

HARMONY HOUSE LIMITED

(和諧之家有限公司)

(incorporated in Hong Kong as a company limited by guarantee)

Directors' Report and Financial Statements

For the year ended 31 March 2023

HARMONY HOUSE LIMITED
(和諧之家有限公司)

DIRECTORS' REPORT

The directors have pleasure in presenting their annual report together with the audited financial statements of Harmony House Limited (the "Company") for the year ended 31 March 2023.

PRINCIPAL ACTIVITY

The principal activity of the Company is to provide comprehensive services to individuals and families affected by domestic violence including a rent free shelter for abused women and children. Over the years, we have expanded our work to include therapeutic and preventative services that aim to help domestic violence victims of all genders and races with the goal of promoting harmonious family relationships. In addition, our activities also include community education, school outreach, crisis intervention, case counselling, supportive group therapy, hotline services and advocacy for policies and legislations.

The shelter premises are provided by the Government of the Hong Kong Special Administrative Region.

FINANCIAL STATEMENTS

The financial performance of the Company for the year ended 31 March 2023 and the financial position of the Company as at that date are set out in the financial statements on pages 10 to 44.

DIRECTORS

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

Dr. Kam Chak Wah	
Ms. Chui Chi Yan Daisy	
Ms. Chan Ching Lan Jean	
Ms. Wong Hing Chun	
Mrs. Koo Au Cheuk Ming Anna	
Mrs. Crosbie-Walsh Penny Soh Peng	
Mr. Leung Hong Shun Alexander	
Dr. Chui Wing Ho William	(appointed on 13 December 2022)
Ms. Wong Wai Yee Louisa	(appointed on 13 December 2022)
Prof. Wong Yuen Ha	(appointed on 13 December 2022)
Ms. Leung Ka Lo Caroline	(appointed on 13 December 2022)
Ms. Wong Wai Man Deanna	(appointed on 13 December 2022)
Prof. Lam Ching Man	(appointed on 3 June 2023)
Dr. Ho Choi Wa	(appointed on 3 June 2023)
Prof. Ng Man Lun	(resigned on 18 November 2022)
Dr. Chan Tak Mau	(resigned on 3 June 2023)

In accordance with Article 43 of the Company's Articles of Association, the following directors retire and being eligible, may offer themselves for re-election for the forthcoming year:

Ms. Wong Hing Chun
Dr. Kam Chak Wah

HARMONY HOUSE LIMITED
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DIRECTORS' REPORT

In accordance with Article 36 of the Company's Articles of Association, the following directors retire and being eligible, may offer themselves for re-election for the forthcoming year:

Dr. Chui Wing Ho William
Ms. Wong Wai Yee Louisa
Prof. Wong Yuen Ha
Ms. Leung Ka Lo Caroline
Ms. Wong Wai Man Deanna
Prof. Lam Ching Man
Dr. Ho Choi Wa

MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transactions, arrangements or contracts of significance in relation to the Company's business to which the Company was a party and in which a director of the Company or an entity connected with a director is material interested, whether directly or indirectly, subsisted during or at the end of the financial year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

BUSINESS REVIEW

Harmony House Limited ("HH" or the "Agency") was established in 1985 as the first shelter for abused women and their children in Hong Kong. Today, HH has developed into a one-stop anti-domestic violence service agency, with a wide range of preventive, therapeutic and developmental programmes to help individuals and families affected by domestic violence. HH also runs community education programmes to promote harmonious and healthy family relationships, provides training to multi-disciplinary professionals and advocates for policies and legislations on behalf of victims of violence, their families and communities.

Our Mission and Objectives:

- To promote harmonious and healthy relationships in families by providing a comprehensive range of preventive and therapeutic services;
- To contact and reach out to families in need through counselling and crisis intervention;
- To protect and empower men, women, and children who are victims of domestic violence;
- To counsel and give guidance to batterers in order to stop the cycle of violence; and
- To provide education to the community to promote family harmony.

HARMONY HOUSE LIMITED
(和諧之家有限公司)

DIRECTORS' REPORT

BUSINESS REVIEW - Continued

For the most part of the past three years, under the impact of the COVID-19 pandemic, we have had to modify the ways we deliver our services to ensure that users continue to receive the assistance and support they need. Hong Kong is finally seeing a return to normality and we are now resuming physical participation in our services and other social activities.

Our Shelter for Women and Children is committed to maintaining a high standard of 24-hour service. This year, 24-hour Woman Hotline received over 8,600 calls, and over 350 abused women and children were admitted to our shelter. The hotline is crucial for providing immediate emotional support, contingency safety plan, vital information and relevant community resources to abused victims in times of crisis. To ensure battered women have time and space to relieve their stress, we offer childcare support service during their stay at the shelter.

With the strong support of the "Hong Kong Jockey Club Charities Trust", we launched "Project Stride" in October 2022. The project aims to help adults recover from their childhood traumatic domestic violence experiences, and learn how to establish positive relationships with their intimate partners and children even at times of distress, so as to disrupt the intergenerational impact of family violence. The project has an online platform called the "Family Channel" that delivers regular family life education to raise awareness of potential contributing factors and various considerations to break the cycle of intergenerational domestic violence. The "Family Channel" also aims to promote positive parenting to prevent child maltreatment and this has gained strong viewership since its launch.

We are grateful for the continued support from Jockey Club. "Jockey Club Project Smart Kids" ended in September 2023. The project primarily conducted therapeutic groups for children and parents on emotion education, anger management, positive parenting and self-compassion which received positive feedback from service users. In addition, we also provided emotion education programmes to school children and carried out domestic violence risk assessments in school to identify potential at-risk cases for early intervention.

Another project funded by the Hong Kong Jockey Club Charities Trust's Community Project Grant, named "Moving Forward Against Domestic Violence", is in its second year of operation. The project continues to run well via both online and offline means. Counselling and therapeutic groups are organised for families at risk of domestic violence, and we provide multi-disciplinary training for professionals including police, social workers and lawyers. These community education programmes have enhanced their understanding on the importance of family harmony and domestic violence prevention.

