

CROSSROADS FOUNDATION LIMITED
國際十字路協會有限公司
(incorporated in Hong Kong as a Company limited by guarantee
and not having share capital)

Directors' Report and Financial Statements
For the year ended 31 December 2015

CROSSROADS FOUNDATION LIMITED
國際十字路協會有限公司

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

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Expressed in Hong Kong dollars ("HK\$")	

CROSSROADS FOUNDATION LIMITED
國際十字路協會有限公司

DIRECTORS' REPORT

The directors present their annual report together with the audited consolidated financial statements for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

Crossroads Foundation Limited (the "Company") is a registered non-profit organisation based in Hong Kong. Its principal activities are :

- (a) Through Crossroads Global Distribution the organisation receives Hong Kong's quality superseded goods and redistributes them to people in need, locally and internationally;
- (b) Through Global Hand the organisation is linking for-profit and non-profit organisations to combat global need;
- (c) Through Global Handicrafts fairly traded goods are purchased from around the world and are made available for sale; and
- (d) Through Crossroads Global Village the organisation offers a themed, immersive environment where people can experience global need first hand.

The Company conducts its operations under the following registrations:

- SHIC (Hong Kong) Asian Health Services Exchange
- Global Hand
- P3 International
- Crossroads Global Distribution
- Crossroads Global Handicrafts
- Crossroads Global Village

The principal activity of Crossroads Global Village UK Limited, the subsidiary of the Company, is to support United Kingdom ("UK") business and charities seeking a partnership 'match' for their humanitarian and Corporate Social Responsibility programmes ("CSR programmes") by facilitating use of Global Hand website and offering themed, immersive environment for experience global need first hand.

RESULTS AND APPROPRIATIONS

The financial performance of the Group for the year ended 31 December 2015 and the financial position of the Group at that date are set out in the financial statements on pages 6 to 32.

CROSSROADS FOUNDATION LIMITED
國際十字路協會有限公司

DIRECTORS' REPORT

RESERVES

Details of movements in the reserves, comprising translation reserve and accumulated surplus, of the Group during the year are set out in the consolidated statement of changes in equity on page 8.

SUBSIDIARY

Details of the Company's subsidiary at 31 December 2015 are set out in Note 10 to the financial statements.

DIRECTORS

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

David Lewis de Groen
Jane Rosemarie Henderson
Judy Joanne Butler
Malcolm Bruce Begbie
Sally Linda Begbie

In accordance with the Company's articles of association, all directors shall hold office for three years and be eligible for re-election.

MATERIAL INTERESTS IN TRANSACTIONS ARRANGEMENTS OR CONTRACT

No transactions, arrangement or contract of significance to which the Company or its subsidiary was a party and in which a director of the Company or an entity connected with a director is or was materially interested, whether directly or indirectly, subsisted during or at the end of the financial year.

PERMITTED INDEMNITY PROVISIONS

At no time during the financial year and up to the date of this Report, there was or is, any permitted indemnity provision being in force for the benefit of any of the directors of the Company (whether made by the Company or otherwise) or an associated company (if made by the Company).

CROSSROADS FOUNDATION LIMITED
國際十字路協會有限公司

DIRECTORS' REPORT

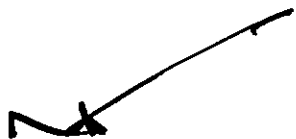
BUSINESS REVIEW

The Company is exempted from preparing a business review for the financial year.

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 directors



Malcolm Bruce Begbie
Director

Hong Kong, 28 SEP 2016



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**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CROSSROADS FOUNDATION LIMITED
國際十字路協會有限公司**

(incorporated in Hong Kong as a Company limited by guarantee and not having share capital)

We have audited the consolidated financial statements of Crossroads Foundation Limited 國際十字路協會有限公司 (the "Company") and its subsidiary (hereafter referred to as the "Group") set out on pages 6 to 32, which comprise the consolidated statements of financial position as at 31 December 2015, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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.

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 judgment, 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 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 CROSSROADS FOUNDATION LIMITED**

國際十字路協會有限公司

(incorporated in Hong Kong as a Company limited by guarantee and not having share capital)

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015 and of its 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.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 3.1 which explains the preparation of the consolidated financial statements on a going concern basis notwithstanding that the finalisation of a land lease is in progress as at the date of approval of the financial statements.

