

Directors' Report

Audited Financial Statements

Habitat For Humanity Hong Kong Limited

30 June 2016

Habitat For Humanity Hong Kong Limited

Directors' Report

The directors submit herewith their report and audited consolidated financial statements of Habitat For Humanity Hong Kong Limited (the "Association") for the year ended 30 June 2016.

Principal activities

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

Results and dividends

The results of the Association and its subsidiaries (together the "Group") for the year ended 30 June 2016 are set out in the consolidated statement of profit or loss and other comprehensive income on page 5.

Directors

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

As a director of the Association and its subsidiaries

Lai Kam Cheung, Michael

Yam Tak Fai, Ronald

Richard Kevin Hathaway

Peter Charles Witton

Anugerah Pekerti (resigned on 23 January 2016)

Chen Darwin

Holloway Heron Lucy Holtby (appointed on 23 January 2016)

Szeto Wing Fu Ricky (appointed on 23 January 2016)

Wong Olivia Ka Ying (appointed on 23 January 2016)

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

Permitted indemnity provisions

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

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.

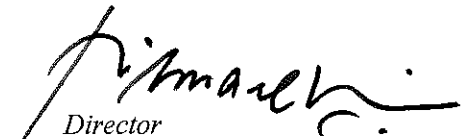
Habitat For Humanity Hong Kong Limited

Directors' Report

Auditor

A resolution will be submitted to the annual general meeting to re-appoint Mazars CPA Limited, *Certified Public Accountants*, as the auditor of the Association.

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



Director
Lai Kam Cheung, Michael

20 October 2016

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)

We have audited the consolidated financial statements of Habitat For Humanity Hong Kong Limited (the "Association") set out on pages 5 to 26, which comprise the consolidated statement of financial position as at 30 June 2016, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Independent Auditor's Report

To the members of

Habitat For Humanity Hong Kong Limited

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Association and its subsidiaries as at 30 June 2016, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.



Certified Public Accountants
Hong Kong, 20 October 2016

Fung Shiu Hang
Practising Certificate number: P04793

Habitat For Humanity Hong Kong Limited

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 30 June 2016

	<i>Note</i>	2016 <i>HK\$</i>	2015 <i>HK\$</i>
Revenue	2	20,708,389	24,314,458
Other income	3	704,515	589,827
Administrative expenses		(1,752,659)	(2,596,026)
Fund raising expense		(2,213,432)	(2,611,141)
Programme expenses		<u>(16,469,200)</u>	<u>(23,129,541)</u>
Surplus (deficit) before tax	4	977,613	(3,432,423)
Income tax expense	5	<u>-</u>	<u>-</u>
Surplus (deficit) for the year		977,613	(3,432,423)
Other comprehensive income for the year, net of tax		<u>-</u>	<u>-</u>
Total comprehensive income (deficit) for the year		<u>977,613</u>	<u>(3,432,423)</u>

Habitat For Humanity Hong Kong Limited

Consolidated Statement of Changes in Equity Year ended 30 June 2016

	General fund HK\$
At 1 July 2014	7,409,847
Deficit for the year and total comprehensive deficit for the year	<u>(3,432,423)</u>
At 30 June 2015 and 1 July 2015	3,977,424
Surplus for the year and total comprehensive income for the year	<u>977,613</u>
At 30 June 2016	<u><u>4,955,037</u></u>

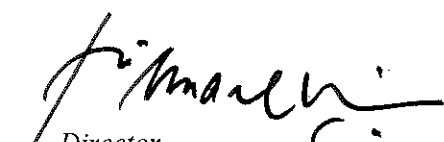
Habitat For Humanity Hong Kong Limited

Consolidated Statement of Financial Position

At 30 June 2016

	<i>Note</i>	2016 <i>HK\$</i>	2015 <i>HK\$</i>
Non-current assets			
Property, plant and equipment	6	<u>265,432</u>	<u>55,747</u>
Current assets			
Accounts and other receivables	8	4,326,191	3,336,441
Bank balances and cash		<u>5,289,281</u>	<u>9,805,400</u>
		<u>9,615,472</u>	<u>13,141,841</u>
Current liabilities			
Accounts and other payables	9	<u>4,925,867</u>	<u>9,220,164</u>
Net current assets		<u>4,689,605</u>	<u>3,921,677</u>
NET ASSETS		<u>4,955,037</u>	<u>3,977,424</u>
Reserves			
General fund		<u>4,955,037</u>	<u>3,977,424</u>
TOTAL EQUITY		<u>4,955,037</u>	<u>3,977,424</u>

