(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 2019



(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 2019.

PRINCIPAL ACTIVITY

The principal activity of the Company is to provide a rent-free shelter for women and children who are victims of violence. Other activities include community education, crisis intervention, outreaching to schools, counseling and hotlines services.

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 2019 and the financial position of the Company as at that date are set out in the financial statements on pages 6 to 37.

DIRECTORS

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

Ms. Wong Hing Chun

Mrs. Koo Au Cheuk Ming Anna

Mrs. Crosbie-Walsh Penny Soh Peng

Prof. Ng Man Lun

Dr. Kam Chak Wah

Ms. Yu Po Kwan

Mr. Leung Hong Shun Alexander

Dr. Leung Suk Man Grace

Ms. Chui Chi Yan Daisy

In accordance with Article 42 of the Company's Articles of Association, the following directors retire and being eligible, may offer themselves for re-election for the forthcoming year:

Prof. Ng Man Lun

Ms. Yu Po Kwan

Dr. Leung Suk Man Grace

DIRECTORS' REPORT

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.

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

Ms. Wong Hing Chun

Director

Hong Kong, 28 September 2019



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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 6 to 37, which comprise the statement of financial position as at 31 March 2019, 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 2019 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 ("HKSAs") 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 only.

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 applicable Hong Kong Financial Reporting Standards issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of 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 HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

• identify and assess the risks of material misstatement of the 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

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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.

BDO Limited

Certified Public Accountants

Law Fung Ha

Practising Certificate Number P03958

Hong Kong, 28 September 2019

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2019

	Note	Shelter LSG	Shelter Others	Moving Forward Against Domestic Violence Project	Project HE for Male Victims of Domestic Violence	Project Smart Kids	Harmony Lane	Other Activities	2019 Total	2018 Total
		HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	НК\$
Income										
Social Welfare Department ("SWD")										
- Lump Sum Grant ("LSG") Subvention		9,857,625	ar I	•	•			•	9,857,625	9,443,379
- Lotteries Fund		,	44,871		•	•		283,000	327,871	233, 134
- Rent and rates subsidy		ŗ	1	243,920		1			243,920	247,220
Community Chest - Baseline Allocation		,	525,550	ŕ		•	ı	491,250	1,016,800	987,100
The Hong Kong Jockey Club Charities Trust		ı	•	2,792,200	1,800,754	1,228,288	ı	,	5,821,242	4,466,993
Other donations		ı	74,035	,		•	13,586	897,570	985,191	754,539
Other income		32,872	720	•	•	•	35,490	198,977	268,059	208,972
Interest income		1,941	•	994			•	3,342	6,277	210
Deferred income brought forward		•	•	ı		•	1	109,441	109,441	672,667
Deferred income carried forward		,	•	(614,116)			•	(323,834)	(937,950)	(981,026)
Accrued income				•	1,010,732	978,849			1,989,581	1,318,998
Fund for accrued expenses					(879,080)	(439,918)	,		(1,318,998)	(852,051)
Fund for acquisition of assets	i	*		(42,872)	1	(6,499)		(283,000)	(332,371)	(32,154)
		9,892,438	645,176	2,380,126	1,932,406	1,760,720	49,076	1,376,746	18,036,688	16,467,981
Transfer from deferred income for capital grants	17		32,213	10,718	4,529	6,379	1,875	191,999	247,713	107,187
	ı	9,892,438	677,389	2,390,844	1,936,935	1,767,099	50,951	1,568,745	18,284,401	16,575,168

