

**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 2021**

## HABITAT FOR HUMANITY HONG KONG LIMITED

### DIRECTORS' REPORT

The Directors present their annual report together with the audited consolidated financial statements of Habitat for Humanity Hong Kong Limited (the "Association") and its subsidiaries (the "Group") for the year ended 30 June 2021.

#### PRINCIPAL ACTIVITIES

The principal activities of the Group are developing communities with people in need by building and renovating houses, as well as promoting and developing specific regional programmes towards elimination of sub-standard housing and homeless in the region. The principal activity of its subsidiaries is set out in note 12 to the consolidated financial statements.

#### RESULTS AND DIVIDENDS

The financial performance of the Group for the year ended 30 June 2021 and the financial position of the Group at that date are set out in the financial statements on page 13 to 38.

#### GENERAL 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 follow:

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	(appointed on 6 March 2021)
Dr. Chen, Mau Wai William	(appointed on 6 March 2021)
Mr. Shek, Ming Kei Rachael	(appointed on 6 March 2021)
Mr. Brown, Leslie Taylor	(appointed on 6 March 2021)
Ms. Bailey, Frances Ruth	(resigned on 6 March 2021)
Ms. Martin, Louise Emma	(resigned on 6 March 2021)
Mr. Montemayor, Marco Jose	(resigned on 6 March 2021)
Mr. Yeung, Kwong Sunny	(resigned on 6 March 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 Members of the Board of Directors present their Business Review together with the audited financial statements for the year ended 30 June 2021.

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

Habitat for Humanity Hong Kong ("Habitat" or "Habitat Hong Kong") is driven by the vision that everyone deserves a decent place to live. Habitat for Humanity ("the group" or "Habitat for Humanity") began in 1976 as a grassroots organisation on a community farm in the U.S. It has since grown to become a leading global nonprofit organisation, working in over 70 countries, to help more than 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 is exempt from tax under Section 88 of the Inland Revenue Ordinance.

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

### **Decent and Affordable Housing**

The group addresses poverty-housing issues through home construction and renovation, advocacy, training, water and sanitation hygiene and microfinance. In Hong Kong, Habitat provides renovation and cleaning services to elderly people living below the poverty line in public rental housing and other forms of substandard housing. Habitat mobilizes individual volunteers, schools and corporations to help renovate the homes of low-income families, older persons and people living with disabilities through Project Home Works. In partnership with local social service non-governmental organisations, we identify families most in need, secure sponsorship from partners to fund the renovations, and recruit volunteers to carry out the work. Supporting partners include corporations, foundations, churches, clubs, associations, schools and universities.

In FY21, we launched an extension to our Project Home Works with a deep cleaning programme. The low-income elderly and families living with disabilities that are supported by our 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 has significantly impacted 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 we are bringing communities together and addressing two social needs. We partner with local organisations to provide employment opportunities for 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 our corporate partners, we provide mural painting and run activities to highlight housing issues and discuss solutions with students in some of Hong Kong's most underserved areas. A transformed school environment encourages school attendance and improves the learning of children in low-income districts. Habitat also raises awareness of housing issues including the living conditions of low-income families in public housing through social media and community engagement events, although service days, community events and schools programmes especially, were significantly disrupted due to COVID-19.

### **Global Village**

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

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

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

## **Women Empowerment Programmes**

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

## **Youth Empowerment Programmes**

In 2012, the group launched an annual Habitat Young Leaders Build (HYLB) campaign, bringing together youth from across the Asia-Pacific region to support people and families in need of decent housing. Since the launch, more than 17 million HYLB supporters have raised almost US\$9 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, we have worked with thousands of young people to raise awareness of poverty housing issues, improve learning environments for low-income students and learn basic construction and leadership skills. In 2018, the group launched a youth leadership academy, designed to equip young people with self-leadership skills, enabling them to lead others and lead change in their communities. This year, we launched a pilot youth engagement workshop focused on SDG 11 and raising awareness of the living conditions of millions of people in Hong Kong. We ran the kick-off workshop as part of a student-led online SDG Summit.

## **World Habitat Day**

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

## **Public Policy Campaigns**

As a leading global advocate for decent and affordable housing, Habitat for Humanity contributed to the creation of the United Nations Sustainable Development Goal 11. Habitat is focusing efforts on urban populations living in inadequate housing and this year we convened a Steering Committee of sector experts and nonprofit representatives to develop a 'Minimum Housing Standards Recommendations Report'. We're proactively orienting our programmes and policy efforts within the values of SDG 11 as we work to achieve decent housing for all in Hong Kong. On March 31st, the Task Force for the Study of Tenancy Control in Subdivided Units (SDUs), released their report of recommendations to the HKSAR Government. During the consultation period, Habitat Hong Kong CEO and Public Policy & Research Manager, were invited to present to the Task Force and share creative tenancy control models implemented overseas and alternative models for providing social housing.