HARMONY HOUSE LIMITED
(和諧之家有限公司)

DIRECTORS' REPORT

BUSINESS REVIEW - Continued

The "40 Minutes @ Harmony Space" Project sponsored by Bank of China (Hong Kong) Limited delivers in-depth case counselling to local and ethnic minority families in Yuen Long. We conduct group sessions to help children, parents and couples to increase their emotional awareness and compassionate communication education. The project aims to promote inclusive education services in Yuen Long through providing different types of activities for the multicultural community. By promoting compassionate communication and encouraging non-violent positive ways of expressing oneself, this helps to develop emotional awareness for building harmonious families and a caring community.

Financial Performance

HH's primary source of funds for the year was the subvention from the Social Welfare Department (SWD). Other major ongoing funders included the Hong Kong Jockey Club Charities Trust, the Community Chest of Hong Kong, Bank of China (Hong Kong) Limited, Zonta Club of Kowloon, Help for Children, and other individuals and corporate donors.

In 2022-23, we also successfully obtained additional sum of \$ 15.5 million in sponsorships from the Hong Kong Jockey Club Charities Trust for two new 3-year projects, Project Stride for preventing intergenerational cycle of domestic violence, and the other is for men support services.

Corporate Governance

The Agency has complied with the requirements stipulated in the Social Welfare Department Lump Sum Grant Manual, Lotteries Fund Manual and 16 Service Quality Standards (SQS). Our Board of Directors (the "Board"), comprised of professionals from different disciplines and experiences, work closely with the senior management team to ensure that HH follows and applies the relevant legal obligations, including the Employment Ordinance and Personal Data (Privacy) Ordinance, in the operation of all its service units.

In early 2023, The Board formed two additional subcommittees, the Finance Committee and Governance Committee to improve on risk management, corporate governance and financial accountability.

HH has, on the whole, met the performance targets and requirements agreed upon with funders, the SQS, service requirements, output and outcome standards set out by the SWD.

Key relationship

i. Service users

Our service users are mainly from abused families and at-risk families with conflicts. We serve all races and religions. Our service targets are abused women and their children, male and female batterers, male victims, abused elders, children witnessing domestic violence, parents facing parenting difficulties, abused children and the general public that would benefit from learning about domestic violence prevention and promotion of family harmony.

HARMONY HOUSE LIMITED
(和諧之家有限公司)

DIRECTORS' REPORT

BUSINESS REVIEW - Continued

ii. Community stakeholders

The support of other community professionals is crucial to combating domestic violence. Ongoing collaboration with police, lawyers, medical practitioners, nurses, social workers, counsellors, teachers and academia are important work that the Agency engages in to enable us to better help abused families.

iii. Staff

As of 31 March 2023, we have a solid workforce of over 50 staff, comprising of Social Workers, Counsellors, Counselling Psychologists, Accounting and Information Technology professionals, and administrative and support staff to help deliver quality services and maintain efficiency in operating and running the Agency.

iv. Funders and external parties

The Agency works closely with government departments, funders and strategic partners to provide services to benefit those affected by domestic violence and the community as a whole. Throughout the year, our management and service unit supervisors joined a number of committees and working groups of different nature, run by the Social Welfare Department and Hong Kong Council of Social Service, to advocate for policies and service development relating to domestic violence issues.

Principal challenges and uncertainties

Over the years, the Agency has strived to increase services that provide more supportive and preventative measures and these are non-subvented projects which require ongoing funding. Sourcing and obtaining such fundings present uncertainty and challenges on service planning and sustainability.

The imminent implementation of new approach to apportion central administrative costs for non-subvented services will pose pressure for HH to source more additional funding. We will need to explore different approaches and strategies to secure more stable funding and also convince funders the importance of supporting central administrative costs to enable the Agency to carry out its work for the community.

Another ongoing major challenge is manpower shortage. We are grateful for the concerted efforts of our colleagues who do their best to maintain quality service and proactively partnered with various community collaborators. The retention of a quality and stable workforce will continue to be challenging. The Board, Staffing Committee and senior management will continue to work hard on providing and adopting measures to attract and retain talents, training staff, and transferring knowledge and experience across all service units.

HARMONY HOUSE LIMITED
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DIRECTORS' REPORT

BUSINESS REVIEW - Continued

Future Focus

The surge in child abuse cases in 2022-23 warrants our close attention. With the implementation of mandatory reporting of suspected child abuse in the coming years, we are determined to continue to make early identification and provide timely support to children who are at risk of violence. We have sought funding to sustain our abused children's services and parenting education to strengthen support for families, school personnel, community organizations and the general public to protect our young generations from all forms of harm.

The lack of support service for men is also our concern. With the funding we have obtained to continue service provision for this significant target group, we hope to help them increase their resilience and enhance their general well-being. We will also work towards raising awareness on the benefits of building harmonious and healthy family relationships for the prevention of domestic abuse.

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



Dr. Kam Chak Wah
Director

Hong Kong, 5 October 2023

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF HARMONY HOUSE LIMITED
(和諧之家有限公司)**

(incorporated in Hong Kong as a company limited by guarantee)

Opinion

We have audited the financial statements of Harmony House Limited (the "Company") set out on pages 10 to 44, which comprise the statement of financial position as at 31 March 2023, and the statement of profit or loss and other comprehensive income, the statement of changes in total funds and the statement of cash flows for the year then ended, and notes to the 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 Company as at 31 March 2023 and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") 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 Financial Statements" section of our report. We are independent of the Company 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 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 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 HARMONY HOUSE LIMITED
(和諧之家有限公司)**

(incorporated in Hong Kong as a company limited by guarantee)

Directors' Responsibilities for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with HKFRSs 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 HKSAAs 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 financial statements.

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

- identify and assess the risks of material misstatement of the 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.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF HARMONY HOUSE LIMITED
(和諧之家有限公司)**

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

- 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 Company's internal control.
- 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 Company'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 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 Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

A handwritten signature in black ink, appearing to read 'BDO' followed by a stylized flourish.

