

FISH MARKETING ORGANIZATION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2014

**INDEPENDENT AUDITOR'S REPORT
TO FISH MARKETING ORGANIZATION**

(Established under the Marine Fish (Marketing) Ordinance, Chapter 291)

We have audited the financial statements of Fish Marketing Organization set out on pages 3 to 36, which comprise the balance sheet as at 31 March 2014, the statement of comprehensive income, the statement of changes in funds and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Fish Marketing Organization's Responsibility for the Financial Statements

The Marine Fish (Marketing) Ordinance, Chapter 291, requires Fish Marketing Organization to keep proper accounts. Fish Marketing Organization is responsible for the preparation of financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and for such internal control as Fish Marketing Organization determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

**INDEPENDENT AUDITOR'S REPORT
TO FISH MARKETING ORGANIZATION (CONTINUED)**
(Established under the Marine Fish (Marketing) Ordinance, Chapter 291)

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of Fish Marketing Organization as at 31 March 2014, and of its surplus and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 August 2014

FISH MARKETING ORGANIZATION

(All amounts in Hong Kong dollars unless otherwise stated)

BALANCE SHEET

	Note	As at 31 March		As of 1 April
		2014	2013 (Restated)	2012 (Restated)
ASSETS				
Non-current assets				
Property, plant and equipment	5	32,905,979	37,631,822	39,919,478
Fish Marketing Organization ("FMO")				
Loans	7(a)	1,959,704	1,577,926	991,024
Assets under defined benefit plan	18(a)	2,200,000	1,847,000	1,451,000
		<u>37,065,683</u>	<u>41,056,748</u>	<u>42,361,502</u>
Current assets				
Inventories	8	1,267,785	545,068	561,986
FMO Loans	7(a)	38,458,598	46,850,591	53,124,564
Receivables from co-operative societies and fishermen		31,289	15,141	18,896
Trade and other receivables	9	6,284,619	6,654,591	6,015,676
Bank deposits with original maturities over three months	10	155,299,996	123,350,000	136,500,000
Cash and cash equivalents	11	9,126,337	19,957,131	6,122,079
		<u>210,468,624</u>	<u>197,372,522</u>	<u>202,343,201</u>
Total assets		<u>247,534,307</u>	<u>238,429,270</u>	<u>244,704,703</u>
FUNDS				
FMO General Fund				
Accumulated surplus	12	122,949,265	114,083,647	103,277,637
Specific funds				
FMO Loan Fund	7(a)	84,820,021	83,880,452	82,905,674
Funds provided from external sources for capital expenditure	13	1,778,641	1,778,641	1,778,641
CARE Loan Fund	14	164,799	164,799	164,799
Total funds		<u>209,712,726</u>	<u>199,907,539</u>	<u>188,126,751</u>

FISH MARKETING ORGANIZATION

(All amounts in Hong Kong dollars unless otherwise stated)

BALANCE SHEET (CONTINUED)

		<u>As at 31 March</u>		<u>As of 1 April</u>
	Note	2014	2013 (Restated)	2012 (Restated)
LIABILITIES				
Non-current liabilities				
Provision for long service payments	17	5,770,504	6,248,596	6,477,379
		-----	-----	-----
Current liabilities				
Trade and other payables	15	17,299,343	17,853,345	16,717,609
Amounts due to Government Loan Fund	16	12,799,818	12,059,116	31,582,522
Provision for long service payments	17	270,058	414,413	286,286
Fish buyers' deposits		553,350	655,252	471,822
Savings held on behalf of co-operative societies and fishermen	19	1,128,508	1,291,009	1,042,334
		-----	-----	-----
		32,051,077	32,273,135	50,100,573
		-----	-----	-----
Total liabilities		37,821,581	38,521,731	56,577,952
		-----	-----	-----
Total funds and liabilities		247,534,307	238,429,270	244,704,703
		=====	=====	=====

The notes on pages 9 to 36 are an integral part of these financial statements.

The financial statements on pages 3 to 36 were approved by Fish Marketing Organization on 26 August 2014.

