,218</u>	<u>119,811</u>
<b>Current assets</b>		
Accounts receivables	4,841,756	5,574,005
Prepayments and other receivables	416,163	171,519
Amount due from affiliate offices	268,819	411,442
Amount due from a subsidiary	-	9,833
Bank balances and cash	<u>15,801,991</u>	<u>8,964,389</u>
	<u>21,328,729</u>	<u>15,131,188</u>
<b>Current liabilities</b>		
Accounts and other payables	5,486,340	1,982,995
Amount due to subsidiary	256,513	-
Amount due to headquarter office	261,425	123,138
Amount due to affiliate offices	<u>1,986,616</u>	<u>416,351</u>
	<u>7,990,894</u>	<u>2,522,484</u>
<b>Net current assets</b>	<u>13,337,835</u>	<u>12,608,704</u>
<b>NET ASSETS</b>	<u>13,367,053</u>	<u>12,728,515</u>
<b>Reserves</b>		
General funds (a)	<u>13,367,053</u>	<u>12,728,515</u>
<b>TOTAL EQUITY</b>	<u>13,367,053</u>	<u>12,728,515</u>

On behalf of the Board

  
Wong, Ka Ying Olivia  
Chair

  
Yam, Tak Fai Ronald  
Director

**HABITAT FOR HUMANITY HONG KONG LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**30 JUNE 2020**

**21. STATEMENT OF FINANCIAL POSITION OF THE ASSOCIATION - Continued**

**(a) Movements of reserves**

	<b>General fund HK\$</b>
At 1 July 2018	8,309,744
Surplus and total comprehensive income for the year	<u>4,418,771</u>
At 30 June 2019 and 1 July 2019	12,728,515
Surplus and total comprehensive income for the year	<u>638,538</u>
At 30 June 2020	<u><u>13,367,053</u></u>

**22. SUBSEQUENT EVENTS**

Subsequent to 30 June 2020, the Directors made the decision to close its offices in mainland China. No adjustment has been made in the consolidated financial statements in this regard.

**23. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved and authorised for issue by the Directors on 11 November 2020.