BDO Limited
Certified Public Accountants
Law Fung Ha
Practising Certificate Number P03958

Hong Kong, 5 October 2023

HARMONY HOUSE LIMITED
(和諧之家有限公司)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2023

	Note	Shelter LSG HK\$	Shelter Others HK\$	Community Chest Baseline HK\$	Project Moving Forward HK\$	Project HE@T HK\$	Project Stride HK\$	Project Smart Kids HK\$	Project @Harmony Space HK\$	Other Activities HK\$	2023 Total HK\$	2022 Total HK\$
Income												
Social Welfare Department ("SWD")												
- Lump Sum Grant ("LSG") Subvention		11,405,601	-	-	-	-	-	-	-	-	11,405,601	11,254,127
- Lotteries Fund/SWD Fund		-	34,852	-	-	-	-	-	-	-	34,852	229,309
- Special Grant		-	242,443	-	-	-	-	-	-	-	242,443	17,057
- Rent and rates subsidy		-	-	-	268,648	-	-	-	-	-	268,648	256,336
Community Chest - Baseline Allocation		-	-	1,078,900	-	-	-	-	-	-	1,078,900	1,078,900
The Hong Kong Jockey Club Charities Trust ("HKJC")		-	-	-	3,246,000	1,826,414	1,366,000	3,513,635	-	-	9,952,049	7,454,470
Bank of China (Hong Kong) Limited ("BOCHK")		-	-	-	-	-	-	-	1,501,814	-	1,501,814	2,972,984
Other donations		-	190,173	-	-	-	-	-	-	281,379	471,552	383,867
Other income		93,550	1,085	-	-	-	-	-	-	51,456	146,091	166,022
Interest income		6,812	-	-	4,877	-	-	-	1,342	17,408	30,439	243
Deferred income brought forward		-	-	208,279	349,064	725,000	-	1,662,000	1,456,905	-	4,401,248	5,628,760
Deferred income carried forward		-	-	(103,332)	(1,085,336)	(136,085)	(1,366,000)	(1,662,000)	(169,160)	-	(4,521,913)	(4,401,248)
Accrued income		-	-	-	-	1,040,272	1,003,168	2,296,188	-	-	4,339,628	4,627,067
Fund for accrued expenses		-	-	-	-	(1,826,414)	-	(2,800,654)	-	-	(4,627,068)	(3,151,959)
Fund for acquisition of assets		-	-	-	-	-	(29,100)	(20,000)	-	-	(49,100)	(2,479,004)
		11,505,963	468,553	1,183,847	2,783,253	1,629,187	974,068	2,989,169	2,790,901	350,243	24,675,184	24,036,931
Transfer from deferred income for capital grants	19	-	7,155	-	7,450	8,963	7,275	372,569	329,943	24,898	758,253	766,828
		11,505,963	475,708	1,183,847	2,790,703	1,638,150	981,343	3,361,738	3,120,844	375,141	25,433,437	24,803,759

HARMONY HOUSE LIMITED
(和諧之家有限公司)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2023

	Notes	Shelter LSG HK\$	Shelter Others HK\$	Community Chest Baseline HK\$	Project Moving Forward HK\$	Project HE@T HK\$	Project Stride HK\$	Project Smart Kids HK\$	Project @Harmony Space HK\$	Other Activities HK\$	2023 Total HK\$	2022 Total HK\$
Expenses												
Administrative expenses	9	113,666	23,256	4,601	222,767	83,449	70,683	163,094	162,622	38,942	883,080	883,328
Computer software		46,996	-	130	5,211	397	705	3,542	4,264	10,379	71,624	291,831
Depreciation of property, plant and equipment	12	-	7,155	-	7,450	8,963	7,275	372,569	329,943	24,898	758,253	766,828
Depreciation of right-of-use assets	13	-	-	-	227,112	-	-	29,219	295,716	-	552,047	547,450
Employee costs	6	9,272,795	241,500	1,123,755	2,068,202	1,120,522	867,198	2,171,222	1,862,309	335,731	19,063,234	19,461,621
Food and household supplies		19,326	-	-	-	-	-	-	-	-	19,326	10,725
Insurance		161,595	63	20,602	38,003	14,632	12,970	37,705	38,043	14,926	338,539	307,717
Interest expense on lease liabilities		-	-	-	27,336	-	-	3,517	22,884	-	53,737	40,898
Miscellaneous		38,214	-	-	2,070	53	-	3,503	1,206	14,610	59,656	86,083
Programmes		113,395	194,678	33,770	66,575	391,863	-	535,897	227,965	243,368	1,807,511	1,069,628
Publicity/publication		49,283	-	-	-	-	4,324	-	71,490	9,809	134,906	76,620
Rates		63,400	-	-	14,200	-	-	-	56,726	-	134,326	156,418
Staff training and development		39,439	1,085	-	4,792	2,667	6,474	9,526	19,048	33,952	116,983	91,062
Stores and equipment	10	401,734	34,539	-	71,944	2,220	975	20,160	16,897	85,620	634,089	890,234
Travelling		17,559	-	989	2,648	43	-	2,738	3,857	862	28,696	23,876
Utilities	11	281,778	-	-	32,393	13,341	10,739	9,046	7,874	24,509	379,680	320,031
Overhead costs recovery	20	-	-	-	-	-	-	-	-	(585,457)	(585,457)	(621,531)
		10,619,180	502,276	1,183,847	2,790,703	1,638,150	981,343	3,361,738	3,120,844	252,149	24,450,230	24,402,819
Net operating surplus/(deficit)		886,783	(26,568)	-	-	-	-	-	-	122,992	983,207	400,940
Auditor's remuneration											(63,000)	(54,000)
Surplus of staff provident fund subvention from SWD											(89,279)	(60,899)
Surplus of shelter rent and rates reimbursed by SWD	14										(16,064)	(16,064)
Net surplus for the year	5										814,864	269,977

HARMONY HOUSE LIMITED
(和諧之家有限公司)