## **International Volunteer Day**

All year round, volunteers dedicate their time, effort and energy to fuel our vision of a world where everyone has a decent place to live. International Volunteer Day (IVD) mandated by the UN General Assembly, is held each year on 5 December. It is viewed as a unique chance for volunteers and organisations to celebrate their efforts, to share their values, and to promote their work among their communities. Every year to celebrate IVD, Habitat brings people together to raise awareness of the necessity of decent housing. This year, we were experiencing the fourth wave of the COVID-19 pandemic so volunteer activities were on hold.

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

Habitat Hong Kong takes part in the annual HYLB campaign that engages youth volunteers in advocating, raising funds and building homes with families. This year, instead of building houses, many Habitat volunteers turned to online activism to help their communities cope with COVID-19. Adapting to the new normal, some supporters highlighted their own volunteer experiences and journeys with Habitat to raise awareness of the need for adequate housing and engage more young people. Around 70 volunteers from 10 countries have started to implement multi-month projects under the HYLB campaign. The volunteers comprise university students, young professionals and youth with vocations.

## **Programmes in mainland China**

Habitat for Humanity China works with local partners and the government in mostly rural areas to build secure, affordable homes with the help of international and domestic volunteers. The homes rebuilt after the 2008 earthquake in Sichuan included single detached, row houses, townhouses and apartment buildings. Habitat also constructed classrooms in Sichuan and community infrastructure in Yunnan, Guangdong and Guangxi. In Shanghai and Guangzhou, corporate volunteers helped to renovate homes and improve the safety of low-income families. At the end of FY21, we ran the last of our programmes in mainland China. We are proceeding with the administrative closure of our offices in Sichuan, Guangdong and Shanghai in FY22. Habitat for Humanity will continue to operate in Hong Kong SAR, developing and implementing projects that benefit the local community while providing thought leadership on long-term housing reform. We will do this by continuing key partnerships with the HKSAR government, corporate leaders, foundations and individual supporters across Hong Kong and the Asia-Pacific region. The decision to close offices in the mainland comes from the pressing need for Habitat for Humanity to commit limited and critical resources to areas in the network where the organization can advance the strategic initiative to triple funds, scale and impact.

## ***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 FY21, the group secured two grants from the Disaster Relief Fund. A grant of HK\$ 5,099,000 was received for the distribution of Household Kits, Shelter Kits and Hygiene Kits to support 7,478 families affected by a cyclone in West Bengal, India. A further grant of HK\$ 3,855,000 was received for the distribution of Household Kits, Shelter Kits and Hygiene Kits to support 5,100 families affected by flooding in Kurigram District, Bangladesh.

An additional HK\$1.2m was secured from multiple corporate donors to support COVID-19 response programmes and community development projects in India, Korea, Philippines, Vietnam, Singapore, Bangladesh and Thailand.

## ***Financial Performance***

### **Key Financial summary**

In the financial year ended 30 June 2021, the total income was HK\$ 24.8 million (2020: HK\$ 31.1 million), and the deficit was HK\$ -7.58 million (2020: surplus HK\$ 1.10 million), representing a decrease of -20% and -789% respectively. The income for the year was mainly from donations. The deficit this year is largely due to the closure of offices in Mainland China, which led Habitat Hong Kong to bear the cost of closure as well as provision for impairment of accounts receivable.

At 30 June 2021, the total assets were HK\$ 10.12 million (2020: HK\$ 21.36 million) and net assets were HK\$ 6.00 million (2020: HK\$ 13.58 million), representing a decrease of -53% and -56% respectively. The current ratio (current assets ÷ current liabilities) was 2.4 (2020: 2.7) and the debt ratio (total liabilities ÷ total assets) was 0.4 (2020: 0.4).

### **Donations Summary**

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

### **Governance and administration**

Administrative costs were HK\$ 1.6 million (2020: HK\$ 2.52 million), representing a decrease of HK\$ -0.92 million (2020: increase of HK\$ 0.4 million). Total administration costs represented 6% of total operating expenditure (2020: 9%)

### Funds allocation

80% of our funds were committed to critical housing programmes and our advocacy work to raise awareness and change policies and systems so that we can eliminate barriers to adequate, affordable housing. The need for decent and affordable housing solutions in Asia-Pacific is immense. Based on the United Nations data, half of the world's poor – those living on less than US\$1.90 a day – are in this region. Amid rapid urbanization, one in two slum dwellers calls Asia-Pacific home.

