



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 2022**

HABITAT FOR HUMANITY HONG KONG LIMITED

DIRECTORS' REPORT

The directors present their report together with the audited consolidated financial statements of Habitat for Humanity Hong Kong Limited (the "Association") and its subsidiary (collectively referred to as the "Group") for the year ended 30 June 2022.

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 subsidiary is set out in Note 13 to the consolidated financial statements.

FINANCIAL STATEMENTS AND APPROPRIATION

The financial performance of the Group for the year ended 30 June 2022 and the financial position of the Group as at that date are set out in the consolidated financial statements on page 13 to 39.

GENERAL FUND AND OPERATING RESERVE FUND

Movements in the general fund of the Group during the year are set out on page 15 of the consolidated financial statements.

DIRECTORS

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

Ms. Wong, Ka Ying Olivia (Chair)	
Ms. Chang, Ho Jenny (Vice-Chair)	(Secretary until 6 Sep 2021; Vice-Chair from 6 Sep 2021)
Mr. Yam, Tak Fai Ronald (Treasurer)	
Ms. Lim Moore, Claire Marie (Secretary)	(Secretary from 6 Sep 2021)
Dr. Chen, Darwin SBS (Honorary Chair)	
Mr. Hwang, Wing Cheung Peter	(Vice-Chair until 6 Sep 2021)
Ms. Leung, Sing Man Sandra	
Mr. Choi, Wun Hing Donald	
Dr. Chen, Mau Wai William	
Mr. Shek, Ming Kei Rachael	
Mr. Brown, Leslie Taylor	
Ms. Abraham Stella Joanne	(Appointed from 4 Dec 2021)
Dr. Yip Ngai Ming	(Appointed from 4 Dec 2021)

In accordance with the Articles of Association, all directors 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 subsidiaries 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 or its 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 directors present their business review together with the audited financial statements for the year ended 30 June 2022.

Business Objectives

Habitat for Humanity Hong Kong (the "Association") 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 35 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 Hong Kong is exempt from tax under Section 88 of the Inland Revenue Ordinance.

Key Areas of Association's 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, the Association provides renovation and cleaning services to elderly people living below the poverty line in public rental housing and other forms of substandard housing. The Association 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, the Association identifies families most in need, secures sponsorship from partners to fund the renovations, and recruits volunteers to carry out the work. Supporting partners include corporations, foundations, churches, clubs, associations, schools and universities.

In FY22, the Association continued to scale up its Project Home Works extension programme through delivering deep cleaning services. The low-income, elderly and families living with disabilities that are supported by the Association's Deep Cleaning programme, are unable to maintain their homes due to physical or financial limitations. With government subsidies as their only source of income, they can't afford to buy basic cleaning materials or protective equipment. These families are particularly at risk from viruses and bacteria. The COVID-19 pandemic continues to significantly impact the local economy causing the unemployment level to increase. Many women working as local domestic workers found themselves unemployed and unable to support their families. Through this programme the Association brings communities together and addresses two social needs. The Association partnered with local organisations to provide employment opportunities to local domestic helpers who have been impacted by COVID and the economic downturn, to provide a deep cleaning service to vulnerable families living in public rental housing. By providing a deep cleaning service, cleaning materials, protective equipment and information on hygiene practices, these families will have a safe and clean living environment.

For Project School Works, together with its corporate partners, the Association provides 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 and community engagement events, although service days, community events and schools programmes especially, were significantly disrupted due to COVID-19. In FY22, the Association was able to ramp up Project School Works once again.

Housing in Place: Quality Living for Sustainable Hong Kong

Hong Kong has been declared the world's most expensive property market for the 12th consecutive year, according to the 2022 Demographia International Housing Affordability report. More than 1.65 million people are living below the poverty line, and affordable housing is the city's most urgent problem. Scarce land supply and current residential building development are unable to meet the high demand for market affordable housing. The average waiting time for public housing has increased to an all-time high of six years and the city's present solution of increasing housing supply through Transitional Housing is challenged by remote locations with poor public transportation and inadequate provisions of community spaces and social services.

Housing in Place: Quality Living for Sustainable Hong Kong (HiP) was conceived by Dr. Juan Du, Honorary Professor at the University of Hong Kong's Faculty of Architecture, to research and design alternative housing solutions and community spaces located in urban centres and neighbourhoods served best by public transportation and civic institutions. The project examines how the thousands of underutilised buildings that are temporarily vacant or awaiting lengthy redevelopment processes could be used to generate quality housing spaces in accessible locations, improve existing housing stocks, and provide crucial community spaces in areas with the highest concentration of population in need of social services. Partnering with Habitat, HKU's Urban Ecologies Design Lab (UEDL) has transformed four floors of a vacant building in Jordan to provide quality spaces for emergency housing and community facilities. The HiP Emergency Shelter and Community Space will enable local NGOs to serve thousands of residents each month through meal distribution, legal consulting, and home improvement training.