BDO limited

BDO Limited

Certified Public Accountants

CHIU Wing Cheung Ringo

Practising Certificate Number P04434

Hong Kong,

28 SEP 2016

CROSSROADS FOUNDATION LIMITED
國際十字路協會有限公司

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 HK\$	2014 HK\$
Revenue	5	16,907,323	18,540,900
Global handicrafts inventory expenses		(632,896)	(660,216)
Depreciation		(323,501)	(292,197)
Other operating expenses		<u>(15,487,676)</u>	<u>(15,346,560)</u>
Surplus for the year	6	<u>463,250</u>	<u>2,241,927</u>
Other comprehensive income for the year			
- Exchange difference arising from translation of foreign operations		<u>(8,299)</u>	<u>(5,848)</u>
Total comprehensive income for the year		<u><u>454,951</u></u>	<u><u>2,236,079</u></u>

CROSSROADS FOUNDATION LIMITED
國際十字路協會有限公司

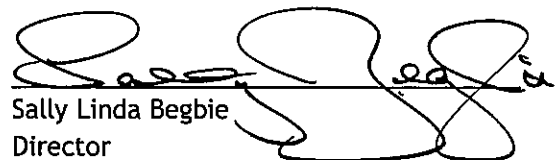
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Notes	2015 HK\$	2014 HK\$
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	9	<u>713,339</u>	<u>842,223</u>
Current assets			
Inventories	11	601,294	643,068
Deposits, prepayments and other receivables	12	1,719,365	1,354,993
Cash and cash equivalents	13	<u>5,165,860</u>	<u>4,364,055</u>
		<u>7,486,519</u>	<u>6,362,116</u>
Current liabilities			
Other payables and accruals	14	2,778,818	2,179,072
Amount due to a director	15	<u>407,736</u>	<u>466,914</u>
		<u>3,186,554</u>	<u>2,645,986</u>
Net current assets		<u>4,299,965</u>	<u>3,716,130</u>
Net assets		<u>5,013,304</u>	<u>4,558,353</u>
EQUITY			
Translation reserve		(24,595)	(16,296)
Accumulated surplus		<u>5,037,899</u>	<u>4,574,649</u>
Total equity		<u>5,013,304</u>	<u>4,558,353</u>

On behalf of the directors



Malcolm Bruce Begbie
Director



Sally Linda Begbie
Director

CROSSROADS FOUNDATION LIMITED
國際十字路協會有限公司

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

	Translation reserve HK\$	Accumulated surplus HK\$	Total HK\$
Balance at 1 January 2014	(10,448)	2,332,722	2,322,274
Surplus for the year	-	2,241,927	2,241,927
Other comprehensive income for the year			
- Exchange difference arising from translations of foreign operations	(5,848)	-	(5,848)
Total comprehensive income for the year	<u>(5,848)</u>	<u>2,241,927</u>	<u>2,236,079</u>
Balance at 31 December 2014 and 1 January 2015	(16,296)	4,574,649	4,558,353
Surplus for the year		463,250	463,250
Other comprehensive income for the year			
- Exchange difference arising from translations of foreign operations	(8,299)	-	(8,299)
Total comprehensive income for the year	<u>(8,299)</u>	<u>463,250</u>	<u>454,951</u>
Balance at 31 December 2015	<u>(24,595)</u>	<u>5,037,899</u>	<u>5,013,304</u>

CROSSROADS FOUNDATION LIMITED
國際十字路協會有限公司

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 HK\$	2014 HK\$
Cash flows from operating activities		
Surplus for the year	463,250	2,241,927
Adjustments for :		
Depreciation of property, plant and equipment	323,501	292,197
(Gain)/Loss on disposal of property, plant and equipment	(101,000)	42,378
Interest income	(21)	(128)
Exchange translation difference	(8,299)	(6,897)
Operating surplus before working capital changes	677,431	2,569,477
Decrease/(increase) in inventories	41,774	(104,833)
Increase in other receivables	(364,372)	(467,140)
Increase in other payables and accruals	599,746	148,438
(Decrease)/increase in amount due to a director	(59,178)	121,833
<i>Net cash generated from operating activities</i>	<u>895,401</u>	<u>2,267,775</u>
Cash flows from investing activities		
Interest received	21	128
Proceeds from the disposal of property, plant and equipment	101,000	-
Purchase of property, plant and equipment	(194,617)	(481,031)
<i>Net cash used in investing activities</i>	<u>(93,596)</u>	<u>(480,903)</u>
Net increase in cash and cash equivalents	801,805	1,786,872
Cash and cash equivalents at beginning of year	<u>4,364,055</u>	<u>2,577,183</u>
Cash and cash equivalents at end of year	<u><u>5,165,860</u></u>	<u><u>4,364,055</u></u>
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	4,925,860	4,124,055
Time deposits	240,000	240,000
	<u><u>5,165,860</u></u>	<u><u>4,364,055</u></u>