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

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

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

### Equality, Diversity and Inclusion

Habitat Hong Kong is an equal opportunity employer and seeks to employ and assign the best qualified personnel for all our positions in a manner that does not unlawfully discriminate against any person because of race, colour, religion, gender, marital status, age, national origin, physical or mental disability, sexual orientation, veteran/reserve national guard status, or any other status or characteristic protected by law. This year, we were proud to be one of the first 100 signatories of the Equal Opportunities Commission (EOC) Racial Diversity and Inclusion Charter.

### Board Subcommittees

In FY21, 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 Mainland China Oversight Committee provides (i) operational oversight and guidance to Habitat China and Senior Management Staff in the implementation of the business and strategic plan, (ii) reviews the organisational risk register and advises on mitigation measures (iii) anticipates potential key challenges and helps determine appropriate responses in coordination with the Senior Management Team.

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

The Public Policy and Programmes Committee acts as an advisor to the Board and leadership team, giving strategic guidance, oversight and support for Habitat Hong Kong's public policy campaigns and domestic programme development activities and assisting in coordinating the support and participation of all individual members of the Board in these activities. The Committee has led on our programme resumption guidelines as well as working on our policy campaign to advocate for UN Sustainable Development Goal 11 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

This year, COVID has continued to impact operations and fundraising and we predict that whilst we are better positioned now to execute programmes and hold hybrid or in-person events albeit smaller in number, our 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 our services is greater than ever. In the Habitat Hong Kong risk register, we have identified and are closely monitoring the following risks, brought about primarily but not limited to the pandemic, the economic downturn and the increasingly competitive fundraising market locally:

- Inability to raise sufficient general funds for sustained operations in FY22 and projected growth in FY23.
- High turnover coupled with significant increase in number of programmes to deliver, leading to inability to meet programmatic and public policy commitments
- Shift in political landscape and any implications for nonprofit organizations
- With the growing attention on housing and as we scale up our public policy efforts, we are looking to add a constructive voice to the conversation to increase access to decent and affordable housing, making sure we bring people along with us in what could be a controversial topic for some

Given the high level of risks encountered over the last couple of years, Habitat has built risk mitigation and management into project management and objective setting frameworks, to ensure pre-planning and contingency planning is a core stage of planning and execution. The establishment of the Risk Committee is to ensure all policies, processes, programmes and operations are viewed through a risk lens.

Organisational efficiency and sustainability

In FY21, to continuously improve our operational efficiency, we re-designed the team, bringing in skills sets and building capacity in areas of project management, impact measurement, digital fundraising and donor stewardship.

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

**Future development**

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

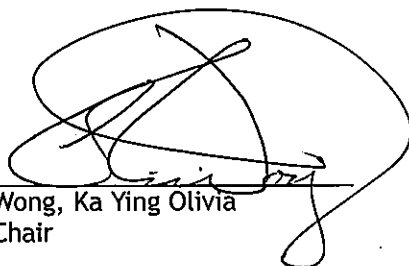
Habitat Hong Kong's strategic goals for the coming years are:

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

**AUDITOR**

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

On behalf of the Board



Wong, Ka Ying Olivia  
Chair

Hong Kong, 10 November 2021

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

## Opinion

We have audited the financial statements of Habitat for Humanity Hong Kong Limited (the "Association") set out on pages 13 to 38, which comprise the consolidated statement of financial position as at 30 June 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Group as at 30 June 2021, 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.

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 judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.



**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF HABITAT FOR HUMANITY HONG KONG LIMITED**  
(incorporated in Hong Kong with liability limited by guarantee and not having a share capital)

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

Hong Kong, 10 November 2021

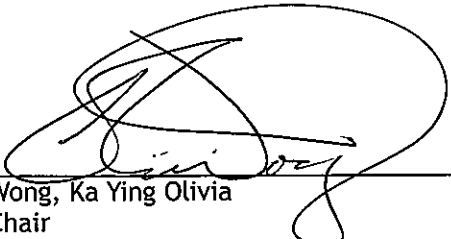
**HABITAT FOR HUMANITY HONG KONG LIMITED**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2021**