The HiP Emergency Shelter and Community Space is a part of a wider multi-year social impact project, funded by the Bank of China (Hong Kong). Housing in Place's next phase is a Home Improvement series and an online education platform that aims to disseminate knowledge and improve the quality of living for residents in subdivided units (SDUs) and other substandard forms of housing. The project's action period is December 2020 to November 2023.

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 its staff, volunteers, partners and the people we serve and, as such, the group suspended all Global Village volunteer builds in FY21 and used FY22 to plan for reactivating overseas builds from January 2023.

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 its Disaster Risk Reduction and Response programme, the Association is able to provide shelter assistance, education, training and partnerships to the affected individuals. The Association focuses its 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 its 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 the Association is ready when something happens.

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 its women empowerment programmes, the Association addresses the poverty gap in Hong Kong and overseas. Habitat is committed to the Sustainable Development Goals and housing, impacts most of the SDGs, including #5 Gender Equality. The Association challenges the status quo and gender pay gap through upskilling women in masonry skills. Habitat encourages girls and women to build with Habitat. In Nepal, the Association works 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, the Association provides 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, the Association provides 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. In FY22, for Women Build the Association partnered on three projects to renovate facilities for Mother's Choice and PathFinders, two NGOs in Hong Kong dedicated to supporting disadvantaged women and children's groups who do not have access to family support in Hong Kong.

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. Since the launch, more than 17 million HYL B supporters have raised US\$9.2 million to help more than 33,000 families achieve the strength, stability and self-reliance they need to build better lives for themselves. In Hong Kong, the Association has 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. In Hong Kong, the Association's Young Leaders Build 2022 campaign brought young leaders and volunteers together to learn about the double ageing phenomenon in Hong Kong, intergenerational co-living and raise funds to support vulnerable elderly people living in substandard housing.

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 its partners in Hong Kong and around the world to rededicate itself to recognizing the basic right of everyone to adequate shelter.

Public Policy Campaigns

Habitat Hong Kong is focusing efforts on urban populations living in inadequate housing and this year it worked with stakeholders to update its 'Minimum Housing Standards Recommendations Report' to accommodate evolving tenancy control measures and other government stances. The Association put forward revised suggestions that continue to promote a rights-based approach to housing policies. Habitat Hong Kong CEO and a Board Director met with Dr. Raymond So, then Under Secretary of the Transport and Housing Bureau, to introduce the document and discuss mutual areas of interest. The Association proactively orients its policy efforts within the values of the right to adequate housing as articulated by UN Habitat, and issued several position papers over the year, including an opinion piece published in the South China Morning Post on new tenancy control regulations for subdivided flats. The Association conducted research on systemic barriers various communities may face in accessing adequate housing as part of an internal study on how to position itself to best contribute to improving equitable access to housing in Hong Kong. Also, this fiscal year saw the launch of the Association's Housing Series. In the first session, U.S. disability rights icon, Judy Heumann, and Hong Kong architect and Access Consultant, Dr. Calvin Luk, explored Universal Design and improving equitable access to housing in Hong Kong.

International Volunteer Day

All year round, volunteers dedicate their time, effort, and energy to fuel the Association's 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. Under the fourth wave of the COVID-19 pandemic, the Association moved its youth impact from offline to online. This year to celebrate International Volunteer Day, Habitat Hong Kong organised a HYL B online event "Intergenerational Co-living Human Library", four speakers from overseas were invited to share their experiences, and challenges of co-living through a "Human Book" sharing with its local youth.

Investment in programmes

Habitat Hong Kong supports 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 with the majority of funds raised locally for overseas projects, coming from the Hong Kong Special Administrative Region Disaster Relief Fund. In FY22, the group secured a grant from the Disaster Relief Fund of HK\$1.349 million, for the distribution of Shelter Kits to 470 families in the Philippines affected by Typhoon Odette (Rai).

An additional HK\$1.5 million was secured from a multi-national corporate and two family foundations to support community development projects in India and green microfinance initiatives in the Philippines.

Financial Performance

Key Financial summary

In the financial year ended 30 June 2022, the total income was HK\$ 14.8 million (2021: HK\$ 24.8 million), and the deficit was HK\$ -0.90 million (2021: deficit HK\$ -7.58 million), representing a decrease of -40% and -88% respectively. The income for the year was mainly from donations. The deficit this year is largely due to (a) a few donations received after end of financial year, which would have contributed to the current year revenue and (b) higher direct cost of alternate programme interventions such as distribution of hygiene kits, as a result of the emergency COVID-19 response campaign in the second half of the year.

At 30 June 2022, the total assets were HK\$ 7.9 million (2021: HK\$ 10.12 million) and net assets were HK\$ 5.10 million (2021: HK\$ 6.00 million), representing a decrease of -22% and -15% respectively. The current ratio (current assets ÷ current liabilities) was 2.8 (2021: 2.40) and the debt ratio (total liabilities ÷ total assets) was 0.4 (2021: 0.4).

Donations Summary

Habitat Hong Kong's income is primarily derived from donations from individual donors, corporations, foundations, and the Government of the HKSAR 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 project or programme.