Approved and authorised for issue by the Board of Directors on 20 October 2016 and signed on its behalf by


Director
Lai Kam Cheung, Michael


Director
Yam Tak Fai, Ronald

Habitat For Humanity Hong Kong Limited

Consolidated Statement of Cash Flows

Year ended 30 June 2016

	2016 <i>HK\$</i>	2015 <i>HK\$</i>
OPERATING ACTIVITIES		
Surplus (deficit) before tax	977,613	(3,432,423)
Depreciation	33,567	97,062
Interest income	(37,360)	(56,864)
Bad debt written off	-	356,403
Impairment loss on revolving loan receivables	-	881,250
Written off of deposits and prepayment	-	88,811
Loss on disposal of property, plant and equipment	4,790	-
Changes in working capital:		
Accounts and other receivables	(989,750)	4,949,394
Accounts and other payables	(4,294,297)	4,214,968
Net cash (used in) from operating activities	<u>(4,305,437)</u>	<u>7,098,601</u>
INVESTING ACTIVITIES		
Interest received	37,360	56,864
Purchase of property, plant and equipment	(248,042)	(5,068)
Net cash (used in) from investing activities	<u>(210,682)</u>	<u>51,796</u>
Net (decrease) increase in cash and cash equivalents	(4,516,119)	7,150,397
Cash and cash equivalents at beginning of year	<u>9,805,400</u>	<u>2,655,003</u>
Cash and cash equivalents at end of year, represented by bank balances and cash	<u><u>5,289,281</u></u>	<u><u>9,805,400</u></u>

Habitat For Humanity Hong Kong Limited

Notes to the Financial Statements

Year ended 30 June 2016

CORPORATE INFORMATION

Habitat For Humanity Hong Kong Limited (the "Association") is a private company limited by guarantee and incorporated in Hong Kong. The Association's registered office is located at 23/F, Congregation House, No. 119, Leighton Road, Causeway Bay, Hong Kong.

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

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

1. PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

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

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2015 consolidated financial statements. The adoption of the new / revised HKFRSs that are relevant to the Group and effective from the current year had no significant effects on the results and financial position of the Group for the current and prior years. A summary of the principal accounting policies adopted by the Group is set out below.

Adoption of the new / revised HKFRSs

Annual Improvements Project: 2010-2012 Cycle

(1) HKAS 24 Related Party Disclosures

HKAS 24 is amended to clarify that an entity, or any member of a group of which it is a part, providing key management personnel services (the "management entity") to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. The reporting entity shall disclose the amounts incurred for key management personnel services that are provided by the management entity. However, the compensation paid or payable by the management entity to its employees or directors is not required to be disclosed. These amendments do not have any effects on the results and financial position of the Company for the current and prior years.

Habitat For Humanity Hong Kong Limited

Notes to the Financial Statements

Year ended 30 June 2016

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Adoption of the new / revised HKFRSs (Continued)

Annual Improvements Project: 2010-2012 Cycle (Continued)

(2) HKFRS 13 Fair Value Measurement

The basis for conclusions is amended to clarify that the issuance of HKFRS 13 and the consequential amendments to HKFRS 9 and HKAS 39 did not remove the entity's ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, when the effect of not discounting is immaterial.