CROSSROADS FOUNDATION LIMITED
國際十字路協會有限公司

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

1. GENERAL INFORMATION

Crossroads Foundation Limited 國際十字路協會有限公司 (the "Company") is a registered non-profit organisation based in Hong Kong. The Company is a company limited by guarantee incorporated in Hong Kong. Its registered office and principal place of business is 2 Castle Peak Road, Tuen Mun, Hong Kong.

The Company conducts its operations under the following registrations:

- SHIC (Hong Kong) Asian Health Services Exchange
- Global Hand
- P3 International
- Crossroads Global Distribution
- Crossroads Global Handicrafts
- Crossroads Global Village

Its principal activities are:

- (a) Through Crossroads Global Distribution the organisation receives Hong Kong's quality superseded goods and redistributes them to people in need, locally and internationally;
- (b) Through Global Hand the organisation is linking for-profit and non-profit organisations to combat global need;
- (c) Through Global Handicrafts fairly traded goods are purchased from around the world and are made available for sale; and
- (d) Through Crossroads Global Village the organisation offers a themed, immersive environment where people can experience global need first hand.

The principal activity of the Company's subsidiary is to support United Kingdom business and charities seeking a partnership 'match' for their humanitarian and CSR programmes by facilitating use of Global Hand website and offering themed, immersive environment for experience global need first hand..

The consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is same as the functional currency of the Group.

CROSSROADS FOUNDATION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

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

2.1 Adoption of new/revised HKFRSs - effective 1 January 2015

In the current year, the Group have applied for the first time the following revision and amendment to standards and interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are relevant to and effective for the Group’s financial statements for the annual period beginning on 1 January 2015:

HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle

The adoption of these amendments has no material impact on the Group’s financial statements.

2.2 New/revised HKFRSs that have been issued but not yet effective

The following new/revised HKFRSs, potentially relevant to the Group’s financial statements, have been issued, but are not yet effective and have not been early adopted by the Group:

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle ¹
Amendments to HKAS 1	Disclosure Initiative ¹
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ¹
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ¹
HKFRS 15	Revenue from Contracts with Customers ²
HKFRS 16	Leases ³

¹ Effective for annual periods beginning on or after 1 July 2016

² Effective for annual periods beginning on or after 1 January 2017

³ Effective for annual periods beginning on or after 1 January 2019

CROSSROADS FOUNDATION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

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

2.2 New/revised HKFRSs that have been issued but not yet effective - Continued

Amendments to HKAS 1 - Disclosure Initiative

The amendments are designed to encourage entities to use judgement in the application of HKAS 1 when considering the layout and content of their financial statements.

An entity's share of other comprehensive income from equity accounted interests in associates and joint ventures will be split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as a single line item within those two groups.

Amendments to HKAS 16 and HKAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 - Investment Entities: Applying the Consolidation Exception

The amendments clarify that the exemption from preparing consolidated financial statements for an intermediate parent entity is available to a subsidiary of an investment entity (including investment entities that account for their subsidiaries at fair value rather than consolidating them). An investment entity parent will consolidate a subsidiary only when the subsidiary is not itself an investment entity and the subsidiary's main purpose is to provide services that relate to the investment entity's investment activities. A non-investment entity applying the equity method to an associate or joint venture that is an investment entity may retain the fair value measurements that associate or joint venture used for its subsidiaries. An investment entity that prepares financial statements in which all its subsidiaries are measured at fair value through profit or loss should provide the disclosures related to investment entities as required by HKFRS 12.