Governance and administration

Administrative costs were HK\$ 1.4 million (2021: HK\$ 1.6 million), representing a decrease of HK\$ -0.2 million (2021: decrease of HK\$ 0.92 million). Total administration costs represented 9% of total operating expenditure (2021: 6%)

Funds allocation

75% of the Association's funds were committed to critical housing programmes and advocacy work to raise awareness and change policies and systems so that the Association 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 the Association continuously faithfully stewards every dollar raised and consistently allocates resources to the areas where its work is most urgently needed, the Association is bound by the group's strict cost controls, internal policies and standards of excellence.

Accountability measures and internal controls

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 its 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.

Governance Training

Between February and May 2022, members of the Association's senior leadership and board directors were chosen to partake in a series of workshops delivered by Chicago Booth Rustandy Centre for Social Innovation: Hong Kong NGO Governance Programme Nonprofit Core Competency Workshops that covered topics including Board Competency, maximize Your NGO Board's Capacity, The 5 Critical Skills of Innovation Leadership, Measurement and Evaluation as Management Practices. The Association was also selected to join an NGO Board Governance Health Assessment and debrief session organised by the Hong Kong Council of Social Services and Game for Good.

Equality, Diversity and Inclusion

Habitat Hong Kong is an equal opportunity employer and seeks to employ and assign the best qualified personnel for all its 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. This year, the Association was proud to retain its status as an early signatory of the Equal Opportunities Commission (EOC) Racial Diversity and Inclusion Charter.

Board Subcommittees

In FY22, the Nominations and Governance Committee continued to implement a diversity and skills-based matrix analysis of the Board composition to build a diverse pipeline of Board Directors with a wide range of expertise and experience. Each standing committee listed below 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 Greater Bay Area Committee provides (i) operational oversight and guidance to Habitat Hong Kong and Senior Management Staff in the implementation of the business and strategic plan, (ii) reviews and provide up-to-date GBA development initiatives and frameworks that relate to the operational and board matters.

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 its programme resumption guidelines as well as working on its policy campaign to advocate for UN Sustainable Development Goal 11 and minimum housing standards.

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.

Principal Risks and Uncertainties

COVID continues to influence the Association's perspective on risk and whilst the Association has taken steps to adapt and stay agile, its operations and fundraising will continue to be impacted 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 and with the economic impact on already vulnerable groups, the need for the Association's services is greater than ever. The Association has identified and is closely monitoring the following risks and challenges, brought about primarily but not limited to the pandemic, the economic downturn, and the increasingly competitive fundraising market locally:

- **People.** Recruitment at middle management and senior positions is increasingly challenging. The talent pool continues to decrease whilst the demand in the nonprofit sector for experienced professionals continue to increase.
- **Impact.** The Hong Kong housing ecosystem is complex and controversial. The Association continues to navigate an evolving political landscape in the pursuit of scale up its impact in Hong Kong.
- **Funding.** Fundraising remains unpredictable with individual donors. Its existing donors may be considering relocating and / or reallocating their funds to account for the economic downturn.

Organisational efficiency and sustainability

With staff working remotely on a rotation basis, Habitat has moved towards a predominantly paperless office including the introduction of online payments for all vendors that accept online payments. The Association has applied the same sustainability principles to the production of its annual report this year by only producing an online version. The Association joined the Business Environment Council ("BEC") to further explore what actions it can take to increase its commitment to sustainability, and the Association was also proud partner at the ReThink Sustainability conference in October 2021.

The Association's people

In the pursuit of the Association's goal of being an employer of choice in the nonprofit sector, listening to its employees and putting its people at the core of its culture, it was gifted the opportunity to become a certified *Great Place to Work* in November 2021 through a series of employee surveys. Through the process, the Association was able to identify opportunities for increased communication across the teams and ways to leverage its diversity for increased inclusion.

In November 2021, the Association was invited to speak at the Hong Kong Institute of Human Resources management annual conference. It chose to talk about the topic of Making Changes to Engage Change Makers and the importance of engaging employees through purpose and volunteering with nonprofits.

Future development

Habitat Hong Kong expects the impact of COVID-19 to continue to affect its operations over the next few years, and yet it remains committed to scaling up its impact. For this financial year, the Association is moving from a 'revival' guiding principle to a mindset of 'thriving' and growth.

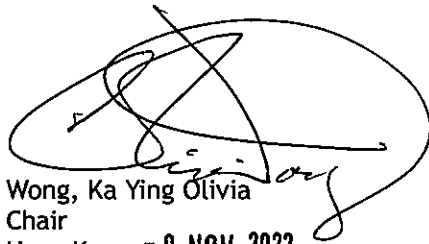
Habitat Hong Kong's strategic goals for the coming years are:

- Place people at the centre of all its work and continue to serve vulnerable and excluded individuals, families and communities through its critical, mission-focused direct-services programmes and public policy work.
- Contribute to systems change by examining the root causes of inadequate housing and identifying the power imbalances caused by systemic bias that prevent vulnerable and excluded individuals, families, and communities from accessing adequate and affordable housing.
- Continue to strengthen its position as a strategic partner for housing solutions through increased engagement with local partners and policy makers.
- Use its Theory of Change to link its programmes with the larger outcomes and measurable impact it envisions.