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2019

	•	1	: : :	Moving Forward	Project HE for Male Victims of		;			
		Shelter	Sheiter	Against Domestic	Domestic	Project Smart	Harmony		2019	2018
		LSG HK\$	Others HK\$	Violence Project HK\$	Violence HK\$	Kids HKS	Lane HK\$	Other Activities HKS	Total HK\$	Total HK\$
Expenses						•		•))
Administrative expenses	6	227,209	692	198,739	14,846	29,388		28,571	499,522	315,112
Computer software		1,200	80	9,302	374	200		654	11,810	75,413
Depreciation		1	32,213	10,718	4,529	6,379	1,875	191,999	247,713	107,187
Employee costs	9	7,910,806	495,537	1,668,337	1,693,272	1,307,528	ŧ	895,386	13,970,866	12,989,428
Food and household supplies		17,318	,			•	,		17,318	11,783
Insurance		149,679	10,953	33,156	24,207	26,467	•	18,963	263,425	221,764
Miscellaneous		14,971	1	5,396	7,276	9,884	1	13,901	51,428	73,654
Programmes		148,080	91,868	113,795	146,346	316,065	11,086	219,404	1,046,644	799,883
Publicity/publication		ı	ı	•	20,105	23,072	•	,	43,177	19,200
Rent and rates		78,200	•	243,920	,	29,040	,		351,160	357,090
Staff training and development		1	30,891	1,330	2,864	•	5,240	14,314	54,639	105,296
Stores and equipment	10	757,034	14,755	75,023	2,214	11,851	2,500	112,187	975,564	877,080
Travelling		28,463	323	3,333	,	1	44	2,885	35,048	44,537
Utilities	=======================================	228,533	,	27,795	20,902	7,225	-	20,976	305,431	335,627
	l	9,561,493	677,389	2,390,844	1,936,935	1,767,099	20,745	1,519,240	17,873,745	16,333,054
Net operating surplus	II	330,945	1	,			30,206	49,505	410,656	242,114
Auditor's remuneration									(49,000)	(47,000)
Surplus of staff provident fund subvention from SWD									(125,080)	(100,737)
Deficit of shelter rent and rates reimbursed by SWD								ı	3,221	6,056
Net surplus for the year	22							!!	239,797	100,433

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STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

	Notes	2019 HK\$	2018 HK\$
Assets		ΠÇ	ΠΛŞ
Non-current asset Property, plant and equipment	12	468,279	114,607
Current assets			
Utility deposits and prepayments		293,599	345,104
Other receivables		3,357,084	2,412,440
Amount receivable from Social Welfare Department	13	30,299	27,078
Cash and bank balances		10,573,459	10,247,976
Total current assets		14,254,441	13,032,598
Total assets		14,722,720	13,147,205
Liabilities			
Current liabilities			
Accounts payable and accruals		1,760,280	1,740,376
Staff provident fund balance	14	1,165,842	1,038,885
Donations for specific purposes	15	5,012,756	4,843,278
Cash advance from Jockey Club		1,112,115	871,585
Lotteries fund balance	16	1,758,023	1,226,103
Deferred income for capital grants	17	468,280	114,608
Total liabilities		11,277,296	9,834,835
NET ASSETS		3,445,424	3,312,370
Represented by:			
Capital	18	354,911	354,911
Specific funds	19	543,758	650,501
Lump sum grant reserve	20	2,260,527	2,081,454
Accumulated funds	21	286,228	225,504
TOTAL FUNDS		3,445,424	3,312,370
On behalf of the directors			

Ms. Wong Hing Chun Director Mrs. Crosbie-Walsh Penny Soh Peng Director

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STATEMENT OF CHANGES IN TOTAL FUNDS FOR THE YEAR ENDED 31 MARCH 2019

	Capital HK\$	Specific funds HK\$	Lump sum grant reserve HK\$	Accumulated funds HK\$	Total HK\$
At 1 April 2017	354,911	680,429	2,102,767	216,436	3,354,543
Net surplus for the year	-	-	-	100,433	100,433
Transfers (note 20)	-	-	91,365	(91,365)	-
Clawback refunded to SWD (note 20)	-	-	(112,678)	-	(112,678)
Fund utilised (note 19)	-	(29,928)	-	_	(29,928)
At 1 April 2018	354,911	650,501	2,081,454	225,504	3,312,370
Net surplus for the year	-	-	-	239,797	239,797
Transfers (note 20)		-	179,073	(179,073)	-
Fund utilised (note 19)	_	(106,743)	-	-	(106,743)
At 31 March 2019	354,911	543,758	2,260,527	286,228	3,445,424