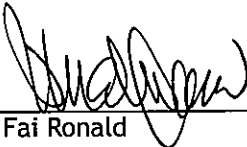
	Note	2021 HK\$	2020 HK\$
Revenue	5	24,327,391	30,657,636
Other income	6	738,872	551,278
Other gains and losses	7	(230,254)	(109,343)
<b>Total income</b>		<u>24,836,009</u>	<u>31,099,571</u>
Administrative expenses		(1,603,550)	(2,519,876)
Fund raising expenses		(3,661,738)	(4,398,208)
Programme expenses		(20,941,624)	(22,217,473)
<b>Total operating expenses</b>		<u>(26,206,912)</u>	<u>(29,135,557)</u>
<b>Operating (deficit)/ surplus before restructuring costs</b>		<b>(1,370,903)</b>	<b>1,964,014</b>
Restructuring costs	8(ii)	(6,209,180)	(984,719)
<b>(Deficit)/surplus before income tax</b>	<b>8</b>	<b>(7,580,083)</b>	<b>979,295</b>
Income tax credit	10	-	124,790
<b>(Deficit)/surplus for the year and total comprehensive (loss)/income for the year</b>		<u><b>(7,580,083)</b></u>	<u><b>1,104,085</b></u>

**HABITAT FOR HUMANITY HONG KONG LIMITED**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2021**

	Note	2021 HK\$	2020 HK\$
<b>Non-current assets</b>			
Property, plant and equipment	11	<u>49,731</u>	<u>29,217</u>
		<u>49,731</u>	<u>29,217</u>
<b>Current assets</b>			
Accounts receivable	13	1,492,586	4,835,477
Prepayments, deposits and other receivables	14	482,384	416,163
Amounts due from affiliate offices	15	113,480	268,819
Tax recoverable		2,444	7,012
Bank balances and cash		<u>7,981,310</u>	<u>15,801,991</u>
		<u>10,072,204</u>	<u>21,329,462</u>
<b>Current liabilities</b>			
Provisions and other payables	16	3,102,069	5,533,022
Amount due to headquarter office	15	69,333	261,425
Amounts due to affiliate offices	15	<u>953,000</u>	<u>1,986,616</u>
		<u>4,124,402</u>	<u>7,781,063</u>
<b>Net current assets</b>		<u>5,947,802</u>	<u>13,548,399</u>
<b>NET ASSETS</b>		<u>5,997,533</u>	<u>13,577,616</u>
<b>Reserves</b>			
General fund		<u>5,997,533</u>	<u>13,577,616</u>
<b>TOTAL EQUITY</b>		<u>5,997,533</u>	<u>13,577,616</u>

On behalf of the Board

  
 \_\_\_\_\_  
 Wong, Ka Ying Olivia  
 Chair

  
 \_\_\_\_\_  
 Yam, Tak Fai Ronald  
 Director

**HABITAT FOR HUMANITY HONG KONG LIMITED**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2021**

	<b>General fund HK\$</b>
<b>At 1 July 2019</b>	12,473,531
Surplus and total comprehensive income for the year	<u>1,104,085</u>
<b>At 30 June 2020 and 1 July 2020</b>	13,577,616
Deficit and total comprehensive loss for the year	<u>(7,580,083)</u>
<b>At 30 June 2021</b>	<u><u>5,997,533</u></u>



HABITAT FOR HUMANITY HONG KONG LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2021

	2021 HK\$	2020 HK\$
<b>Cash flow from operating activities</b>		
(Deficit)/Surplus before income tax	(7,580,083)	979,295
Adjustments for:		
Depreciation	15,848	58,241
Interest income	(12,990)	(33,371)
Provision for impairment loss on accounts receivable	2,535,895	-
Loss on disposal of property, plant and equipment	5,340	47,860
	<u>                    </u>	<u>                    </u>
<b>Operating (deficit)/surplus before working capital changes</b>	(5,035,990)	1,052,025
Decrease in accounts and other receivable	740,775	539,767
(Decrease)/increase in provisions and other payables	(2,430,953)	3,305,744
(Decrease)/increase in amount due to headquarter office	(192,092)	138,287
(Decrease)/Increase in amounts due to affiliate offices	(878,277)	1,712,888
	<u>                    </u>	<u>                    </u>
<b>Cash (used in)/generated from operations</b>	(7,796,537)	6,748,711
Income tax recovered	4,568	-
	<u>                    </u>	<u>                    </u>
<b>Net cash (used in)/generated from operating activities</b>	<u>(7,791,969)</u>	<u>6,748,711</u>
<b>Investing activities</b>		
Interest received	12,990	33,371
Purchase of property, plant and equipment	(41,703)	(10,071)
	<u>                    </u>	<u>                    </u>
<b>Net cash (used in)/generated from investing activities</b>	<u>(28,713)</u>	<u>23,300</u>
<b>Net (decrease)/ increase in cash and cash equivalents</b>	(7,820,682)	6,772,011
Effect of foreign exchange rate changes	1	2,373
<b>Cash and cash equivalents at beginning of year</b>	<u>15,801,991</u>	<u>9,027,607</u>
<b>Cash and cash equivalents at end of year</b>		
- represented by bank balances and cash	<u>7,981,310</u>	<u>15,801,991</u>