Basis of measurement

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

Basis of consolidation

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

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

Subsidiaries

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

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

Property, plant and equipment

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

Habitat For Humanity Hong Kong Limited

Notes to the Financial Statements

Year ended 30 June 2016

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (Continued)

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

Leasehold improvement	Over the unexpired term of lease
Furniture, fixtures and office equipment	5 years
Computer equipment	5 years

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

Financial instruments

Recognition and derecognition

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

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

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

Classification and measurement

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

1) Loans and receivables

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

Habitat For Humanity Hong Kong Limited

Notes to the Financial Statements

Year ended 30 June 2016

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

2) *Financial liabilities*

The Group's financial liabilities include accounts and other payables. All financial liabilities are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Impairment of financial assets

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

Cash equivalents

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

Revenue recognition

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

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

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

Foreign currency translation

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

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

Habitat For Humanity Hong Kong Limited

Notes to the Financial Statements

Year ended 30 June 2016

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Leases

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

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

Employee benefits

Short term employee benefits

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

Defined contribution plans

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

Long service payments

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

Taxation

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

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

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

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

Habitat For Humanity Hong Kong Limited

Notes to the Financial Statements

Year ended 30 June 2016

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Related parties

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

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of the parent of the Group.

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

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

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

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

Habitat For Humanity Hong Kong Limited

Notes to the Financial Statements

Year ended 30 June 2016

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Critical accounting estimates and judgements

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

Key sources of estimation uncertainty

Allowance for bad and doubtful debts

The provisioning policy for bad and doubtful debts of the Group is based on the evaluation by management of the collectability of the accounts receivable. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including assessing the current creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance will be required. At the end of the reporting period, the carrying amount of receivables after provision for impairment amounted to HK\$3,902,541 (2015: HK\$2,862,760).

Future changes in HKFRSs

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

2. REVENUE

	2016 HK\$	2015 HK\$
Subsidy income	5,448,395	4,456,250
Fund raising income	9,388,416	14,193,338
Income from Project Global Village	5,871,578	5,664,870
	<u>20,708,389</u>	<u>24,314,458</u>

Habitat For Humanity Hong Kong Limited

Notes to the Financial Statements

Year ended 30 June 2016

3. OTHER INCOME	2016 HK\$	2015 HK\$
Bank interest income	37,360	56,864
Bad debts recovery	105,625	-
Project construction cost recovery	559,530	529,323
Sundry income	2,000	3,640
	<u>704,515</u>	<u>589,827</u>
4. SURPLUS (DEFICIT) BEFORE TAX		
This is stated after charging:		
	2016 HK\$	2015 HK\$
Staff cost by nature:		
Salaries and allowances	5,539,952	8,076,973
Contributions to defined contribution plans	879,066	1,011,211
	<u>6,419,018</u>	<u>9,088,184</u>
Staff cost by function:		
Administrative expenses	951,926	1,513,589
Fund raising expense	1,432,427	1,602,295
Programme expenses	4,034,665	5,972,300
	<u>6,419,018</u>	<u>9,088,184</u>
Auditor's remuneration	78,750	75,000
Construction costs	2,740,167	5,892,936
Depreciation	33,567	97,062
Exchange loss, net	178,160	76,212
Operating lease payments on premises	1,666,122	1,564,163
Allowance for doubtful debts	-	356,403
Impairment loss on revolving loan receivables (Note 8(b))	-	881,250
Written off of deposits and prepayment	-	88,811
Loss on disposal of property, plant and equipment	4,790	-
	<u>4,790</u>	<u>-</u>

Habitat For Humanity Hong Kong Limited

Notes to the Financial Statements

Year ended 30 June 2016

5. TAXATION

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

Hong Kong Profits Tax has not been provided as the Group's subsidiary incurred a loss for taxation purposes for the year ended 30 June 2016 and 2015.

	2016 HK\$	2015 HK\$
<i>Reconciliation of tax expense</i>		
Surplus (deficit) before tax	<u>977,613</u>	<u>(3,432,423)</u>
Income tax at applicable tax rate of 16.5% (2015: 16.5%)	161,306	(566,350)
Non-deductible expenses	-	500,281
Tax exempt revenue	(169,926)	(184)
Unrecognised tax losses	8,161	62,225
Unrecognised temporary differences	<u>459</u>	<u>4,028</u>
Tax expense for the year	<u>-</u>	<u>-</u>

At the end of the reporting period, the Group did not recognise deferred tax assets arising from tax losses of HK\$734,415 (2015: HK\$684,957).