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2019

	2019 HK\$	2018 HK\$
Cash flows from operating activities		
Net surplus for the year	239,797	100,433
Adjustments for:	ŕ	,
Depreciation of property, plant and equipment	247,713	107,187
Capital grants recognised as income	(247,713)	(107,187)
Interest income	(6,277)	(210)
Operating profit before working capital changes	233,520	100,223
Decrease/(increase) in utility deposits and prepayments	51,505	(75,314)
Increase in other receivables	(944,644)	(86,105)
Increase in accounts payable and accruals	19,904	121,074
(Increase)/decrease in amount receivable from Social Welfare	,	,
Department	(3,221)	256
Increase in staff provident fund balance	126,957	100,737
Increase in donation for specific purposes	169,478	93,297
Increase in cash advance from Jockey Club	614,115	287,174
Increase in lotteries fund balance	531,920	190,922
Decrease in building maintenance/renovation fund	(84,600)	-
Decrease in staff development fund	(22,143)	(29,928)
Net cash from operating activities	692,791	702,336
Cash flows from investing activities		
Purchases of property, plant and equipment	(601, 385)	(44,254)
Interest received	6,277	210
Net cash used in investing activities	(595,108)	(44,044)
There eash asea in investing activities	(373,100)	(44,044)
Cash flows from financing activities		
Capital grants received	601,385	44,254
Clawback refunded to SWD	-	(112,678)
Clawback refunded to HKJC	(373,585)	•
Net cash from/(used in) financing activities	227,800	(68,424)
Net increase in cash and cash equivalents	325,483	589,868
Cash and cash equivalents at beginning of year	10,247,976	9,658,108
Cash and cash equivalents at end of year	10,573,459	10,247,976
Analysis of cash and cash equivalents companies:		
Cash available on demand	10,573,459	10,247,976

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NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2019

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 Memorandum and 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 nine members.

The Company is a charitable organisation and provides a rent-free shelter for women and children who are victims of violence. 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/revised HKFRSs - effective 1 April 2018

HKFRS 9

HK(IFRIC) - Int 22

Financial Instruments

Foreign Currency Transaction and Advance

Consideration

HKFRS 9 - Financial Instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and measurement for annual periods beginning on or after 1 January 2018, bring together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of HKFRS 9 from 1 April 2018 and has resulted in changes in accounting policies of the Company.

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NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2019

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

(a) Adoption of new/revised HKFRSs - effective 1 April 2018 - Continued

HKFRS 9 - Financial Instruments - Continued

Under HKFRS 9, a financial asset is classified as: (i) financial assets at amortised cost ("amortised costs"); (ii) financial assets at fair value through other comprehensive income ("FVOCI"); or (iii) FVTPL (as defined in above). The classification is based on two criteria: (i) Company's business model for managing the assets; and (ii) whether the instrument's contractual cash flows represent solely payments of principal and interest on the principal amount outstanding. Equity instruments would generally be measured at FVTPL unless the Company elects to measure at FVTOCI (without recycling, i.e. any gain/loss will be recorded in other comprehensive income and will not be reclassified to profit or loss, while the dividend is recognised through profit or loss) for equity investments that are not held for trading.

The adoption of HKFRS 9 has changed the Company's accounting treatment for impairment losses for financial assets by replacing HKAS 39's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. HKFRS 9 requires the Company to record an allowance for ECLs for all loans and other debt financial assets not held at FVTPL.

The adoption of these amendments had no material impact on the Company's financial statements.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Company's financial statements, have been issued, but are not yet effective and have not been early adopted by the Company. The Company's current intention is to apply these changes on the date they become effective.

HKAS 16 Leases¹
HK(IFRIC) - Int 23 Uncertainty over Income Tax Treatments¹

Amendments to HKFRS 9 Prepayment Features with Negative Compensation¹

Annual Improvements to Amendments to HKAS 12, Income Taxes¹

HKFRSs 2015-2017 Cycle

HKFRSs 2015-2017 Cycle

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

² The amendments were originally intended to be effective for periods beginning on or after 1 January 2017. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

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NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2019

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

(b) New/revised HKFRSs that have been issued but are not yet effective - Continued

The Company is in the process of making an assessment of the potential impact of these pronouncements. The directors so far concluded that the application of these new pronouncements will have no 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 applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") and the provisions of the Hong Kong Companies Ordinance which concerning the preparation of financial statements.

(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.

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NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2019

4. SIGNIFICANT ACCOUNTING POLICIES - Continued

(a) Property, plant and equipment

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 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

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.

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NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2019

4. SIGNIFICANT ACCOUNTING POLICIES - Continued

(a) Property, plant and equipment - Continued

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) 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 lease.

The Company as lessee

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

(c) Financial Instruments (accounting policies applied from 1 April 2018)

(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.

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.

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.

31 MARCH 2019

NOTES TO THE FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES - Continued

(c) Financial Instruments (accounting policies applied from 1 April 2018)

(i) Financial assets - Continued

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.