**HABITAT FOR HUMANITY HONG KONG LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**30 JUNE 2021**

**1. GENERAL**

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

The Association and its subsidiaries (hereafter referred to as the “Group”) principally 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 homelessness in the region, and the principal activities of its subsidiaries are detailed in note 12.

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

**(a) Statement of compliance**

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

**(b) Adoption of new/revised HKFRSs - effective on 1 July 2020**

Adopting the following new HKFRSs has no significant impact on the Company’s accounting policies and financial statements.

- Conceptual Framework for Financial Reporting (Revised)
- Amendments to HKAS 1 and HKAS 8, Definition of Material
- Amendments to HKFRS 3, Definition of a Business
- Amendments to HKFRS 16, COVID-19-Related Rent Concessions

**(c) New 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:

- Amendments to HKAS 1, Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause<sup>3</sup>
- Amendments to HKAS 1 and Practice Statement 2, Disclosure of Accounting Policy Information<sup>3</sup>
- Amendments to HKAS 8, Definition of Accounting Estimates<sup>3</sup>
- Amendments to HKAS 37, Onerous Contracts - Cost of Fulfilling a Contract<sup>2</sup>
- Amendments to HKFRS 16, COVID-19-Related rent concessions beyond 30 June 2021<sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 April 2021.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2023.

**HABITAT FOR HUMANITY HONG KONG LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**30 JUNE 2021**

**2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - Continued**

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

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.

**3. BASIS OF FINANCIAL STATEMENTS PREPARATION**

**(a) Basic of measurement**

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

**(b) Functional and presentation currency**

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

**4. SIGNIFICANT ACCOUNTING POLICIES**

**(a) Subsidiaries**

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

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

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

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

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

**HABITAT FOR HUMANITY HONG KONG LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**30 JUNE 2021**

**4. SIGNIFICANT ACCOUNTING POLICIES - Continued**

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

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.

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

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

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

**HABITAT FOR HUMANITY HONG KONG LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**30 JUNE 2021**

**4. SIGNIFICANT ACCOUNTING POLICIES - Continued**

**(c) Impairment of property, plant and equipment / interest in subsidiaries - continued**

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 at amortised cost**

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

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

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

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

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

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

**HABITAT FOR HUMANITY HONG KONG LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**30 JUNE 2021**

**4. SIGNIFICANT ACCOUNTING POLICIES - Continued**

**(d) Financial instruments - Continued**

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

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

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

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

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

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

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

**(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.

**HABITAT FOR HUMANITY HONG KONG LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**30 JUNE 2021**

**4. SIGNIFICANT ACCOUNTING POLICIES - Continued**

**(e) Leasing - Continued**

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

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

**(f) Taxation**

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

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

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

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

**HABITAT FOR HUMANITY HONG KONG LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**30 JUNE 2021**

**4. SIGNIFICANT ACCOUNTING POLICIES - Continued**

**(g) Foreign currency**

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

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

**(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**

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

**(iii) Termination benefits**

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



**HABITAT FOR HUMANITY HONG KONG LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**30 JUNE 2021**

**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 2021**

**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.

**HABITAT FOR HUMANITY HONG KONG LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**30 JUNE 2021**

**5. REVENUE**

	2021 HK\$	2020 HK\$
Subsidy income	2,171,286	-
Fund raising income	13,576,290	20,806,333
HKSAR Government Disaster Relief Fund	8,675,365	9,296,494
Income from Project Global Village (Note)	<u>(95,550)</u>	<u>554,809</u>
Total revenue	<u>24,327,391</u>	<u>30,657,636</u>

Note:

HKD 95,550 were refunded to donor due to cancellation of Project Global Village due to COVID19.