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2023

	Notes	2023 HK\$	2022 HK\$
Non-current assets			
Property, plant and equipment	12	1,170,898	1,842,159
Right-of-use assets	13	841,789	592,001
Total non-current assets		<u>2,012,687</u>	<u>2,434,160</u>
Current assets			
Utility deposits and prepayments		544,456	629,622
Other receivables		5,614,704	5,639,093
Cash and bank balances		13,641,628	11,551,436
Total current assets		<u>19,800,788</u>	<u>17,820,151</u>
Total assets		<u>21,813,475</u>	<u>20,254,311</u>
Current liabilities			
Accounts payable and accruals		1,630,161	1,559,636
Amount payable to Social Welfare Department	14	16,064	16,064
Lease liabilities	15	562,234	295,716
Staff provident fund balance	16	1,306,641	1,216,998
Donations for specific purposes	17	6,954,759	6,296,603
Cash advance from HKJC		4,249,421	2,736,064
Cash advance from BOCHK		169,160	1,456,905
Lotteries fund balance	18	1,582,320	1,427,053
Deferred income for capital grants	19	1,170,898	1,842,159
Total current liabilities		<u>17,641,658</u>	<u>16,847,198</u>
Net current assets		<u>2,159,130</u>	<u>972,953</u>
Non-current liability			
Lease liabilities	15	279,555	296,285
Total liabilities		<u>17,921,213</u>	<u>17,143,483</u>
NET ASSETS		<u><u>3,892,262</u></u>	<u><u>3,110,828</u></u>

HARMONY HOUSE LIMITED
(和諧之家有限公司)

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2023

	Notes	2023 HK\$	2022 HK\$
Represented by:			
Capital	21	354,911	354,911
Specific funds	22	430,809	464,239
Lump sum grant reserve	23	2,533,338	1,787,098
Accumulated funds	24	<u>573,204</u>	<u>504,580</u>
TOTAL FUNDS		<u><u>3,892,262</u></u>	<u><u>3,110,828</u></u>

On behalf of the directors



Dr. Kam Chak Wah
Director



Ms. Chan Ching Lan, Jean
Director

HARMONY HOUSE LIMITED
(和諧之家有限公司)

**STATEMENT OF CHANGES IN TOTAL FUNDS
FOR THE YEAR ENDED 31 MARCH 2023**

	Capital HK\$	Specific funds HK\$	Lump sum grant reserve HK\$	Accumulated funds HK\$	Total HK\$
At 1 April 2021	354,911	501,375	1,680,218	341,483	2,877,987
Net surplus for the year	-	-	-	269,977	269,977
Transfers (note 23 & 24)	-	-	106,880	(106,880)	-
Fund utilised (note 22)	-	(37,136)	-	-	(37,136)
At 1 April 2022	354,911	464,239	1,787,098	504,580	3,110,828
Net surplus for the year	-	-	-	814,864	814,864
Transfers (note 23 & 24)	-	-	746,240	(746,240)	-
Fund utilised (note 22)	-	(33,430)	-	-	(33,430)
At 31 March 2023	<u>354,911</u>	<u>430,809</u>	<u>2,533,338</u>	<u>573,204</u>	<u>3,892,262</u>

HARMONY HOUSE LIMITED
(和諧之家有限公司)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2023

	2023 HK\$	2022 HK\$
Cash flows from operating activities		
Net surplus for the year	814,864	269,977
Adjustments for:		
Depreciation of property, plant and equipment	758,253	766,828
Depreciation of right-of-use assets	552,047	547,450
Interest expense on lease liabilities	53,737	40,898
Gain on disposal of property, plant and equipment	-	(1)
Capital grants recognised as income	(758,253)	(766,828)
Interest income	(30,439)	(243)
Operating profit before working capital changes	1,390,209	858,081
Decrease/(increase) in utility deposits and prepayments	85,166	(94,527)
Decrease/(increase) in other receivables	24,389	(1,248,887)
Increase/(decrease) in accounts payable and accruals	70,525	(47,377)
Increase in amount payable to Social Welfare Department	16,064	16,064
Increase in staff provident fund balance	89,643	63,291
Increase in donations for specific purposes	658,156	604,370
Increase/(decrease) in cash advance from HKJC	1,513,357	(470,958)
Decrease in cash advance from BOCHK	(1,287,745)	(519,441)
Increase in lotteries fund balance	155,267	31,056
Decrease in staff development fund	(33,430)	(37,136)
Net cash from/(used in) operating activities	2,681,601	(845,464)
Cash flows from investing activities		
Purchases of property, plant and equipment	(86,992)	(2,484,812)
Interest received	30,439	243
Net cash used in investing activities	(56,553)	(2,484,569)
Cash flows from financing activities		
Capital grants received	86,992	2,484,812
Clawback by SWD	(16,064)	(38,214)
Repayment of principal portion of the lease liabilities	(552,047)	(547,450)
Interest paid on lease liabilities	(53,737)	(40,898)
Net cash (used in)/from financing activities	(534,856)	1,858,250

HARMONY HOUSE LIMITED
(和諧之家有限公司)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2023

	2023 HK\$	2022 HK\$
Net increase/(decrease) in cash and cash equivalents	2,090,192	(1,471,783)
Cash and cash equivalents at beginning of year	<u>11,551,436</u>	<u>13,023,219</u>
Cash and cash equivalents at end of year	<u>13,641,628</u>	<u>11,551,436</u>
Analysis of cash and cash equivalents:		
Cash available on demand	<u>13,641,628</u>	<u>11,551,436</u>

HARMONY HOUSE LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2023

1. LEGAL STATUS AND OPERATIONS

Harmony House Limited (the “Company”) was incorporated in Hong Kong under the Hong Kong Companies Ordinance (“Company Ordinance”) on 2 April 1986 as a Company limited by guarantee.

Under the provisions of the Company’s Articles of Association, every member shall, in the event of the Company being wound up, contribute to the assets of the Company to the extent of HK\$100. At the end of reporting period, the Company had sixteen members.