AUDITOR

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint BDO Limited as the auditor of the Company.

On behalf of the directors



Wong, Ka Ying Olivia
Chair
Hong Kong, - 9 NOV 2022

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") and its subsidiary (together the "Group") set out on pages 13 to 39, which comprise the consolidated statement of financial position as at 30 June 2022, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the 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 2022, 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 ("HKSA") 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, but does not include the financial statements and our auditors report thereon.

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 HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

Or Ying Ying, Anita
Practising Certificate Number: P07424

Hong Kong, - 9 NOV 2022

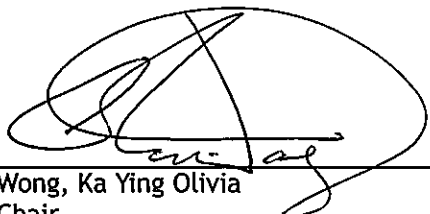
HABITAT FOR HUMANITY HONG KONG LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2022 HK\$	2021 HK\$
Revenue	6	14,729,879	24,327,391
Other income	7	96,316	738,872
Other loss	8	(1,140)	(230,254)
Total income		<u>14,825,055</u>	<u>24,836,009</u>
Administrative expenses		(1,390,444)	(1,603,550)
Fund raising expenses		(2,509,546)	(3,661,738)
Programme expenses		(11,826,159)	(20,941,624)
Total operating expenses		<u>(15,726,149)</u>	<u>(26,206,912)</u>
Deficit before restructuring costs		(901,094)	(1,370,903)
Restructuring costs	9(ii)	<u>-</u>	<u>(6,209,180)</u>
Deficit before income tax	9	(901,094)	(7,580,083)
Income tax expense	11	<u>-</u>	<u>-</u>
Deficit and total comprehensive loss for the year		<u>(901,094)</u>	<u>(7,580,083)</u>

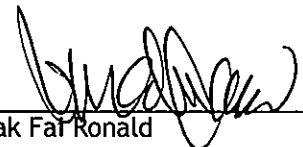
HABITAT FOR HUMANITY HONG KONG LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

	Notes	2022 HK\$	2021 HK\$
Non-current assets			
Property, plant and equipment	12	<u>70,564</u>	<u>49,731</u>
		<u>70,564</u>	<u>49,731</u>
Current assets			
Accounts receivables	14	157,861	1,492,586
Prepayments, deposits and other receivables	15	421,393	482,384
Amounts due from affiliate offices	16	105,589	113,480
Tax recoverable		-	2,444
Bank balances and cash		<u>7,151,498</u>	<u>7,981,310</u>
		<u>7,836,341</u>	<u>10,072,204</u>
Current liabilities			
Accounts and other payables	17	1,713,839	3,102,069
Amount due to headquarter office	16	103,436	69,333
Amounts due to affiliate offices	16	<u>993,191</u>	<u>953,000</u>
		<u>2,810,466</u>	<u>4,124,402</u>
Net current assets		<u>5,025,875</u>	<u>5,947,802</u>
NET ASSETS		<u>5,096,439</u>	<u>5,997,533</u>
Reserves			
General fund		3,224,439	5,997,533
Operating reserve fund		<u>1,872,000</u>	<u>-</u>
TOTAL EQUITY		<u>5,096,439</u>	<u>5,997,533</u>

On behalf of the directors



 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 2022

	General fund HK\$	Operating Reserve Fund (Note 21) HK\$	Total HK\$
At 1 July 2020	13,577,616	-	13,577,616
Deficit and total comprehensive income for the year	<u>(7,580,083)</u>	<u>-</u>	<u>(7,580,083)</u>
At 30 June 2021 and 1 July 2021	5,997,533	-	5,997,533
Fund transfer	(1,872,000)	1,872,000	-
Deficit and total comprehensive loss for the year	<u>(901,094)</u>	<u>-</u>	<u>(901,094)</u>
At 30 June 2022	<u>3,224,439</u>	<u>1,872,000</u>	<u>5,096,439</u>

HABITAT FOR HUMANITY HONG KONG LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2022