**6. OTHER INCOME**

	2021 HK\$	2020 HK\$
Bank interest income	12,990	33,371
Refund of initial payment for Special Event cancelled	231,000	-
Amount due to an affiliate office taken to income	203,865	-
Project construction cost recovered	235,577	570,540
Sundry income/(losses)	<u>55,440</u>	<u>(52,633)</u>
Total other income	<u>738,872</u>	<u>551,278</u>

**7. OTHER GAINS AND LOSSES**

	2021 HK\$	2020 HK\$
Exchange loss, net	<u>(230,254)</u>	<u>(109,343)</u>
	<u>(230,254)</u>	<u>(109,343)</u>

**HABITAT FOR HUMANITY HONG KONG LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**30 JUNE 2021**

**8. (DEFICIT)/SURPLUS BEFORE INCOME TAX**

	2021 HK\$	2020 HK\$
(Deficit)/Surplus before income tax is arrived at after charging:		
Staff costs		
Salaries and staff benefits expense (Note (i))	8,124,798	8,393,482
Less: Government grant to subsidise salary costs	(745,200)	(144,000)
Severance payments for restructuring (Note (ii))	3,643,638	946,219
Contributions to defined contribution plans	735,640	920,235
	<u>11,758,876</u>	<u>10,115,936</u>
Staff costs (operating) by function:		
Administrative expenses	506,583	996,387
Fund raising expenses	2,754,795	3,327,012
Programme expenses	4,853,860	4,846,318
	<u>8,115,238</u>	<u>9,169,717</u>
Auditor's remuneration	102,000	100,000
Construction costs	4,852,862	3,294,986
Depreciation	15,848	58,241
Payments for short-term leases	744,951	1,118,744
Impairment loss on accounts receivable (Note (ii))	2,535,895	-

Notes:

- (i) The Group applied for government grant under the Employment Support Scheme to subsidise salary costs for June to November 2020. 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 exceptional costs of HK\$ 6,209,180 (2020: HK\$ 984,719). A breakdown of the same is as given below:

	2021 HK\$	2020 HK\$
Staff costs	3,643,638	946,219
Impairment of accounts receivable	2,535,895	-
Professional services and bank charges	29,647	38,500

**HABITAT FOR HUMANITY HONG KONG LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**30 JUNE 2021**

**9. DIRECTORS' EMOLUMENTS**

No remuneration has been paid or will be payable to the Directors for their services (2020: Nil).

**10. INCOME TAX CREDIT**

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

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

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

	2021 HK\$	2020 HK\$
Hong Kong Profits Tax		
- current year	-	-
- under-provision in respect of prior year	-	-
PRC Enterprise Income Tax		
- current year	-	-
- over-provision in respect of prior year	-	(124,790)
	<u>-</u>	<u>(124,790)</u>
Tax credit for the year	<u>-</u>	<u>(124,790)</u>

**HABITAT FOR HUMANITY HONG KONG LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**30 JUNE 2021**

**10. INCOME TAX CREDIT - Continued**

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

	2021 HK\$	2020 HK\$
(Deficit)/surplus before tax	<u>(7,580,083)</u>	<u>979,295</u>
Tax calculated at Hong Kong Profits Tax rate of 8.25% (2020: 8.25%)	(625,357)	80,792
Tax effect of revenue not taxable	(132)	(80,802)
Tax effect of expenses not deductible for tax purposes	1,705	-
Tax effect of deductible temporary difference not recognised	-	10
Effect of tax exemptions granted to holding company	623,784	-
Under-provision in respect of prior years	-	-
PRC Enterprise Income Tax	<u>-</u>	<u>(124,790)</u>
Income tax credit	<u>-</u>	<u>(124,790)</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 2021**

**11. PROPERTY, PLANT AND EQUIPMENT**

	Leasehold improvements HK\$	Furniture and fixtures HK\$	Computer equipment HK\$	Total HK\$
<b>Cost</b>				
At 1 July 2019	230,000	63,965	285,509	579,474
Additions	-	-	10,071	10,071
Written off	(230,000)	(25,992)	(119,962)	(375,954)
Exchange alignment	-	(2,771)	(11,605)	(14,376)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2020 and 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
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2021	-	8,559	79,950	88,509
<b>Accumulated depreciation</b>				
At 1 July 2019	149,500	58,003	244,351	451,854
Charge for the year	38,333	2,838	17,070	58,241
Written off	(187,833)	(23,875)	(116,386)	(328,094)
Exchange alignment	-	(2,605)	(9,398)	(12,003)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2020 and 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
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2021	-	8,559	30,219	38,778
<b>Net book value</b>				
At 30 June 2021	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	-	-	49,731	49,731
At 30 June 2020	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	-	841	28,376	29,217