The principal activity of the Company is to provide comprehensive services to individuals and families affected by domestic violence including a rent free shelter for abused women and children. Over the years, we have expanded our work to include therapeutic and preventative services that aim to help domestic violence victims of all genders and races with the goal of promoting harmonious family relationships. In addition, our activities also include community education, school outreach, crisis intervention, case counselling, supportive group therapy, hotline services and advocacy for policies and legislations. Its registered office and principal place of business is at G/F, Wing B, On Wah House, Lok Wah (South) Estate, Kwun Tong, Kowloon, Hong Kong.

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

(a) Adoption of new or amended HKFRSs - effective 1 April 2022

The Hong Kong Institute of Certified Public Accountants has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Company:

- Amendments to HKFRS 3, Reference to the Conceptual Framework
- Amendments to HKAS 16, Property, Plant and Equipment: Proceeds before Intended Use
- Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41, Annual Improvements to HKFRSs 2018-2020

None of these new or amended HKFRSs has a material impact on the Company’s results and financial position for the current or prior period. The Company has not early applied any new and amended HKFRSs that is not yet effective for the current accounting period.

HARMONY HOUSE LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2023

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

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

The following new or amended 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 following amendments are effective for the period beginning 1 January 2023:

- Amendments to HKAS 1 and HKFRS Practice Statement 2, Disclosure of Accounting Policies
- Amendments to HKAS 8, Definition of Accounting Estimates

The following amendments are effective for the period beginning 1 January 2024:

- Amendments to HKFRS 16, Lease Liability in a Sale and Leaseback
- Amendments to HKAS 1, Classification of Liabilities as Current or Non-current
- Amendments to HKAS 1, Non-current Liabilities with Covenants
- Hong Kong Interpretation 5 (Revised), Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The Company is in the process of making an assessment of the potential impact of these new or amended HKFRSs and the directors do not anticipate that the application of these new or amended HKFRSs will have a material impact on the Company’s financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as the “HKFRSs”) issued by HKICPA and the provisions of the Hong Kong Companies Ordinance which concern the preparation of financial statements.

HARMONY HOUSE LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2023

3. BASIS OF PREPARATION - Continued

(b) Basis of measurement

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

(c) Functional and presentation currency

The financial statements are presented in Hong Kong dollars ("HK\$") which is the functional currency of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Property, plant and equipment

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

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 Company 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 expenses 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 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:

Motor vehicle	4 years
Furniture and equipment	4 years
Leasehold improvements	Over the remaining life of the leases but not exceeding 5 years

HARMONY HOUSE LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2023

4. SIGNIFICANT ACCOUNTING POLICIES - Continued

(a) Property, plant and equipment - Continued

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

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.

Capital grants and donations received for the purchase of property, plant and equipment are recorded as deferred income in the statement of financial position and amortised in profit or loss over the useful life of the relevant assets.

(b) Leases

All leases are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low value. The Company has elected not to recognise right-of-use assets and lease liabilities for low value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise:

- (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability);
- (ii) any lease payments made at or before the commencement date, less any lease incentives received;
- (iii) any initial direct costs incurred by the lessee; and
- (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

HARMONY HOUSE LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2023

4. SIGNIFICANT ACCOUNTING POLICIES - Continued

(b) Leases - Continued

Right-of-use asset - Continued

Under the cost model, the Company measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

The right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the Company's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments:

- (i) fixed payments less any lease incentives receivable;
- (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date;
- (iii) amounts expected to be payable by the lessee under residual value guarantees;
- (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Company measures the lease liability by:

- (i) increasing the carrying amount to reflect interest on the lease liability;
- (ii) reducing the carrying amount to reflect the lease payments made; and
- (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

HARMONY HOUSE LIMITED
(和諧之家有限公司)

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2023

4. SIGNIFICANT ACCOUNTING POLICIES - Continued

(b) Leases - Continued

Lease liability - Continued

When the Company revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases, an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

When the Company renegotiates the contractual terms of a lease with the lessor, if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease, in all other cases, where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount. If the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date and the right-of-use asset is adjusted by the same amount.

(c) Financial Instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

HARMONY HOUSE LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2023

4. SIGNIFICANT ACCOUNTING POLICIES - Continued

(c) Financial Instruments - Continued

(i) Financial assets - Continued

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. The Company classifies its debt instruments as amortised cost.

Assets measured at amortised cost that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

(ii) Impairment loss on financial assets

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

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

HARMONY HOUSE LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2023

4. SIGNIFICANT ACCOUNTING POLICIES - Continued

(c) Financial Instruments - Continued

(ii) Impairment loss on financial assets - Continued

The ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

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

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

The Company considers a financial asset to be credit-impaired when:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or being more than 150 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

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NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2023

4. SIGNIFICANT ACCOUNTING POLICIES - Continued

(c) Financial Instruments - Continued

(ii) Impairment loss on financial assets - Continued

The Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

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

The Company 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. The Company classifies its financial liabilities as financial liabilities at amortised cost.

Financial liabilities at amortised cost including trade and other payables and other short-term monetary liabilities. They initially measured at fair value, net of directly attributable costs incurred, and are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

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

HARMONY HOUSE LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2023

4. SIGNIFICANT ACCOUNTING POLICIES - Continued

(c) 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 interest 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 liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Derecognition

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

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

(d) Revenue recognition

Grants received for the purchase of property, plant and equipment, which are recorded as deferred income in the statement of financial position and amortised over the useful life of the asset.

Subvention from Social Welfare Department and allocations and grants from other charitable organisations are recognised in accordance with the approved applications.

Donations for specific purposes are recognised in accordance with the approved applications.

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

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NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2023

4. SIGNIFICANT ACCOUNTING POLICIES - Continued

(e) 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 year when the employees render the related service.

(ii) Defined contribution retirement plan

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

(iii) Termination benefits

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

(f) Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts 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, 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.

At the end of each reporting period, the Company reviews the carrying amounts 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.