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

Habitat For Humanity Hong Kong Limited

Notes to the Financial Statements

Year ended 30 June 2016

6. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement <i>HK\$</i>	Furniture, and fixtures <i>HK\$</i>	Computer equipment <i>HK\$</i>	Total <i>HK\$</i>
Reconciliation of carrying amount – year ended 30 June 2015				
At 1 July 2014	-	56,929	90,812	147,741
Addition	-	-	5,068	5,068
Depreciation	-	(50,675)	(46,387)	(97,062)
At 30 June 2015	-	6,254	49,493	55,747
Reconciliation of carrying amount – year ended 30 June 2016				
At 1 July 2015	-	6,254	49,493	55,747
Addition	230,000	10,466	7,576	248,042
Depreciation	(11,500)	(2,336)	(19,731)	(33,567)
Disposal	-	(1,747)	(3,043)	(4,790)
At 30 June 2016	218,500	12,637	34,295	265,432
At 30 June 2015				
Cost	-	323,662	416,253	739,915
Accumulated depreciation	-	(317,408)	(366,760)	(684,168)
Net carrying amount	-	6,254	49,493	55,747
At 30 June 2016				
Cost	230,000	79,127	301,370	610,497
Accumulated depreciation	(11,500)	(66,490)	(267,075)	(345,065)
Net carrying amount	218,500	12,637	34,295	265,432

Note:

During the year, furniture and fixture and computer equipment with cost and accumulated depreciation of HK\$377,460 and HK\$372,670 were written off respectively due to retirement of the assets.

Habitat For Humanity Hong Kong Limited

Notes to the Financial Statements

Year ended 30 June 2016

7. INTERESTS IN A SUBSIDIARY

	2016 HK\$	2015 HK\$
Unlisted shares, at cost	<u>1</u>	<u>1</u>

At 30 June 2016, particulars of the subsidiary are as follows:

Name of subsidiary	Principal place of business and place of incorporation	Class of shares held	Proportion of value of issued capital held by the Association		Principal activities
			<i>Directly</i>	<i>Indirectly</i>	
Habitat For Humanity Consultants Limited	People's Republic of China ("PRC") / Hong Kong	Ordinary share	100%	-	Providing consultancy and supportive services to the Group
援建房信息咨询(上海)有限公司	People's Republic of China ("PRC")	Registered capital	-	100%	Not yet commenced business

The subsidiary 援建房信息咨询(上海)有限公司 was incorporated on 23 July 2015. 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 Company had capital commitment of US\$350,000 for capital injection into the PRC subsidiary.

8. ACCOUNTS AND OTHER RECEIVABLES

	Note	2016 HK\$	2015 HK\$
Accounts receivables		3,902,541	3,219,163
Less: Allowance for doubtful debts	8(a)	<u>-</u>	<u>(356,403)</u>
		<u>3,902,541</u>	<u>2,862,760</u>
Revolving loan receivables		775,625	881,250
Less: Impairment for revolving loan receivables	8(b)	<u>(775,625)</u>	<u>(881,250)</u>
		<u>-</u>	<u>-</u>
Deposits and prepayment		<u>423,650</u>	<u>473,681</u>
		<u>4,326,191</u>	<u>3,336,441</u>

Habitat For Humanity Hong Kong Limited

Notes to the Financial Statements

Year ended 30 June 2016

8. ACCOUNTS AND OTHER RECEIVABLES (CONTINUED)

8(a) Allowance for doubtful debts	2016 HK\$	2015 HK\$
Balance at beginning of year	356,403	-
Increase in allowance	-	356,403
Amount written off	(356,403)	-
	<u>-</u>	<u>356,403</u>

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

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

8(b) Revolving loan receivables

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

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

During the year HK\$105,625 was received from the borrowers. Accordingly, the impairment for revolving loan receivables has been reduced by HK\$105,625 (2015: increased by HK\$881,250).