LEUNG Siu-fai

Fish Marketing Organization

FISH MARKETING ORGANIZATION

(All amounts in Hong Kong dollars unless otherwise stated)

STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 March	
	Note	2014	2013 (Restated)
INCOME			
Operating income			
Commission		21,467,155	21,478,561
Net income from sales of marine fish/produce	20	4,020,685	4,204,389
Licence fee income		31,681,254	31,053,918
Cold storage income		61,350	44,141
Berthing income		967,220	975,800
Net income from sales of sea water	21	494,484	483,405
Other operating income		596,708	467,005
		<u>59,288,856</u>	<u>58,707,219</u>
Non-trading income			
Interest income on bank deposits		610,104	836,212
Write-back of impairment of trade receivables	9	-	1,190
Other income		25,842	121,793
		<u>635,946</u>	<u>959,195</u>
Total income		<u>59,924,802</u>	<u>59,666,414</u>
EXPENDITURE			
Operating expenditure			
Employee benefit expenditure	22	<u>(30,563,096)</u>	<u>(30,149,900)</u>
General working expenses			
Rent, rates and permit fees	23	(2,327,266)	(2,180,033)
Printing and stationery		(413,632)	(398,126)
Utility services		(2,887,565)	(2,734,802)
Maintenance and minor improvements		(1,465,210)	(1,618,157)
Stores and equipment		(285,970)	(317,601)
Miscellaneous expenses		(615,893)	(531,842)
Staff welfare		(237,723)	(234,275)
Staff training		(18,185)	(44,506)
Travelling expenses		(89,989)	(86,831)
Protective clothing and uniforms		(9,234)	(1,300)
Insurance		(789,902)	(490,669)
Auditor's remuneration		(339,400)	(324,400)
Security services		(1,149,178)	(1,063,787)
Commission expenses		(67)	(3,942)
Bank charges		(10,873)	(7,935)
Balance carried forward		<u>(10,640,087)</u>	<u>(10,038,206)</u>

FISH MARKETING ORGANIZATION

(All amounts in Hong Kong dollars unless otherwise stated)

STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

		Year ended 31 March	
	Note	2014	2013 (Restated)
Operating expenditure (Continued)			
General working expenses (Continued)			
Balance brought forward		(10,640,087)	(10,038,206)
Depreciation	5	(5,653,273)	(5,902,328)
Transportation expenses		(1,646,058)	(1,622,980)
Liaison and ancillary services		(20,000)	(20,000)
Publicity and sales promotion	24	(2,130,385)	(1,064,274)
Legal and professional fees		(144,000)	(98,000)
Cleaning charges		(230,100)	(203,200)
Subsidy for lorry parking		(509,262)	(485,100)
		<hr/>	<hr/>
General working expenses		(20,973,165)	(19,434,088)
		<hr/>	<hr/>
Total operating expenditure		(51,536,261)	(49,583,988)
		<hr/>	<hr/>
Other expenditure			
Loss on disposals of property, plant and equipment	27(b)	(69,923)	(20,339)
Others		-	(77)
		<hr/>	<hr/>
		(69,923)	(20,416)
		<hr/>	<hr/>
Total expenditure		(51,606,184)	(49,604,404)
		<hr/>	<hr/>
Operating surplus for the year		8,318,618	10,062,010
Net surplus from FMO Loan Fund	26	939,569	974,778
		<hr/>	<hr/>
Surplus for the year		9,258,187	11,036,788
		<hr/>	<hr/>
Other comprehensive income for the year			
<u>Items that will not be reclassified subsequently to surplus or deficit</u>			
Remeasurements for defined benefit plan	18	547,000	744,000
		<hr/>	<hr/>
Total comprehensive income for the year	12	9,805,187	11,780,788
		<hr/>	<hr/>

The notes on pages 9 to 36 are an integral part of these financial statements.

FISH MARKETING ORGANIZATION

(All amounts in Hong Kong dollars unless otherwise stated)

STATEMENT OF CHANGES IN FUNDS

	Note	<u>Total funds</u>
Balance at 1 April 2012, as previously reported		187,593,751
Effect of changes in Hong Kong Accounting Standard (“HKAS”)19	2.1(a)	<u>533,000</u>
Balance at 1 April 2012, as restated		188,126,751
Surplus for the year, as restated		11,036,788
Other comprehensive income		
- Remeasurements for defined benefit plan	18(b)	<u>744,000</u>
Total comprehensive income, as restated		<u>11,780,788</u>
Balance at 31 March 2013, as restated		<u>199,907,539</u>
Balance at 1 April 2013, as previously reported		199,557,539
Effect of changes in HKAS 19	2.1(a)	<u>350,000</u>
Balance at 1 April 2013, as restated		199,907,539
Surplus for the year		9,258,187
Other comprehensive income		
- Remeasurements for defined benefit plan	18(b)	<u>547,000</u>
Total comprehensive income		<u>9,805,187</u>
Balance at 31 March 2014		<u>209,712,726</u>

The notes on pages 9 to 36 are an integral part of these financial statements.