CROSSROADS FOUNDATION LIMITED
國際十字路協會有限公司

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

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

2.2 New/revised HKFRSs that have been issued but not yet effective - Continued

HKFRS 15 - Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

HKFRS 16 - Leases

HKFRS 16 eliminates the classification by a lessee of leases as either operating or finance. Instead all leases are treated in a similar way to finance leases in accordance with HKAS 17. Under HKFRS 16, leases are recorded on the statement of financial position by recognising a liability for the present value of its obligation to make future lease payments with an asset (comprised of the amount of the lease liability plus certain other amounts) either being disclosed separately in the statement of financial position (within right-of-use assets) or together with property, plant and equipment. The most significant effect of the new requirements will be an increase in recognised lease assets and financial liabilities.

CROSSROADS FOUNDATION LIMITED
國際十字路協會有限公司

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

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

2.3 New Companies Ordinance provisions relating to the preparation of financial statements

The provisions of the new Companies Ordinance, Cap. 622, in relation to the preparation of financial statements apply to the Company in this financial year. The directors consider that there is no impact on the Group's financial position or performance, however the new Companies Ordinance, Cap. 622, impacts on the presentation and disclosures in the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRS") and the provisions of the Hong Kong Companies Ordinance which concern the preparation of financial statements.

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

CROSSROADS FOUNDATION LIMITED
國際十字路協會有限公司

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation - Continued

Accounting estimates and assumptions have been used in preparing these financial statements. Although these estimates and assumptions are based on management's best knowledge and judgment of current events and conditions, actual results may ultimately differ from those estimates and assumptions. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Group's financial statements, are disclosed in Note 4.

The significant accounting policies adopted in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

The consolidated financial statements are prepared on a going concern basis which assumes the finalisation of the lease of the land at which the Group carries out its operations; which is in progress as at the date of approval of these consolidated financial statements as explained in note 17.

Should the Group be unable to finalise the lease of the land at which the Group carries out its operations and continue in business as a going concern, adjustments would have to be made to reclassify non-current assets to current assets, to reduce the value of assets to their net realisable amounts and to provide for any further liabilities which might arise. No such adjustments were reflected in these consolidated financial statements.

3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

3.3 Subsidiary

A subsidiary is an investee over which the Company is able to exercise control. The Company 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.

CROSSROADS FOUNDATION LIMITED
國際十字路協會有限公司

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING POLICIES - Continued

3.4 Property, plant and equipment

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

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 Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial 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	The shorter of the useful life or remaining lease term
Office equipment	20%
Computer equipment	20%
Motor vehicle	20%
Warehouse equipment	20%
Photographic equipment	20%

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's 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 profit or loss on disposal.

3.5 Leasing

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

CROSSROADS FOUNDATION LIMITED
國際十字路協會有限公司

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING POLICIES - Continued

3.5 Leasing - Continued

The Group as lessee

Operating lease payments are recognised as expenses in profit or loss on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3.6 Impairment of other assets

At the end of each reporting period, the Group reviews the carrying amount of property, plant and equipment to determine whether there is any indication that those 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 to sell 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.

Where an impairment loss subsequently reverses, the carrying amount of the asset 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.

CROSSROADS FOUNDATION LIMITED
國際十字路協會有限公司

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING POLICIES - Continued

3.7 Financial instruments

(i) *Financial assets*

The Group's financial assets are classified as loans and receivables. The Group classified its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets (other than financial assets at fair value through profit or loss) are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

(ii) *Impairment loss on financial assets*

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty; and
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

CROSSROADS FOUNDATION LIMITED
國際十字路協會有限公司

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING POLICIES - Continued

3.7 Financial instruments - Continued

(ii) Impairment loss on financial assets - Continued

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data include but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

For Loans and receivables

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including other payables and accruals and amount due to a director is subsequently measured at amortised cost, using the effective interest method.

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

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING POLICIES - Continued

3.7 Financial instruments - Continued

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or financial liability, or where appropriate, a shorter period.

(v) Derecognition

The Group derecognises a financial asset when the contractual rights to future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

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

3.8 Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method/first-in first out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

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3. SIGNIFICANT ACCOUNTING POLICIES - Continued

3.9 Cash and cash equivalents

Cash and cash equivalents include cash at banks and on hand, including demand deposits and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months or less when acquired.

3.10 Revenue recognition

Revenue comprises the fair value for the sale of goods, rendering of services and the use by others of the Group's assets yielding interest, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

Donations are recognised as income in the period in which they are received or receivable.