Impairment for revolving loan receivables

	2016 HK\$	2015 HK\$
Balance at beginning of year	881,250	-
(Reversal of) increase in impairment	(105,625)	881,250
	<u>775,625</u>	<u>881,250</u>

Habitat For Humanity Hong Kong Limited

Notes to the Financial Statements

Year ended 30 June 2016

9. ACCOUNTS AND OTHER PAYABLES

	Note	2016 HK\$	2015 HK\$
Accounts payables	9(a)	3,164,361	5,482,011
Accrued charges		78,750	275,816
Due to headquarter	9(b)	-	2,247,500
Other payables		1,682,756	1,214,837
		<u>4,925,867</u>	<u>9,220,164</u>

9(a) Accounts payables

Accounts payables amounted to HK\$2,966,796 (2015: HK\$5,384,535) represented provision for donation to affiliates. The amounts due are unsecured, interest-free and have no fixed repayment term.

9(b) Due to headquarter

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

10. RELATED PARTY TRANSACTIONS

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

Related party relationship	Nature of transaction	2016 HK\$	2015 HK\$
Headquarter of the Group	Subsidy income	5,438,773	4,456,250
	Administrative income for Project Global Village	598,765	644,800
	Fund raising income for designated project	1,029,688	2,669,887
	Management fee expenses	401,668	467,339
Other affiliates of the Group	Subsidy paid	6,482,725	7,125,472
	Fund raising income for designated project	-	157,906
	Administrative income for project Global Village	-	326,841

Habitat For Humanity Hong Kong Limited

Notes to the Financial Statements

Year ended 30 June 2016

11. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Foreign currency risks

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

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

At the end of the reporting period, HK\$3,473,805 (2015: HK\$3,743,009) of accounts receivable and HK\$1,030,540 (2015: HK\$1,084,376) of bank balance were denominated in RMB. As at 30 June 2016, if the currency had strengthened/weakened by 5% (2015: 5%) against RMB with all other variables held constant, the Group's net surplus for the year would have been HK\$225,217 (2015: HK\$241,369) lower/higher, mainly as a result of foreign exchange gains/losses on translation of RMB-denominated other receivables, bank balances and cash, and other payables and accrued charges.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to Group's exposure to currency risk for all financial instruments in existence at that date, and that all other variables remain constant. The stated changes in foreign currency represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the end of the next reporting period. The analysis is performed on the same basis for 2015.

Credit risk

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

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

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

Habitat For Humanity Hong Kong Limited

Notes to the Financial Statements

Year ended 30 June 2016

11. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

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

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

12. CAPITAL MANAGEMENT

The objectives of the Group's capital management are to safeguard its ability to continue as a going concern for its charitable objectives. The Group principally relies on funding from donation received. No changes were made in the objectives, policies or processes during the year ended 30 June 2016 and the year ended 30 June 2015.

13. COMMITMENTS

Commitments under operating leases

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

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

	2016 <i>HK\$</i>	2015 <i>HK\$</i>
Within one year	989,458	533,554
In the second to fifth years inclusive	<u>673,578</u>	<u>-</u>
	<u><u>1,663,036</u></u>	<u><u>533,554</u></u>

Habitat For Humanity Hong Kong Limited

Notes to the Financial Statements

Year ended 30 June 2016

14. INFORMATION ABOUT THE BENEFITS OF DIRECTORS

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

(a) Directors' emoluments

There is no directors' remuneration for the year (2015: *nil*).

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

There are no loans, quasi-loans or other dealings in favour of the directors of the Association or its holding company that were entered into or subsisted during the year (2015: *nil*).

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

After consideration, the directors are of the opinion that no transactions, arrangements and contracts of significance in relation to the Association's business to which the Association was a party and in which a director of the Association or a connected entity of the director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2015: *nil*).

Habitat For Humanity Hong Kong Limited

Notes to the Financial Statements

Year ended 30 June 2016

15. STATEMENT OF FINANCIAL POSITION OF THE ASSOCIATION

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

	2016 HK\$	2015 HK\$
Non-current assets		
Property, plant and equipment	262,936	49,326
Investment in a subsidiary	1	1
	<u>262,937</u>	<u>49,327</u>
Current assets		
Accounts and other receivables	4,190,223	3,290,366
Amount due from a subsidiary	682,253	13,788
Bank balances and cash	5,152,740	9,386,448
	<u>10,025,216</u>	<u>12,690,602</u>
Current liabilities		
Accounts and other payables	4,609,191	8,090,004
Net current assets	<u>5,416,025</u>	<u>4,600,598</u>
NET ASSETS	<u>5,678,962</u>	<u>4,649,925</u>
Capital and reserves		
General funds	5,678,962	4,649,925
TOTAL EQUITY	<u>5,678,962</u>	<u>4,649,925</u>