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NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2023

4. SIGNIFICANT ACCOUNTING POLICIES - Continued

(f) Impairment of non-financial assets - Continued

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, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the impairment loss is treated as a revaluation decrease under that HKFRS.

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

(g) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company 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.

HARMONY HOUSE LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2023

4. SIGNIFICANT ACCOUNTING POLICIES - Continued

(h) Related parties

- (a) A person or a close member of that person's family is related to the Company if that person:
 - (i) has control or joint control over the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of key management personnel of the Company.
- (b) An entity is related to the Company if any of the following conditions apply:
 - (i) the entity and the Company 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 Company or an entity related to the Company.
 - (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.
 - (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:

- (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.

HARMONY HOUSE LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2023

5. NET SURPLUS FOR THE YEAR

Net surplus for the year is stated after charging:

	2023 HK\$	2022 HK\$
Employee costs (note 6)	19,063,234	19,461,621
Depreciation charge		
- Property, plant and equipment (note 12)	758,253	766,828
- Right-of-use assets (note 13)	<u>552,047</u>	<u>547,450</u>

6. EMPLOYEE COSTS

	2023 HK\$	2022 HK\$
Employee costs comprise:		
Wages and salaries	17,935,316	18,313,544
Contributions to defined contributions retirement plan	<u>1,127,918</u>	<u>1,148,077</u>
	<u>19,063,234</u>	<u>19,461,621</u>

7. DIRECTORS' EMOLUMENTS

Directors' emoluments 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) are as follows:

	2023 HK\$	2022 HK\$
Fees	-	-
Other emoluments	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

8. INCOME TAX

The Company is exempt from tax under Section 88 of the Hong Kong Inland Revenue Ordinance from any tax by reason of being a charitable institution or trust of a public character (2022: Nil).

HARMONY HOUSE LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2023

9. ADMINISTRATIVE EXPENSES

	Shelter LSG	Shelter Others	Community Chest Baseline	Project Moving Forward	Project HE@T	Project Stride	Project Smart Kids	Project 40 Min @Harmony Space	Other Activities	2023 Total	2022 Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Admin support cost	-	-	-	186,251	77,580	46,384	142,342	132,900	-	585,457	621,531
Audit fees	3,840	-	-	-	-	-	-	10,500	1,760	16,100	16,100
Bank charges	6,829	-	-	220	-	-	-	600	13,312	20,961	18,997
Recruitment	50,360	-	4,601	17,467	-	16,130	-	3,507	7,017	99,082	59,286
Secretarial service fee	16,720	-	-	-	-	-	-	-	4,180	20,900	20,300
Communication expense	35,917	23,256	-	18,829	5,869	8,169	20,752	15,115	12,673	140,580	147,114
	<u>113,666</u>	<u>23,256</u>	<u>4,601</u>	<u>222,767</u>	<u>83,449</u>	<u>70,683</u>	<u>163,094</u>	<u>162,622</u>	<u>38,942</u>	<u>883,080</u>	<u>883,328</u>

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2023

10. STORES AND EQUIPMENT

	Shelter LSG HK\$	Shelter Others HK\$	Community Chest Baseline HK\$	Project Moving Forward HK\$	Project HE@T HK\$	Project Stride HK\$	Project Smart Kids HK\$	Project 40 Min @Harmony Space HK\$	Other Activities HK\$	2023 Total HK\$	2022 Total HK\$
Cleaning charges and materials	128,803	22,943	-	23,488	1,800	400	13,373	6,916	19,005	216,728	254,427
Furniture and equipment (Minor purchase)	36,658	11,596	-	-	-	-	-	5,395	-	53,649	100,976
Newspapers and periodicals	-	-	-	2,910	-	-	-	-	-	2,910	6,190
Printing and stationery	20,329	-	-	13,678	420	575	3,667	4,586	-	43,255	58,921
Repairs and maintenance	206,584	-	-	23,931	-	-	3,120	-	54,709	288,344	298,547
Safety and security equipment	9,360	-	-	5,886	-	-	-	-	8,829	24,075	26,045
Security service	-	-	-	2,051	-	-	-	-	3,077	5,128	5,128
Business system upgrade	-	-	-	-	-	-	-	-	-	-	140,000
	401,734	34,539	-	71,944	2,220	975	20,160	16,897	85,620	634,089	890,234

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2023

11. UTILITIES

	Shelter LSG HK\$	Shelter Others HK\$	Community Chest Baseline HK\$	Project Moving Forward HK\$	Project HE@T HK\$	Project Stride HK\$	Project Smart Kids HK\$	Project 40 Min @Harmony Space HK\$	Other Activities HK\$	2023 Total HK\$	2022 Total HK\$
Electricity	225,226	-	-	32,327	13,307	10,728	8,147	7,874	24,455	322,064	278,053
Gas	50,406	-	-	-	-	-	-	-	-	50,406	33,552
Water and sewage charges	6,146	-	-	66	34	11	899	-	54	7,210	8,426
	281,778	-	-	32,393	13,341	10,739	9,046	7,874	24,509	379,680	320,031

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NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2023

12. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicle HK\$	Furniture and equipment HK\$	Leasehold improvements HK\$	Total HK\$
Cost				
At 1 April 2022	1,131,795	1,644,991	14,356,356	17,133,142
Additions	20,000	66,992	-	86,992
Disposals	-	(44,522)	-	(44,522)
At 31 March 2023	<u>1,151,795</u>	<u>1,667,461</u>	<u>14,356,356</u>	<u>17,175,612</u>
Accumulated depreciation				
At 1 April 2022	282,949	1,264,609	13,743,425	15,290,983
Depreciation	287,949	163,839	306,465	758,253
Eliminated on disposal	-	(44,522)	-	(44,522)
At 31 March 2023	<u>570,898</u>	<u>1,383,926</u>	<u>14,049,890</u>	<u>16,004,714</u>
Net book value				
At 31 March 2023	<u>580,897</u>	<u>283,535</u>	<u>306,466</u>	<u>1,170,898</u>
	Motor vehicle HK\$	Furniture and equipment HK\$	Leasehold improvements HK\$	Total HK\$
Cost				
At 1 April 2021	776,902	1,257,876	13,436,959	15,471,737
Additions	1,131,795	433,620	919,397	2,484,812
Disposals	(776,902)	(46,505)	-	(823,407)
At 31 March 2022	<u>1,131,795</u>	<u>1,644,991</u>	<u>14,356,356</u>	<u>17,133,142</u>
Accumulated depreciation				
At 1 April 2021	776,902	1,133,702	13,436,959	15,347,563
Depreciation	282,949	177,413	306,466	766,828
Eliminated on disposal	(776,902)	(46,506)	-	(823,408)
At 31 March 2022	<u>282,949</u>	<u>1,264,609</u>	<u>13,743,425</u>	<u>15,290,983</u>
Net book value				
At 31 March 2022	<u>848,846</u>	<u>380,382</u>	<u>612,931</u>	<u>1,842,159</u>