Revenue from global handicrafts is recognised on transfer of risks and rewards of ownership, which is at the time when the goods are delivered and the title is passed to customers.

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

3.11 Foreign currencies

Transactions entered into by the Group in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated 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 in terms of historical cost in a foreign currency are not retranslated.

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3. SIGNIFICANT ACCOUNTING POLICIES - Continued

3.11 Foreign currencies - Continued

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. HK\$) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated into HK\$ at the rate of exchange prevailing at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as translation reserve.

3.12 Provision 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 it is probable will 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.

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3. SIGNIFICANT ACCOUNTING POLICIES - Continued

3.13 Related parties

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

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) dependents of that person or that person's spouse or domestic partner.

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FOR THE YEAR ENDED 31 DECEMBER 2015

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Allowance for inventories

The Group's management reviews an ageing analysis of inventories at each reporting date, and make allowance for obsolete and slow-moving inventory items identified that are no longer considered to be saleable or suitable for use in production. Management estimates the net realisable value for finished goods based on primarily on the latest invoice prices, condition and nature of the goods and current market conditions. The Group carries out an inventory review on a product-by-product basis at each reporting date and makes allowances for obsolete or unsalable items.

Depreciation

The Group depreciates the plant and equipment on a straight-line basis over the estimated useful lives of 5 years, starting from the date when the assets are available for use. The estimated useful lives reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's plant and equipment.

5. REVENUE

	2015 HK\$	2014 HK\$
Revenue		
Donations received	<u>15,883,263</u>	<u>17,600,609</u>
Other revenue		
Interest income	21	128
Others	41,576	-
Gain from disposal of property, plant and equipment	101,000	-
Sales of goods - Global handicrafts	<u>881,463</u>	<u>940,163</u>
	<u>1,024,060</u>	<u>940,291</u>
Total revenue	<u>16,907,323</u>	<u>18,540,900</u>

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6. SURPLUS FOR THE YEAR

Surplus for the year is arrived at after charging:

	2015 HK\$	2014 HK\$
Auditor's remuneration	-	-
Depreciation of property, plant and equipment	323,501	292,197
(Gain)/Loss on disposal of property, plant and equipment	(101,000)	11,097
Operating lease rentals for office, warehouse and volunteer facilities	<u>3,170,354</u>	<u>2,920,990</u>

7. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to Section 383 of the Hong Kong Companies Ordinance (Cap. 622) and the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) is as follows:

	2015 HK\$	2014 HK\$
Fees	-	-
Other remuneration	<u>-</u>	<u>-</u>

8. TAXATION

No Hong Kong profits tax has been provided in the consolidated financial statements as the Group is a charitable organisation within the meaning of Section 88 of the Hong Kong Inland Revenue Ordinance ("IRO") and accordingly, it is exempted from payments of all taxes that are levied under the IRO.