Approved and authorised for issue by the Board of Directors on 20 October 2016 and signed on its behalf by


Director
Lai Kam Cheung, Michael


Director
Yam Tak Fai, Ronald

Habitat For Humanity Hong Kong Limited

Notes to the Financial Statements

Year ended 30 June 2016

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

(a) Movements of reserves

	2016 <i>HK\$</i>	2015 <i>HK\$</i>
At beginning of the reporting period	4,649,925	7,681,930
Surplus (deficit) for the year and total comprehensive surplus (deficit) for the year	<u>1,029,037</u>	<u>(3,032,005)</u>
At end of the reporting period	<u><u>5,678,962</u></u>	<u><u>4,649,925</u></u>

Management Information

Habitat For Humanity Hong Kong Limited

Detailed Income Statement

Year ended 30 June 2016

	<i>Schedule</i>	2016 <i>HK\$</i>	2015 <i>HK\$</i>
Revenue	A	20,698,767	24,314,458
Other income	B	703,701	588,712
Other operating expenses	C	<u>(20,373,431)</u>	<u>(27,935,175)</u>
Surplus (deficit) before tax		<u>1,029,037</u>	<u>(3,032,005)</u>

A. REVENUE	2016 <i>HK\$</i>	2015 <i>HK\$</i>
Subsidy income	5,438,773	4,456,250
Fund raising income	9,388,416	14,193,338
Income from Project Global Village	<u>5,871,578</u>	<u>5,664,870</u>
	<u>20,698,767</u>	<u>24,314,458</u>

B. OTHER INCOME	2016 <i>HK\$</i>	2015 <i>HK\$</i>
Bank interest income	36,546	55,749
Bad debt recovery	105,625	-
Project construction cost recovery	559,530	529,323
Sundry income	<u>2,000</u>	<u>3,640</u>
	<u>703,701</u>	<u>588,712</u>

(continued)

Management Information

Habitat For Humanity Hong Kong Limited

Detailed Income Statement

Year ended 30 June 2016

	2016	2015
	HK\$	HK\$
C. OTHER OPERATING EXPENSES		
Advertising recruitment	10,820	14,186
Auditor's remuneration	52,500	50,000
Allowance for doubtful debts	-	356,403
Bank charges	75,329	113,763
Computer expenses	40,669	54,093
Construction costs	2,734,361	5,672,936
Contribution to defined contribution plans	169,316	144,169
Depreciation	29,641	71,218
Entertainment and meal expenses	42,352	38,562
Exchange loss, net	322,337	43,892
Impairment loss on revolving loan receivables	-	881,250
Insurance	131,542	144,273
Legal and profession fees	65,354	142,081
Local travelling	52,879	25,323
Loss on disposal of property, plant and equipment	4,790	-
Office supplies	26,566	15,247
Overseas travelling	91,855	46,092
Postage and stamp	8,960	7,121
Printing and stationary	45,354	32,596
Project expenses	393,017	122,870
Marketing	272,209	245,876
Rent and building management fee	1,382,520	1,190,148
Repairs and maintenance	115,433	4,897
Salaries and allowance	3,687,998	5,713,433
SOSI – management fee to Habitat For Humanity International	401,668	467,339
Subsidy for Habitat For Humanity Consultants Limited	3,443,046	4,931,485
Subsidy for other affiliates	6,482,725	7,125,472
Sundry expenses	123,692	90,048
Telephone and telex	102,721	122,291
Utilities expenses	63,777	68,111
	20,373,431	27,935,175

(continued)

Management Information

Habitat For Humanity Hong Kong Limited

Detailed Income Statement

Year ended 30 June 2016

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

The above financial information relating to years ended 30 June 2016 and 2015 does not constitute the Association's specified financial statements for those years as defined in section 436 of the HKCO but is derived therefrom.

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

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

The auditor's report for the year:

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