	2022 HK\$	2021 HK\$
Cash flow from operating activities		
Deficit before income tax	(901,094)	(7,580,083)
Adjustments for:		
Depreciation	17,152	15,848
Interest income	(958)	(12,990)
Loss allowance on accounts receivables	-	2,535,895
Loss on disposals of property, plant and equipment	12,627	5,340
	<u>(872,273)</u>	<u>(5,035,990)</u>
Operating deficit before working capital changes	(872,273)	(5,035,990)
Decrease in accounts and other receivables	1,395,716	585,436
Decrease in amounts due from affiliate offices	7,891	155,339
Decrease in accounts and other payables	<u>(1,388,230)</u>	<u>(2,430,953)</u>
	<u>(856,896)</u>	<u>(6,726,168)</u>
Cash used in operations	(856,896)	(6,726,168)
Income tax refund	2,444	4,568
	<u>(854,452)</u>	<u>(6,721,600)</u>
Net cash used in operating activities	(854,452)	(6,721,600)
Cash flows from financing activities		
Increase/(Decrease) in amount due to headquarter office	34,103	(192,092)
Increase/(Decrease) in amounts due to affiliate offices	40,191	(878,277)
Net cash generated from/(used in) financing activities	<u>74,294</u>	<u>(1,070,369)</u>
Interest received	958	12,990
Purchase of property, plant and equipment	<u>(50,612)</u>	<u>(41,703)</u>
	<u>(49,654)</u>	<u>(28,713)</u>
Net cash used in investing activities	(49,654)	(28,713)
Net decrease in cash and cash equivalents	(829,812)	(7,820,682)
Effect of foreign exchange rate changes	-	1
Cash and cash equivalents at beginning of year	<u>7,981,310</u>	<u>15,801,991</u>
Cash and cash equivalents at end of year	<u>7,151,498</u>	<u>7,981,310</u>
- represented by bank balances and cash		

HABITAT FOR HUMANITY HONG KONG LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 JUNE 2022

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 and principal place of business is located at 9/F, V-Point, 18 Tang Lung Street, Causeway Bay, Hong Kong.

The Association and its subsidiary (hereafter referred to as the “Group”) principally engage 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 homeless in the region, and the principal activities of its subsidiary are detailed in Note 13.

2. BASIS OF PREPARATION

(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 (“HKASs”) and Interpretations (hereinafter collectively referred to as the “HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the Hong Kong Companies Ordinance.

(b) Basic of measurement

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

It should be noted that accounting estimates and assumptions are used in preparation of the consolidated financial statements. Although these estimates are based on management’s best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 5.

(c) Functional and presentation currency

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

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(a) Adoption of new or amended HKFRSs

In the current year, the Company has applied for the first time the following amendments issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), which are relevant to and effective for the Company’s financial statements for the annual accounting period beginning on 1 July 2021:

- Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16, Interest Rate Benchmark Reform – Phase 2
- Amendment to HKFRS 16, Covid-19-related rent concessions

HABITAT FOR HUMANITY HONG KONG LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 JUNE 2022

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) Continued

The adoption of these amendments have no material impact on the Company’s results and financial position for the current or prior period. The Company has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period.

(b) New or amended HKFRSs that have been issued but are not yet effective

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

- HKFRS 17, Insurance Contracts and the related Amendments²
- Amendments to HKFRS 3, Reference to the Conceptual Framework¹
- Amendments to HKFRS 10 and HKAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³
- Amendments to HKAS 1, Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)²
- Amendments to HKAS 1 and HKFRS Practice Statement 2, Disclosure of Accounting Policies²
- Amendments to HKAS 8, Definition of Accounting Estimates²
- Amendments to HKAS 12, Deferred Tax related to Assets and Liabilities Arising from a Single Transaction²
- Amendments to HKAS 16, Property, Plant and Equipment – Proceeds before Intended Use¹
- Amendments to HKAS 37, Onerous Contracts – Cost of Fulfilling a Contract¹
- Amendments to HKFRSs, Annual Improvements to HKFRSs 2018-2020¹

¹ Effective for annual periods beginning on or after 1 January 2022.

² Effective for annual periods beginning on or after 1 January 2023.

³ Effective for annual periods beginning on or after a date to be determined.

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 2022

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 if any.

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.

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.

HABITAT FOR HUMANITY HONG KONG LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 JUNE 2022

4. SIGNIFICANT ACCOUNTING POLICIES - Continued

(c) Impairment of property, plant and equipment / interest in subsidiary

At the end of each reporting period, the Association reviews the carrying amounts of property, plant and equipment and interest in subsidiary 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.

(d) Financial instruments

(i) Financial assets

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, impairment loss, and gain or loss on derecognition are recognised in profit or loss.

(ii) Impairment loss on financial assets

The Company recognises loss allowances for expected credit loss (“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 Company is exposed to credit risk.

HABITAT FOR HUMANITY HONG KONG LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 JUNE 2022

4. SIGNIFICANT ACCOUNTING POLICIES - Continued

(d) Financial instruments Continued

(ii) Impairment loss on financial assets Continued

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 Company and all the cash flows that the Company 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 Company 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 Company's historical experience, informed credit assessment, and forward-looking information.

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

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

(iii) Financial liabilities at amortised cost

Financial liabilities at amortised cost including accounts and other payables, amounts due to headquarter office and affiliate offices are initially recognised at fair value and subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9, Financial Instruments.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

HABITAT FOR HUMANITY HONG KONG LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 JUNE 2022

4. SIGNIFICANT ACCOUNTING POLICIES - Continued

(e) Leasing

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.

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.

HABITAT FOR HUMANITY HONG KONG LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 JUNE 2022

4. SIGNIFICANT ACCOUNTING POLICIES - Continued

(f) Income taxes

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 2022

4. SIGNIFICANT ACCOUNTING POLICIES - Continued

(g) Foreign currency translation

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.