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9. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$	Office equipment HK\$	Computer equipment HK\$	Motor vehicles HK\$	Warehouse equipment HK\$	Photographic equipment HK\$	Total HK\$
At 1 January 2014							
Cost	6,935,842	121,203	1,348,470	668,900	1,479,752	175,575	10,729,742
Accumulated depreciation	(6,814,318)	(115,330)	(1,250,463)	(467,038)	(1,263,629)	(124,246)	(10,035,024)
Net carrying amount	<u>121,524</u>	<u>5,873</u>	<u>98,007</u>	<u>201,862</u>	<u>216,123</u>	<u>51,329</u>	<u>694,718</u>
Year ended 31 December 2014							
Opening net carrying amount	121,524	5,873	98,007	201,862	216,123	51,329	694,718
Exchange adjustments	-	(202)	2,419	-	(307)	(861)	1,049
Additions	56,913	3,471	22,099	263,049	135,499	-	481,031
Reallocation	18,000	-	-	-	(18,000)	-	-
Disposal:	-	(3,272)	(7,375)	(13,529)	(5,017)	(13,185)	(42,378)
- Cost	-	4,964	64,794	211,050	6,350	66,297	353,455
- Accumulated depreciation	-	(1,692)	(57,419)	(197,521)	(1,333)	(53,112)	(311,077)
Depreciation	(52,797)	(2,192)	(51,234)	(80,990)	(86,331)	(18,653)	(292,197)
Closing net carrying amount	<u>143,640</u>	<u>3,678</u>	<u>63,916</u>	<u>370,392</u>	<u>241,967</u>	<u>18,630</u>	<u>842,223</u>
At 31 December 2014 and 1 January 2015							
Cost	7,010,754	119,406	1,301,816	720,900	1,590,512	105,225	10,848,613
Accumulated depreciation	(6,867,114)	(115,728)	(1,237,900)	(350,508)	(1,348,545)	(86,595)	(10,006,390)
Net carrying amount	<u>143,640</u>	<u>3,678</u>	<u>63,916</u>	<u>370,392</u>	<u>241,967</u>	<u>18,630</u>	<u>842,223</u>
Year ended 31 December 2015							
Opening net carrying amount	143,640	3,678	63,916	370,392	241,967	18,630	842,223
Additions	63,300	-	5,570	-	125,747	-	194,617
Disposal:	-	-	-	-	-	-	-
- Cost	-	-	-	153,000	-	-	153,000
- Accumulated depreciation	-	-	-	(153,000)	-	-	(153,000)
Depreciation	(67,175)	(996)	(35,126)	(113,517)	(100,341)	(6,346)	(323,501)
Closing net carrying amount	<u>139,765</u>	<u>2,682</u>	<u>34,360</u>	<u>256,875</u>	<u>267,373</u>	<u>12,284</u>	<u>713,339</u>
At 31 December 2015							
Cost	7,074,054	119,406	1,307,386	567,900	1,716,259	105,225	10,890,230
Accumulated depreciation	(6,934,289)	(116,724)	(1,273,026)	(311,025)	(1,448,886)	(92,941)	(10,176,891)
Net carrying amount	<u>139,765</u>	<u>2,682</u>	<u>34,360</u>	<u>256,875</u>	<u>267,373</u>	<u>12,284</u>	<u>713,339</u>

10. SUBSIDIARY

Particulars of the subsidiary as at 31 December 2015 are as follows:

Name of subsidiary	Place of incorporation/ operation	Legal form	Percentage of issued capital held directly		Principal activities
			2015	2014	
Crossroads Global Village UK Limited	England and Wales	Limited by guarantee	100%	100%	Support UK business and charities seeking a partnership 'match' for their humanitarian and CSR programmes by facilitating use of Global Hand website

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11. INVENTORIES

	2015 HK\$	2014 HK\$
Finished goods	<u>601,294</u>	<u>643,068</u>

12. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2015 HK\$	2014 HK\$
Deposits	1,045,279	568,100
Prepayments	317,039	476,736
Other receivables	<u>357,047</u>	<u>310,157</u>
	<u>1,719,365</u>	<u>1,354,993</u>

13. CASH AND CASH EQUIVALENTS

	2015 HK\$	2014 HK\$
Cash at banks	4,925,860	4,124,055
Time deposits	<u>240,000</u>	<u>240,000</u>
	<u>5,165,860</u>	<u>4,364,055</u>

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with original maturity of three months or less. Short-term bank deposits carrying prevailing market interest rate of 0.001% (2014: 0.001%) per annum. Other bank balances earn interests at floating rates based on daily bank deposits rates.

14. OTHER PAYABLES AND ACCRUALS

	2015 HK\$	2014 HK\$
Other payables	2,776,521	2,170,637
Accruals	<u>2,297</u>	<u>8,435</u>
	<u>2,778,818</u>	<u>2,179,072</u>

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15. AMOUNT DUE TO A DIRECTOR

The amount due to a director is unsecured, interest-free and repayable on demand.

16. SHARE CAPITAL

The Company has no share capital and is a company limited by guarantee. At the reporting date, the Company had five members (2014: five members). Each member of the Company has an obligation to contribute to the assets of the Company in the event of it being wound up, as may be required, for an amount not exceeding one hundred dollars.

17. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2015 HK\$	2014 HK\$
Within one year	105,000	600,000
In the second to fifth year inclusive	-	105,000
	<u>105,000</u>	<u>705,000</u>

The Group leases its warehouse space, office premises, volunteer accommodation and external container storage facility under operating leases. The leases run for an initial period of two (2014: two) years, with an option to renew the lease terms at the expiry date or at dates mutually agreed between the Group and the respective landlords. While the Government (Landlord) has prepared a document which has now been agreed to by Group and signed by the Directors, stamped, signed copies have yet to be returned from the Government. This transaction is therefore deemed to be under negotiation and incomplete. The Group also leases reprographic equipment over a five year contract period. None of the leases include contingent rentals.