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.

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NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2019

4. SIGNIFICANT ACCOUNTING POLICIES - Continued

(c) Financial Instruments (accounting policies applied from 1 April 2018) - Continued

(ii) Impairment loss on financial assets - Continued

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.

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. 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.

(和諧之家有限公司)

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2019

4. SIGNIFICANT ACCOUNTING POLICIES - Continued

(c) Financial Instruments (accounting policies applied from 1 April 2018) - 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) Financial Instruments (accounting policies applied until 31 March 2018)

(i) Financial assets

The Company classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are mainly cash and bank balances, and also incorporate other types of contractual monetary assets. They are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2019

4. SIGNIFICANT ACCOUNTING POLICIES - Continued

(d) Financial Instruments (accounting policies applied until 31 March 2018)

(ii) Impairment loss on financial assets

The Company assesses, at the end of each reporting period, whether there is any objective evidence that a 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 counterparty;
- a breach of contract, such as a default or delinquency in interest or principal payments; and
- it becoming probable that the counterparty will enter bankruptcy or other financial reorganisation.

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. The carrying amount of a financial asset is reduced through the use of an allowance account. When any part of a financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

(iii) Financial liabilities

The Company classifies its financial liabilities depending on the purpose for which the liabilities were acquired. Financial liabilities at amortised cost including other payables and accrued liabilities, which are 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.

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NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2019

4. SIGNIFICANT ACCOUNTING POLICIES - Continued

(d) Financial Instruments (accounting policies applied until 31 March 2018) - 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 HKAS 39 "Financial Instrument: Recognition and Measurement".

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

(e) 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.

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2019

4. SIGNIFICANT ACCOUNTING POLICIES - Continued

(f) 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.

(g) 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.

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.

(和諧之家有限公司)

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2019

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.

(和諧之家有限公司)

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2019

4. SIGNIFICANT ACCOUNTING POLICIES - Continued

(i) 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.

5. NET SURPLUS FOR THE YEAR

Net surplus for the year is stated after charging:

		2019 HK\$	2018 HK\$
	Employee costs (note 6) Depreciation of property, plant and equipment Minimum operating lease payments	13,970,866 247,713 254,760	12,989,428 107,187 254,760
6.	EMPLOYEE COSTS		
		2019 HK\$	2018 HK\$
	Employee costs comprise: Wages and salaries Contributions to defined contributions retirement plan	13,164,000 806,866	12,252,313
		13,970,866	12,989,428

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2019

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:

	2019 HK\$	2018 HK\$
Fees Other emoluments	- -	-
		_

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 (2018: Nil).

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2019

ADMINISTRATIVE EXPENSES 6.

			r'	Project HE for					
	Shelter	Shelter	Moving Forward Against Domestic	Male Victims of Domestic	Project Smart	Harmony	Other	2019	2018
	FSG	Others	Violence Project	Violence	Kids	Lane	Activities	Total	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Admin cost sharing	•	ar I	161,395	ı	ı	•		161,395	121,011
Audit fees	2,560	ſ	1	,	ı		1,440	4,000	18,500
Bank charges	6,162	•	240	ı	ı	•	5,705	12,107	9,731
IEPS charges	,	•	•	ı	t	•	1,200	1,200	1,200
Medical expenses	3,240	350	1,085	385	735		1	5,795	5,350
Postage	1,985		460	200	3,401		5	6,351	2,260
Recruitment	57,543	•	21,839	3,601	8,125	,	1,059	92,167	34,932
Secretarial service fee	009'6		1	1	1		2,400	12,000	12,420
Telephone and facsimile	146,119	419	13,720	10,360	17,127	•	16,762	204,507	109,708
	227,209	769	198,739	14,846	29,388	•	28,571	499,522	315,112