(h) 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

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(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 2022

4. SIGNIFICANT ACCOUNTING POLICIES - Continued

(i) 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.
- (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.
 - (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 it is a part, provides key management personnel services to 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 2022

4. SIGNIFICANT ACCOUNTING POLICIES - Continued

(j) 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 projects, and administrative income for Project Global Village are 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.

(k) 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.

(l) 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.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

HABITAT FOR HUMANITY HONG KONG LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 JUNE 2022

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY
Continued

In addition to information disclosed elsewhere in these financial statements, key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are as follows:

Loss allowance on financial assets

Measurement of impairment losses of receivables requires judgement in the estimation of the amount and timing of future cash flows and collateral values, and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information, and forward-looking analysis.

6. REVENUE

	2022 HK\$	2021 HK\$
Subsidy income	-	2,171,286
Fund raising income	13,407,888	13,576,290
HKSAR Government Disaster Relief Fund (Note 1)	1,321,991	8,675,365
Income from Project Global Village (Note 2)	-	(95,550)
	<hr/>	<hr/>
Total revenue	<u>14,729,879</u>	<u>24,327,391</u>

Notes:

1. This represented Disaster Relief Fund, which provides an effective channel for the HKSAR Government to respond swiftly to appeals for humanitarian aid in relief of disasters that occur outside Hong Kong. The grant complied with all attached conditions and therefore recognised as revenue during the year.
2. This represented the refund to donor due to cancellation of Project Global Village driven by COVID-19 pandemic.

HABITAT FOR HUMANITY HONG KONG LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 JUNE 2022

7. OTHER INCOME

	2022 HK\$	2021 HK\$
Bank interest income	958	12,990
Refund of initial payment for special event cancelled	-	231,000
Amount due to an affiliate office taken to income	-	203,865
Charity special event income	64,000	-
Project construction cost recovered	-	235,577
Sundry income	31,358	55,440
	<u>96,316</u>	<u>738,872</u>
Total other income		

8. OTHER LOSS

	2022 HK\$	2021 HK\$
Exchange loss, net	<u>(1,140)</u>	<u>(230,254)</u>

9. DEFICIT BEFORE INCOME TAX

	2022 HK\$	2021 HK\$
Deficit before income tax is arrived at after charging:		
Staff costs		
Salaries and staff benefits expense (Note (i))	6,230,208	8,124,798
Less: Government grant to subsidise salary costs	(240,000)	(745,200)
Severance payments for restructuring (Note (ii))	-	3,643,638
Contributions to defined contribution plans	620,054	735,640
	<u>6,610,262</u>	<u>11,758,876</u>
Staff costs (operating) by function (excluding severance payments for restructuring):		
Administrative expenses	545,896	506,583
Fund raising expenses	1,965,158	2,754,795
Programme expenses	4,099,208	4,853,860
	<u>6,610,262</u>	<u>8,115,238</u>
Auditor's remuneration	102,000	102,000
Construction costs	4,353,933	4,852,862
Depreciation	17,152	15,848
Payments for short-term leases	574,224	744,951
Loss allowance on accounts receivable (Note (ii))	-	2,535,895

HABITAT FOR HUMANITY HONG KONG LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 JUNE 2022

9. DEFICIT BEFORE INCOME TAX - Continued

Notes:

- (i) The Group applied for government grant under the Employment Support Scheme to subsidise salary costs from May 2022 to July 2022. Under the term of the grant, the Group is required not to make redundancies during the subsidy period and to spend the grant on paying staff salaries.
- (ii) The Group underwent restructuring of its offices in Mainland China, incurring costs of HK\$ 6,209,180 during the year ended 30 June 2021. A breakdown is given below:

	2021 HK\$
Staff costs	3,643,638
Loss allowance on accounts receivables	2,535,895
Professional services and bank charges	29,647

10. DIRECTORS' EMOLUMENTS

No remuneration has been paid or will be payable to the directors for their services during the years ended 30 June 2022 and 30 June 2021.

11. INCOME TAX EXPENSE

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

For its subsidiary, the first HK\$2,000,000 of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5% under the two-tiered profits tax rates regime for Hong Kong profits tax.

	2022 HK\$	2021 HK\$
Hong Kong Profits Tax		
- current year	-	-

HABITAT FOR HUMANITY HONG KONG LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 JUNE 2022

11. INCOME TAX EXPENSE - Continued

The income tax credit for the year can be reconciled to the deficit before income tax per the consolidated statement of comprehensive income as follows:

	2022 HK\$	2021 HK\$
Deficit before income tax	<u>(901,094)</u>	<u>(7,580,083)</u>
Tax calculated at Hong Kong Profits Tax rate of 8.25% (2021: 8.25%)	(74,340)	(625,357)
Tax effect of revenue not taxable	(75,885)	(132)
Tax effect of expenses not deductible for tax purposes	1,545	1,705
Effect of tax exemptions granted to holding company	<u>-</u>	<u>623,784</u>
Income tax expense	<u>-</u>	<u>-</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 2022

12. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures HK\$	Computer equipment HK\$	Total HK\$
Cost			
At 1 July 2020	35,202	164,013	199,215
Additions	-	41,703	41,703
Written off	(26,670)	(125,743)	(152,413)
Exchange alignment	27	(23)	4
	<u>8,559</u>	<u>79,950</u>	<u>88,509</u>
At 30 June 2021 and 1 July 2021	8,559	79,950	88,509
Additions	-	50,612	50,612
Disposals	8,559	(34,160)	(42,719)
	<u>-</u>	<u>96,402</u>	<u>96,402</u>
At 30 June 2022	-	96,402	96,402
Accumulated depreciation			
At 1 July 2020	34,361	135,637	169,998
Charge for the year	1,008	14,840	15,848
Written off	(26,670)	(120,403)	(147,073)
Exchange alignment	(140)	145	5
	<u>8,559</u>	<u>30,219</u>	<u>38,778</u>
At 30 June 2021 and 1 July 2021	8,559	30,219	38,778
Charge for the year	-	17,152	17,152
Disposals	(8,559)	(21,533)	(30,092)
	<u>-</u>	<u>25,838</u>	<u>25,838</u>
At 30 June 2022	-	25,838	25,838
Net book value			
At 30 June 2022	<u>-</u>	<u>70,564</u>	<u>70,564</u>
At 30 June 2021	<u>-</u>	<u>49,731</u>	<u>49,731</u>

HABITAT FOR HUMANITY HONG KONG LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 JUNE 2022

13. INTERESTS IN SUBSIDIARIES

	2022 HK\$	2021 HK\$
Unlisted equity investment, at cost	1	1

Particulars of the Association's subsidiary as at 30 June 2022 and 2021 were as follows:

<u>Name</u>	<u>Place of incorporation and operations and legal entity status</u>	<u>Registered capital</u>	<u>Percentage of equity interest directly held</u>	<u>Principal activities</u>
Habitat For Humanity Consultants Limited	Hong Kong (corporation limited by shares)	HK\$1	100%	Providing consultancy and supportive services to the Group

14. ACCOUNTS RECEIVABLES

	2022 HK\$	2021 HK\$
Accounts receivables	157,861	4,028,481
Less: Loss allowance on accounts receivables (Note (i))	-	(2,535,895)
	157,861	1,492,586
Construction costs recoverable (Note (ii))	-	-
Less: Loss allowance on construction costs recoverable	-	-
	-	-
	157,861	1,492,586

The Group does not hold any collateral over these receivables.

HABITAT FOR HUMANITY HONG KONG LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 JUNE 2022

14. ACCOUNTS RECEIVABLES - Continued

Note (i):

Movement of impairment

	2022 HK\$	2021 HK\$
At beginning of year	2,535,895	-
Loss allowance recognised	-	2,535,895
Written off	<u>(2,535,895)</u>	<u>-</u>
At end of year	<u>-</u>	<u>2,535,895</u>

Note (ii):

Construction costs recoverables 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 as "Project Construction Cost Recovery" included in other income.

Movement of construction costs recoverable

	2022 HK\$	2021 HK\$
At beginning of year	-	1,139,894
Repayment	-	(235,576)
Written off	-	(854,757)
Exchange realignment	<u>-</u>	<u>(49,561)</u>
At end of year	<u>-</u>	<u>-</u>

HABITAT FOR HUMANITY HONG KONG LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 JUNE 2022

14. ACCOUNTS RECEIVABLES - Continued

Construction costs recoverables contained amounts with 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. The Association had fully written-off such recoverables during the year ended 30 June 2021.

Movement of impairment

	2022 HK\$	2021 HK\$
At beginning of year	-	1,139,894
Amount recovered	-	(235,577)
Amount written off	-	(854,757)
Exchange realignment	-	(49,560)
	<u>-</u>	<u>(1,240,000)</u>
At end of year	<u>-</u>	<u>-</u>

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022 HK\$	2021 HK\$
Prepayments	327,323	388,314
Deposits and other receivables	<u>94,070</u>	<u>94,070</u>
	<u>421,393</u>	<u>482,384</u>

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

The amounts are unsecured, interest-free and have no fixed repayment term. The directors consider that the carrying amounts of these balances approximate their fair values.

HABITAT FOR HUMANITY HONG KONG LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 JUNE 2022

17. ACCOUNTS AND OTHER PAYABLES

	2022 HK\$	2021 HK\$
Provision for restructuring (Note)	-	-
Accounts payables	27,009	278,635
Accrued charges	192,335	102,000
Deferred income	1,008,082	2,524,940
Other payables	486,413	196,494
	<u>1,713,839</u>	<u>3,102,069</u>
 Note:		
Provision for restructuring		
	2022 HK\$	2021 HK\$
At beginning of year	-	984,719
Amount settled during the year	-	(984,719)
	<u>-</u>	<u>-</u>
At end of year	<u>-</u>	<u>-</u>

18. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

		2022 HK\$	2021 HK\$
Related parties	Nature of transactions		
Headquarter office	Subsidy income	-	2,171,286
	Fund raising income for designated projects	799,527	-
	Management fee paid	420,732	664,591
Affiliate offices	Subsidies paid	2,847,733	10,119,433
	Amounts payables taken to income	-	203,865

HABITAT FOR HUMANITY HONG KONG LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 JUNE 2022

19. 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 end of the reporting period categorised as follows:

	2022 HK\$	2021 HK\$
<u>Financial assets</u>		
Financial assets at amortised cost	<u>7,509,018</u>	<u>9,681,446</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost	<u>1,802,384</u>	<u>1,599,462</u>

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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 receivables, deposits and other receivables, amounts due from affiliate offices and bank balances and cash with the maximum exposure equal to the carrying amount of these financial assets on the statement of financial position.