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NOTES TO THE FINANCIAL STATEMENTS
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18. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amounts and fair values of financial assets and financial liabilities as defined in Note 3.7:

	2015 HK\$	2014 HK\$
<i>Financial assets</i>		
Loans and receivables:		
- Deposits and other receivables	1,402,326	878,257
- Cash and cash equivalents	5,165,860	4,364,055
	6,568,186	5,242,312
<i>Financial liabilities at amortised cost</i>		
- Other payables and accruals	2,778,818	2,179,072
- Amount due to a director	407,736	466,914
	3,186,554	2,645,986

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the consolidated statement of financial position approximate their fair values.

19. FINANCIAL RISK MANAGEMENT

The Group does not have written risk management policies and guidelines. However, the board of directors meets periodically to analyse and formulate measures to manage the financial risks relating to the operations of the Group. These risks include market risk (including foreign currency risk), credit risk and liquidity risk. Generally, the Group employs a conservative strategy regarding its financial risk management. As the Group's exposure to market risks is kept at a minimum level, the Group has not used any derivatives or other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes.

The Group's principal financial instruments comprise other receivables, cash and cash equivalents, other payables and amount due to a director. The most significant financial risks to which the Group is exposed are described below.

The Group is exposed to foreign currency risk primarily through daily transactions and recognised assets and liabilities that are denominated in a currency other than the functional currency of the operations to which they related. The currencies giving risk to this risk is British Pound ("GBP").

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19. FINANCIAL RISK MANAGEMENT - Continued

(a) Foreign currency risk - Continued

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	2015 Denominated in GBP HK\$
<i>As at 31 December</i>	
<i>Monetary assets:</i>	
- Cash and cash equivalents	148,697
<i>Monetary liabilities:</i>	
- Other payables and accruals	(2,314)
Net monetary assets	146,383
Foreign currency strengthen/(weaken) by:	5%/ (5%)
Increase/(Decrease) in surplus for the year	7,319/ (7,319)
	2014 Denominated in GBP HK\$
<i>As at 31 December</i>	
<i>Monetary assets:</i>	
- Other receivables	20,206
- Cash and cash equivalents	316,854
	339,060
<i>Monetary liabilities:</i>	
- Other payables and accruals	(118,068)
Net monetary assets	218,992
Foreign currency strengthen/(weaken) by:	5%/ (5%)
Increase/(Decrease) in surplus for the year	10,950/ (10,950)

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19. FINANCIAL RISK MANAGEMENT - Continued

(a) Foreign currency risk - Continued

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

As at 31 December 2015, the Group's maximum exposures to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties are arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statements of financial position.

The Group has concentration of credit risk on other receivables. The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

(b) Liquidity risk

The Group manages liquidity risk by maintaining adequate funds to meet commitments associated with its financial liabilities and by continuously monitoring forecast and actual cash flows. The Group will raise funds from the realisation of its assets if required.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities which are based on undiscounted cash flows and the earliest date on which the Group can be required to pay.

	On demand HK\$	Less than 3 months HK\$	Total undiscounted cash flows HK\$	Carrying amount HK\$
<i>As at 31 December 2015</i>				
Non-derivative financial liabilities				
Other payables and accruals	-	2,778,818	2,778,818	2,778,818
Amount due to a director	407,736	-	407,736	407,736
	<u>407,736</u>	<u>2,778,818</u>	<u>3,186,554</u>	<u>3,186,554</u>
	On demand HK\$	Less than 3 months HK\$	Total undiscounted cash flows HK\$	Carrying amount HK\$
<i>As at 31 December 2014</i>				
Non-derivative financial liabilities				
Other payables and accruals	-	2,179,072	2,179,072	2,179,072
Amount due to a director	466,914	-	466,914	466,914
	<u>466,914</u>	<u>2,179,072</u>	<u>2,645,986</u>	<u>2,645,986</u>

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20. CAPITAL RISK MANAGEMENT

The Group has no capital as explained in Note 16 and accordingly it is not applicable to discuss capital risk management.

21. APPROVAL OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2015 were approved and authorised for issue by the directors on

28 SEP 2016