**HABITAT FOR HUMANITY HONG KONG LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**12. INTERESTS IN SUBSIDIARIES**

	<b>2021 HK\$</b>	<b>2020 HK\$</b>
Unlisted investment, at cost	1	1

Particulars of the Association's subsidiaries as at 30 June 2021 and 2020 were as follows:

<u>Name of company</u>	<u>Place of incorporation and operations and legal entity status</u>	<u>Registered capital</u>	<u>Percentage of equity interest held</u>		<u>Principal activities</u>
			<u>directly</u>	<u>indirectly</u>	
Habitat For Humanity Consultants Limited	Hong Kong (corporation limited by shares)	HK\$1	100%	-	Providing consultancy and supportive services to the Group
援建房信息咨询(上海)有限公司 (De-registered on 16 March 2021)	PRC (wholly foreign-owned enterprise)	US\$350,000	-	Nil (2020:100%)	Provision of consulting services in PRC (Business never commenced)

Note: The subsidiary was de-registered on 16 March 2021.

**13. ACCOUNTS RECEIVABLE**

	<b>2021 HK\$</b>	<b>2020 HK\$</b>
Accounts receivable	4,028,481	4,835,477
Less: Impairment loss on accounts receivable (Note (i))	(2,535,895)	-
	1,492,586	4,835,477
Construction costs recoverable (Note (ii))	-	1,139,894
Less: ECL allowances for construction costs recoverable	-	(1,139,894)
	-	-
	1,492,586	4,835,477

The Group does not hold any collateral over these receivables.



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**13. ACCOUNTS RECEIVABLE - Continued**

Note (i):

**Movement of impairment**

	2021 HK\$	2020 HK\$
Balance at beginning of year	-	-
Increase during the year	<u>2,535,895</u>	<u>-</u>
Balance at end of year	<u>2,535,895</u>	<u>-</u>

Note (ii):

Construction costs recoverable are funding for the construction costs of new houses provided as loans to rural families. Homeowners are required to repay such construction costs in 5 years, and the money so recovered will go to help build still more houses for needy families. As the loans are for poverty alleviation purpose and are unsecured, the Association adopted a policy to critically assess the impairment at initial recognition and recorded a full impairment loss whenever appropriate and, on this basis, the funds are expensed in the year of spend, any recovery in later years from the homeowners will be shown under "Project Construction Cost Recovery" (classified as Other Income in note 6).

**Movement of construction costs recoverable**

	2021 HK\$	2020 HK\$
Balance at beginning of year	1,139,894	1,750,847
Increase during the year	-	-
Repayment	(235,576)	(570,541)
Written off during the year	(854,757)	-
Exchange realignment	<u>(49,561)</u>	<u>(40,412)</u>
	<u>-</u>	<u>1,139,894</u>

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13. ACCOUNTS RECEIVABLE - Continued

Construction costs recoverable 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 has fully written-off such recoverables during the current financial year.

Movement of impairment

	2021 HK\$	2020 HK\$
Balance at beginning of year	1,139,894	1,750,847
Increase in impairment	-	-
Amount recovered	(235,576)	(570,541)
Amount written off	(854,757)	-
Exchange realignment	(49,561)	(40,412)
	<u>-</u>	<u>1,139,894</u>

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021 HK\$	2020 HK\$
Prepayments	388,314	159,058
Deposits and other receivables	<u>94,070</u>	<u>257,105</u>
	<u>482,384</u>	<u>416,163</u>

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

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

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**16. PROVISIONS AND OTHER PAYABLES**

	2021 HK\$	2020 HK\$
Provision for restructuring (Note)	-	984,719
Accounts payable	278,635	380,998
Accrued charges	102,000	106,800
Deferred income	2,524,940	3,848,516
Other payables	196,494	211,989
	<u>3,102,069</u>	<u>5,533,022</u>

Note:  
Provision for restructuring

	2021 HK\$	2020 HK\$
Balance at 1 July	984,719	-
Provision made during the year	-	984,719
Amount settled during the year	<u>(984,719)</u>	<u>-</u>
Balance at 30 June	<u>-</u>	<u>984,719</u>

On 15 June 2020, the Group had announced a restructuring plan to close certain representative offices in Mainland China. Provision for staff severance payments and other closure costs that can be reasonably estimated was made in the year ended 30 June 2020. This has since been utilised and paid out in the current financial year.