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2019

10. STORES AND EQUIPMENT

			Moreover Proposed	Project HE for					
	Shelter LSG	Shelter Others	Against Domestic	Domestic	Project Smart Kids	Harmony Lane	Other Activities	2019 Total	2018 Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	нк\$
Cleaning charges and materials	177,477	14,700	*29,396	•		2,500	28,828	252,901	157,373
Furniture and equipment									
(Minor purchase)	111,288	•	ı	ı	1		14,303	125,591	172,522
Newspapers and periodicals	6,874	•	2,396	t	ı	ı	8	9,278	8,517
Printing and stationery	21,558	55	14,250	2,214	11,851	,	3,476	53,404	30,548
Repairs and maintenance	431,197	ı	22,975	ı		ţ	292,262	510,734	485,213
Safety and security equipment	8,640	•	3,976	ı		•	5,964	18,580	17,720
Security service	ı	1	2,030	1	1	t	3,046	5,076	4,920
Toys and books for children		•	,	r					267
	757,034	14,755	75,023	2,214	11,851	2,500	112,187	975,564	877,080

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2019

11. UTILITIES

Shelter Against Domestic of Domestic Others Violence Project Violence HK\$ HK\$
27,605
ı
- 190

335,627

305,431

20,976

7,225

20,902

27,795

228,533

(和諧之家有限公司)

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2019

12. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicle HK\$	Furniture and equipment HK\$	Leasehold improvement HK\$	Total HK\$
Cost At 1 April 2018 Additions Disposals	776,902 - -	1,439,858 121,285 (146,487)	12,956,857 480,100	15,173,617 601,385 (146,487)
At 31 March 2019	776,902	1,414,656	13,436,957	15,628,515
Accumulated depreciation At 1 April 2018 Depreciation Eliminated on disposal	776,902 - -	1,331,849 81,080 (146,487)	12,950,259 166,633	15,059,010 247,713 (146,487)
At 31 March 2019	776,902	1,266,442	13,116,892	15,160,236
Net book value At 31 March 2019	-	148,214	320,065	468,279
v v	Motor vehicle HK\$	Furniture and equipment HK\$	Leasehold improvement HK\$	Total HK\$
Cost At 1 April 2017 Additions Disposals		and		Total HK\$ 15,199,566 44,254 (70,203)
At 1 April 2017 Additions	vehicle HK\$	and equipment HK\$ 1,465,807 44,254	improvement HK\$	HK\$ 15,199,566 44,254
At 1 April 2017 Additions Disposals	vehicle HK\$ 776,902 - -	and equipment HK\$ 1,465,807 44,254 (70,203)	improvement HK\$ 12,956,857 - -	HK\$ 15,199,566 44,254 (70,203)
At 1 April 2017 Additions Disposals At 31 March 2018 Accumulated depreciation At 1 April 2017 Depreciation	vehicle HK\$ 776,902 - - - 776,902	and equipment HK\$ 1,465,807 44,254 (70,203) 1,439,858 1,301,465 100,587	improvement HK\$ 12,956,857 - - 12,956,857 12,943,659	HK\$ 15,199,566

(和諧之家有限公司)

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2019

12. PROPERTY, PLANT AND EQUIPMENT - Continued

The motor vehicle is purchased for the purpose of community education and is registered under the Trade Marks Registry Intellectual Property Department in the name of "Harmony Express".

13. AMOUNT RECEIVABLE FROM SOCIAL WELFARE DEPARTMENT

	2019 HK\$	2018 HK\$
At 1 April	27,078	27,334
Back payment of rent and rates for prior years	-	(6,536)
Clawback refunded to SWD	-	224
Subsidy received for rent and rates for the year	(74,979)	(73,944)
Rent and rates paid for the year	78,200	80,000
At 31 March	30,299	27,078

14. 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 of service respectively. The contribution rate is reviewed on an annual basis.

15. 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 expenditure have been incurred.

(和諧之家有限公司)

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2019

16. LOTTERIES FUND BALANCE

		2019 HK\$	2018 HK\$
Furniture and Equipment Replenishment and Minor			
Works Block Grant Reserve	(i)	810,182	681,510
IT projects and non-IT projects Social Welfare			·
Development Fund (phase I)	(ii)(a)	-	-
IT projects and non-IT projects Social Welfare			
Development Fund (phase II)	(ii)(b)	343,039	342,933
IT projects and non-IT projects Social Welfare			
Development Fund (phase III)	(ii)(c)	604,802	201,660
	=	1,758,023	1,226,103

(i) The amount represents the Block Grant allocations from the Social Welfare Department for the use of Minor Works.

Movement of the grant is as follows:

		2019 НК\$	2018 HK\$
Block g	e as at 1 April grant received during the year it received	681,510 143,000 372	544,499 137,000 11
		824,882	681,510
Less:	Expenditure during the year: Minor works projects	(14,700)	_
Balanc	e as at 31 March	810,182	681,510

As at 31 March 2019, there is no capital commitment in respect of Minor Works (2018: Nil).