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13. RIGHT-OF-USE ASSETS

	Land and buildings HK\$
Cost	
At 1 April 2022	1,636,459
Effect of lease modification	<u>801,835</u>
At 31 March 2023	<u>2,438,294</u>
Accumulated depreciation	
At 1 April 2022	1,044,458
Charge for the year	<u>552,047</u>
At 31 March 2023	<u>1,596,505</u>
Net book value	
At 31 March 2023	<u><u>841,789</u></u>
	Land and buildings HK\$
Cost	
At 1 April 2021 and 31 March 2022	<u>1,636,459</u>
Accumulated depreciation	
At 1 April 2021	497,008
Charge for the year	<u>547,450</u>
At 31 March 2022	<u>1,044,458</u>
Net book value	
At 31 March 2022	<u><u>592,001</u></u>

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14. AMOUNT PAYABLE TO SOCIAL WELFARE DEPARTMENT

	2023 HK\$	2022 HK\$
At 1 April	16,064	38,214
Claw back of rent and rates for prior years	(16,064)	(11,264)
Rent and rates		
- Subsidy received for the year	79,464	79,464
- Rent and rates paid for the year	(63,400)	(63,400)
Central item (special allowance)		
- Claw back surplus in prior year	-	(26,950)
At 31 March	<u>16,064</u>	<u>16,064</u>

15. LEASE LIABILITIES

	Land and Buildings HK\$
At 1 April 2021	1,139,451
Interest expense	40,898
Lease payments	<u>(588,348)</u>
At 31 March 2022 and 1 April 2022	592,001
Effect of lease modification	801,835
Interest expense	53,737
Lease payments	<u>(605,784)</u>
At 31 March 2023	<u>841,789</u>

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15. LEASE LIABILITIES - Continued

Future lease payments are due as follows:

	Minimum lease payments HK\$	Interest HK\$	Present Value HK\$
At 31 March 2023			
Not later than one year	591,224	(28,990)	562,234
Later than one year and not later than five years	<u>287,184</u>	<u>(7,629)</u>	<u>279,555</u>
	<u><u>878,408</u></u>	<u><u>(36,619)</u></u>	<u><u>841,789</u></u>
At 31 March 2022			
Not later than one year	318,600	(22,884)	295,716
Later than one year and not later than five years	<u>304,040</u>	<u>(7,755)</u>	<u>296,285</u>
	<u><u>622,640</u></u>	<u><u>(30,639)</u></u>	<u><u>592,001</u></u>

The present value of future lease payments are analysed as:

	2023 HK\$	2022 HK\$
Current liabilities	562,234	295,716
Non-current liabilities	<u>279,555</u>	<u>296,285</u>
	<u><u>841,789</u></u>	<u><u>592,001</u></u>

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16. STAFF PROVIDENT FUND BALANCE

The Best Practice Manual issued by the Social Welfare Department which was effective from 1 July 2014 requires the Company to use convenient, effective and timely channels to disseminate information about the staff provident fund reserve to staff members.

The employer's contribution rate to staff provident fund is 5%, 6.8% and 8% for full-time staff who have completed less than 3 years, 3 years and 7 years and above of service respectively. The contribution rate is reviewed on an annual basis.

17. DONATIONS FOR SPECIFIC PURPOSES

Where donations are for specific purposes as defined by the donors, the unspent amounts are carried forward in the statement of financial position until the related expenditures have been incurred.

18. LOTTERIES FUND BALANCE

		2023 HK\$	2022 HK\$
Furniture and Equipment Replenishment and Minor Works Block Grant Reserve	(i)	1,398,349	1,262,118
IT projects and non-IT projects Social Welfare Development Fund (phase III)	(ii)	101,712	99,112
Wi-Fi project	(iii)	82,259	65,823
		<u>1,582,320</u>	<u>1,427,053</u>

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18. LOTTERIES FUND BALANCE - Continued

- (i) The amount represents the Block Grant allocations from the Social Welfare Department for the use of furniture and equipment replenishment and minor works.

Movement of the grant is as follows:

	2023 HK\$	2022 HK\$
At 1 April	1,262,118	1,128,798
Block grant received during the year	168,000	169,000
Interest received	2,639	31
	<u>1,432,757</u>	<u>1,297,829</u>
Less: expenditure during the year		
- Furniture and equipment	(34,408)	(16,851)
- Minor works projects	-	(18,860)
	<u>-</u>	<u>(18,860)</u>
At 31 March	<u>1,398,349</u>	<u>1,262,118</u>

As at 31 March 2023, there is no capital commitment in respect of furniture and equipment replenishment and minor works (2022: Nil).

- (ii) The amount represents the Social Welfare Development Fund allocations from the Social Welfare Department for the use of IT projects and non IT projects.

Movement of the grant (phase III) is as follows:

	2023 HK\$	2022 HK\$
At 1 April	99,112	217,721
Allocation received during the year	2,460	57,540
Interest received	140	1
	<u>101,712</u>	<u>275,262</u>
Less: expenditure during the year		
- Training and professional development program	-	(57,150)
- IT Business System Upgrading	-	(119,000)
	<u>-</u>	<u>(119,000)</u>
At 31 March	<u>101,712</u>	<u>99,112</u>

As at 31 March 2023, there is no capital commitment in respect of IT projects and non IT projects (2022: Nil).