Expected credit loss rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Deposits and other receivables measured at amortised cost are considered to have low credit risk as the counterparties have a low risk of default and does not have any past due amounts. Impairment on these balances has been measured at an amount equal to 12-month ECLs. No loss allowance is recognised as the amount of ECLs on these balances is insignificant.

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 within one year.

HABITAT FOR HUMANITY HONG KONG LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 JUNE 2022

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - Continued

(c) Foreign currency risk

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

The Group considers the risk exposure to foreign currency fluctuation in US Dollars would be minimal as long as HK\$ remains pegged to the US Dollars.

As at 30 June 2021, HK\$702,538 of bank balances were denominated in RMB. If HK\$ had strengthened/weakened by 5% against RMB with all other variables held constant, the Group's deficit for the year ended 30 June 2021 would have been HK\$35,127 higher/lower, 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 had been performed on the same basis for years.

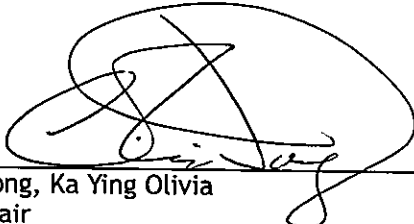
HABITAT FOR HUMANITY HONG KONG LIMITED

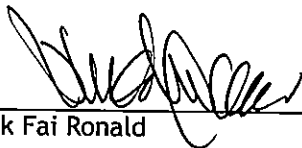
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 JUNE 2022

21. STATEMENT OF FINANCIAL POSITION OF THE ASSOCIATION (HOLDING CO. ONLY)

	2022 HK\$	2021 HK\$
Non-current assets		
Property, plant and equipment	70,564	49,731
Interest in subsidiary	<u>1</u>	<u>1</u>
	<u>70,565</u>	<u>49,732</u>
Current assets		
Accounts receivables	157,861	1,492,586
Prepayments and other receivables	421,393	482,384
Amount due from affiliate offices	105,589	113,480
Bank balances and cash	<u>7,135,706</u>	<u>7,967,698</u>
	<u>7,820,549</u>	<u>10,056,148</u>
Current liabilities		
Accounts and other payables	1,695,839	3,083,887
Amount due to subsidiary	-	267,747
Amount due to headquarter office	103,436	69,333
Amount due to affiliate offices	<u>993,191</u>	<u>953,000</u>
	<u>2,792,466</u>	<u>4,373,967</u>
Net current assets	<u>5,028,083</u>	<u>5,682,181</u>
NET ASSETS	<u>5,098,648</u>	<u>5,731,913</u>
Reserves		
General fund	3,226,648	5,731,913
Operating reserve fund	<u>1,872,000</u>	<u>-</u>
TOTAL EQUITY	<u>5,098,648</u>	<u>5,731,913</u>

On behalf of the directors


Wong, Ka Ying Olivia
Chair


Yam, Tak Fai Ronald
Director

HABITAT FOR HUMANITY HONG KONG LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 JUNE 2022

**21. STATEMENT OF FINANCIAL POSITION OF THE ASSOCIATION (HOLDING CO. ONLY)-
Continued**

Movements of reserves

	General fund HK\$	Operating Reserve Fund (Note A) HK\$	Total HK\$
At 1 July 2020	13,367,053	-	13,367,053
Deficit and total comprehensive income for the year	<u>(7,635,140)</u>	<u>-</u>	<u>(7,635,140)</u>
At 30 June 2021 and 1 July 2021	5,731,913	-	5,731,913
Fund transfer	(1,872,000)	1,872,000	-
Deficit and total comprehensive loss for the year	<u>(633,265)</u>	<u>-</u>	<u>(633,265)</u>
At 30 June 2022	<u>3,226,648</u>	<u>1,872,000</u>	<u>5,098,648</u>

Note A: The operating reserve is intended to provide an internal resource for situations such as a sudden increase in expenses, one-time unbudgeted expenses, unanticipated loss in funding, or uninsured losses. The target minimum operating reserve is equal to six months of average operating costs. The calculation of average monthly operating costs includes all recurring expenses and all other non-cash expenses are not included in the calculation. The minimum amount of the operating reserve target will be determined each year after approval of the annual budget by the Finance Committee ("FC") / Board.

22. 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.

23. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 30 June 2022 were approved and authorised for issue by the directors on **- 9 NOV 2022**