(和諧之家有限公司)

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2019

16. LOTTERIES FUND BALANCE - Continued

- (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.
 - (a) Movement of the grant (phase I) is as follows:

		2019 HK\$	2018 HK\$
	Balance as at 1 April	•	90,910
	Less: Clawback of unspent balance	-	(90,910)
	Balance as at 31 March	-	-
(b)	Movement of the grant (phase II) is as follows:		
÷		2019 HK\$	2018 HK\$
	Balance as at 1 April Interest received	342,933 106	399,772 10
		343,039	399,782
	Less: Expenditure during the year: IT system upgrading project	-	(56,849)
	Balance as at 31 March	343,039	342,933

(和諧之家有限公司)

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2019

16. LOTTERIES FUND BALANCE - Continued

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

	2019 HK\$	2018 HK\$
Balance as at 1 April Allocation received during the year Interest received	201,660 433,000 63	261,000 1
	634,723	261,001
Less: Expenditure during the year: Training and professional development program	(29,921)	(59,341)
Balance as at 31 March	604,802	201,660

As at 31 March 2019, there is no capital commitment in respect of IT projects and non IT projects (2018: Nil).

17. DEFERRED INCOME FOR CAPITAL GRANTS

×	2019 HK\$	2018 HK\$
At 1 April	114,608	177,541
Capital grant received	601,385	44,254
Recognised as income	(247,713)	(107,187)
At 31 March	468,280	114,608

18. CAPITAL

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

HARMONY HOUSE LIMITED (和諧之家有限公司)

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2019

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 2017	100,000	62,356	100,000	205,762	212,311	680,429
Utilised during the year	ı			1	(29,928)	(29,928)
At 31 March 2018	100,000	62,356	100,000	205,762	182,383	650,501
Utilised during the year	a			(84,600)	(22,143)	(106,743)
At 31 March 2019	100,000	62,356	100,000	121,162	160,240	543,758

(和諧之家有限公司)

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2019

19. 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

20. 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.

	2019 HK\$	2018 HK\$
At 1 April Transferred from accumulated funds (note 21) Clawback refunded to SWD	2,081,454 179,073 	2,102,767 91,365 (112,678)
At 31 March	2,260,527	2,081,454

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 and strengthen the supervisory support at the shelter.

(和諧之家有限公司)

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2019

21. ACCUMULATED FUNDS

	HK\$
At 1 April 2017	216,436
Net surplus for the year	100,433
Transfer to lump sum grant reserve (note 20)	(91,365)
At 31 March 2018	225,504
Net surplus for the year	239,797
Transfer to lump sum grant reserve (note 20)	(179,073)
At 31 March 2019	286,228

22. OPERATING LEASES

The Company leases office premises under operating leases. The leases run for three years and do not include any contingent rentals.

At the reporting date, the total future minimum lease payments payable by the Company under the non-cancellable operating lease are as follows:

	2019 HK\$	2018 HK\$
Within one year Later than one year and not later than five years	273,288 546,576	254,760
	819,864	254,760

(和諧之家有限公司)

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2019

23. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at 31 March 2019 and 31 March 2018 are as follows:

	2019 HK\$	2018 HK\$
Financial assets	пқ	пиэ
Financial assets measured at mortised cost:		
	00 522	404 533
- Utility deposits	99,522	196,522
- Other receivables	3,357,084	2,412,440
- Amount receivable from Social Welfare Department	30,299	27,078
- Cash and bank balances	10,573,459	10,247,976
	14,060,364	12,884,016
Financial liabilities		
Financial liabilities measured at amortised cost:		
- Accounts payable and accruals	453,390	433,486
- Staff provident fund balance	1,165,842	1,038,885
- Donations for specific purposes	5,012,756	4,843,278
- Cash advance from Jockey Club	1,112,115	871,585
- Lotteries fund balance	1,758,023	1,226,103
s'	9,502,126	8,413,337

24. 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.

(和諧之家有限公司)

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2019

24. FINANCIAL RISK MANAGEMENT - Continued

(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. The contractual maturities of all financial liabilities of HK\$9,502,126 (2018: HK\$8,413,337) 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.

25. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the directors on 28 September 2019.