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18. LOTTERIES FUND BALANCE - Continued

- (iii) The amount represents the Lotteries Fund allocations from the Social Welfare Department for the provision of Wi-Fi service under the Pilot Project.

Movement of the grant is as follows:

	2023 HK\$	2022 HK\$
At 1 April	65,823	49,478
Allocation received during the year	39,600	39,600
Interest received	92	1
	<u>105,515</u>	<u>89,079</u>
Less: expenditure during the year - Operating expenses	<u>(23,256)</u>	<u>(23,256)</u>
At 31 March	<u><u>82,259</u></u>	<u><u>65,823</u></u>

As at 31 March 2023, there is no capital commitment in respect of Wi-Fi project (2022: Nil).

19. DEFERRED INCOME FOR CAPITAL GRANTS

	2023 HK\$	2022 HK\$
At 1 April	1,842,159	124,175
Capital grant	86,992	2,484,812
Recognised as income	<u>(758,253)</u>	<u>(766,828)</u>
At 31 March	<u><u>1,170,898</u></u>	<u><u>1,842,159</u></u>

20. OVERHEAD COSTS RECOVERY

A portion of the Company's overhead costs are covered by certain funders, which amounted to HK\$585,457 (2022: HK\$621,531).

21. CAPITAL

Capital represents cash contributed to the Company by The Hong Kong Council of Women as initial working capital.

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22. SPECIFIC FUNDS

	Community education fund HK\$	Capital development fund HK\$	Service development fund HK\$	Building maintenance/ renovation fund HK\$	Staff development fund HK\$	Total HK\$
At 1 April 2021	100,000	62,356	100,000	121,162	117,857	501,375
Utilised during the year	-	-	-	-	(37,136)	(37,136)
At 31 March 2022	100,000	62,356	100,000	121,162	80,721	464,239
Utilised during the year	-	-	-	-	(33,430)	(33,430)
At 31 March 2023	100,000	62,356	100,000	121,162	47,291	430,809

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22. SPECIFIC FUNDS - Continued

Name	Designated purpose
Community education fund	Support community education programmes
Capital development fund	Purchase of furniture/equipment and installation of facilities at service units
Service development fund	For service expansion of the agency
Building maintenance/ renovation fund	For maintenance and renovation of service units
Staff development fund	For staff development and training, recognition of staff performance and enhancement of staff relationship

23. LUMP SUM GRANT RESERVE

The Best Practice Manual issued by the Social Welfare Department ("SWD") which was effective from 1 July 2014 requires the Company to, based on the actual circumstances and its development strategies, decide on its own how the lump sum grant reserve be utilised.

	2023 HK\$	2022 HK\$
At 1 April	1,787,098	1,680,218
Transferred from accumulated funds (note 24)	<u>746,240</u>	<u>106,880</u>
At 31 March	<u><u>2,533,338</u></u>	<u><u>1,787,098</u></u>

During the financial year, the fund was used to provide manpower and operational support to the shelter, as and when needed. The Company plans to use the fund to enhance the service delivery.

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24. ACCUMULATED FUNDS

	HK\$
At 1 April 2021	341,483
Net surplus for the year	269,977
Transfer to lump sum grant reserve (note 23)	<u>(106,880)</u>
At 31 March 2022	504,580
Net surplus for the year	814,864
Transfer to lump sum grant reserve (note 23)	<u>(746,240)</u>
At 31 March 2023	<u><u>573,204</u></u>

25. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at 31 March 2023 and 31 March 2022 are as follows:

	2023 HK\$	2022 HK\$
Financial assets		
Financial assets measured at amortised cost:		
- Utility deposits	368,287	311,495
- Other receivables	5,614,704	5,639,093
- Cash and bank balances	<u>13,641,628</u>	<u>11,551,436</u>
	<u><u>19,624,619</u></u>	<u><u>17,502,024</u></u>
Financial liabilities		
Financial liabilities measured at amortised cost:		
- Accounts payable and accruals	323,272	252,747
- Amount payable to Social Welfare Department	16,064	16,064
- Lease liabilities (Note)	841,789	592,001
- Staff provident fund balance	1,306,641	1,216,998
- Donations for specific purposes	6,954,759	6,296,603
- Cash advance from HKJC	4,249,421	2,736,064
- Cash advance from BOCHK	169,160	1,456,905
- Lotteries fund balance	<u>1,582,320</u>	<u>1,427,053</u>
	<u><u>15,443,426</u></u>	<u><u>13,994,435</u></u>

Note: The comparative figure of lease liabilities for the year ended 31 March 2022 has been changed from HK\$295,716 to HK\$592,001 in order to conform to current year's presentation.

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26. FINANCIAL RISK MANAGEMENT

The Company is exposed through its operations to the following risks from its use of financial instruments:

- Interest rate risk
- Liquidity risk
- Credit risk

The policy of each of the above risks is described in more detail below:

(a) Interest rate risk

The Company is not exposed to material interest rate risk as it does not have material interest bearing financial instrument at the end of reporting period.

(b) Liquidity risk

The Company's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term. In the opinion of the directors, the Company does not have significant liquidity risk exposure. Financial liabilities total HK\$15,443,426 (2022: HK\$13,994,435) of which the contractual maturities of financial liabilities of HK\$15,163,871 (2022: HK\$13,698,150) are due in less than one year.

(c) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company is exposed to credit risk from other receivables and bank balances.

The Company's outstanding other receivable do not have a significant increase in credit risk since initial recognition and risk of default is insignificant, therefore the ECL for these financial assets were based on 12-months ECL. The Company takes into account the historical credit loss experience, adjusted for forwarding-looking factors and the economic environment, as appropriate, and concludes that ECLs are insignificant.

The credit risk on liquid funds is limited because the counterparties are banks with high credit rating assigned by international credit rating agencies.

27. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the directors on 5 October 2023.