**17. RELATED PARTY TRANSACTIONS**

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

Related parties	Nature of transactions	2021 HK\$	2020 HK\$
Headquarter office	Subsidy income	2,171,286	-
	Fund raising income for designated projects	-	1,945,468
	Management fee paid	664,591	857,930
Affiliate offices	Subsidies paid	10,119,433	10,634,150
	Amount payable taken to income	203,865	-

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**18. FUND RISK MANAGEMENT**

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

**19. FINANCIAL RISK MANAGEMENT**

The Group is mainly exposed to the following risks:

**(a) Credit risk**

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

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

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

**(b) Liquidity risk**

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

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

**(c) Foreign currency risk**

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

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

At the end of the reporting period, HK\$ Nil (2020: HK\$4,691,404) of accounts receivable and HK\$ 702,538 (2020: HK\$2,964,011) of bank balances were denominated in RMB. As at 30 June 2021, if Hong Kong Dollar had strengthened/weakened by 5% (2020:5%) against RMB with all other variables held constant, the Group's deficit for the year would have been HK\$35,127 (2020: HK\$382,771) 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.

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**19. FINANCIAL RISK MANAGEMENT - Continued**

(c) **Foreign currency risk - Continued**

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to the Group's exposure to currency risk for all financial instruments in existence at that date, and that all other variables remain constant. The stated changes in foreign currency represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the end of the next reporting period. The analysis has been performed on the same basis for 2020 and 2021.

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

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

	2021 HK\$	2020 HK\$
<u>Financial assets</u>		
Financial assets at amortised cost	<u>9,681,446</u>	<u>21,163,392</u>
<u>Financial liabilities</u>		
Financial liabilities measured at amortised cost	<u>1,599,462</u>	<u>2,947,828</u>

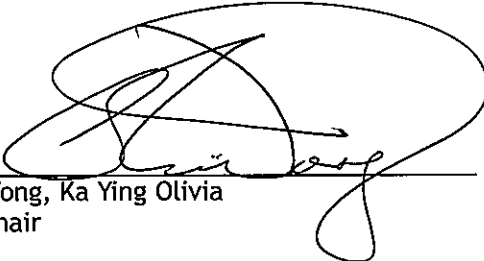
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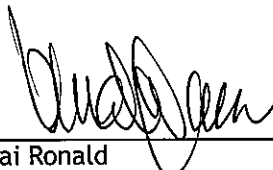
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21. STATEMENT OF FINANCIAL POSITION OF THE ASSOCIATION (HOLDING CO. ONLY)

	2021 HK\$	2020 HK\$
<b>Non-current assets</b>		
Property, plant and equipment	49,731	29,217
Interest in subsidiaries	<u>1</u>	<u>1</u>
	<u>49,732</u>	<u>29,218</u>
<b>Current assets</b>		
Accounts receivables	1,492,586	4,841,756
Prepayments and other receivables	482,384	416,163
Amount due from affiliate offices	113,480	268,819
Bank balances and cash	<u>7,967,698</u>	<u>15,801,991</u>
	<u>10,056,148</u>	<u>21,328,729</u>
<b>Current liabilities</b>		
Accounts and other payables	3,083,887	5,486,340
Amount due to subsidiary	267,747	256,513
Amount due to headquarter office	69,333	261,425
Amount due to affiliate offices	<u>953,000</u>	<u>1,986,616</u>
	<u>4,373,967</u>	<u>7,990,894</u>
<b>Net current assets</b>	<u>5,682,181</u>	<u>13,337,835</u>
<b>NET ASSETS</b>	<u>5,731,913</u>	<u>13,367,053</u>
<b>Reserves</b>		
General fund [Noted(a)]	<u>5,731,913</u>	<u>13,367,053</u>
<b>TOTAL EQUITY</b>	<u>5,731,913</u>	<u>13,367,053</u>

On behalf of the Board

  
Wong, Ka Ying Olivia  
Chair

  
Yam, Tak Fai Ronald  
Director

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

**(a) Movements of reserves**

	<b>General fund HK\$</b>
At 1 July 2019	12,728,515
Surplus and total comprehensive income for the year	<u>638,538</u>
At 30 June 2020 and 1 July 2020	13,367,053
Deficit and total comprehensive loss for the year	<u>(7,635,140)</u>
At 30 June 2021	<u><u>5,731,913</u></u>

**22. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved and authorised for issue by the Directors on 10 November 2021.