FISH MARKETING ORGANIZATION

(All amounts in Hong Kong dollars unless otherwise stated)

STATEMENT OF CASH FLOWS

	Note	Year ended 31 March	
		2014	2013
Cash flows from operating activities			
Cash generated from operations	27(a)	19,638,282	21,423,895
Interest received on FMO Loans		906,910	1,485,203
		<u> </u>	<u> </u>
Net cash generated from operating activities		20,545,192	22,909,098
		<u> </u>	<u> </u>
Cash flows from investing activities			
Bank interest received		933,617	1,408,072
Purchases of property, plant and equipment	5	(997,353)	(3,685,011)
Proceeds from disposals of property, plant and equipment	27(b)	-	50,000
Net (placement)/uplift of bank deposits with original maturities over three months		(31,949,996)	13,150,000
		<u> </u>	<u> </u>
Net cash (used in)/generated from investing activities		(32,013,732)	10,923,061
		<u> </u>	<u> </u>
Cash flows from financing activities			
New drawdown from Government Loan Fund	16	58,000,000	34,400,000
Repayments to Government Loan Fund		(56,858,534)	(53,624,436)
Interest on Government Loan Fund paid		(503,720)	(772,671)
		<u> </u>	<u> </u>
Net cash generated from/(used in) financing activities		637,746	(19,997,107)
		<u> </u>	<u> </u>
Net (decrease)/increase in cash and cash equivalents			
		(10,830,794)	13,835,052
Cash and cash equivalents at beginning of the year		19,957,131	6,122,079
		<u> </u>	<u> </u>
Cash and cash equivalents at end of the year	11	<u>9,126,337</u>	<u>19,957,131</u>

The notes on pages 9 to 36 are an integral part of these financial statements.

FISH MARKETING ORGANIZATION

(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

1 General information

Fish Marketing Organization (the “Organization”) is established under the Marine Fish (Marketing) Ordinance, Chapter 291, which requires that marine fish be bought and sold wholesale at the wholesale marine fish markets operated by the Organization. A fish seller shall pay a commission to the Organization for the services provided in respect of such sale.

The principal activity of the Organization is to provide services to the fish sellers in return for commission calculated based on the price or quantity of fish sold in the Organization’s markets.

- (a) The amount of commission income accruing to the Organization therefore depends significantly on:
- (i) the degree of the fish sellers’ compliance with the Marine Fish (Marketing) Ordinance by bringing their catch into the Organization’s markets for sale; and
 - (ii) the market conditions prevailing in the market which influence the selling prices of the fish.
- (b) With effect from 25 June 1999, the rate of commission payable to the Organization for services provided in respect of the sales of marine fish at a market is changed from 7% of the price for which the fish was sold on the following basis:
- (i) \$5 per 15 catties sold or 7% of the purchase price, whichever is the lower, for services provided in respect of the sales of marine fish by way of direct sale; or
 - (ii) 7% of the purchase price for services provided in respect of the sales of marine fish by way of any other method of sale.

The address of the Organization is 757 Lai Chi Kok Road, Cheung Sha Wan Wholesale Vegetable Market, Cheung Sha Wan, Kowloon.

These financial statements are presented in Hong Kong dollars unless otherwise stated. These financial statements have been approved for issue by Fish Marketing Organization on 26 August 2014.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements of the Organization have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) and under the historical cost convention.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Organization’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

FISH MARKETING ORGANIZATION

(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

- (a) The following amendments and standards have been adopted by the Organization for the first time for the Organization's financial year beginning on 1 April 2013:

Amendment to Hong Kong Accounting Standard ("HKAS") 1, "Financial statement presentation" regarding other comprehensive income. The main change resulting from this amendment is a requirement for entities to group items presented in "other comprehensive income" on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The adoption of this new amendment has resulted in certain additional disclosures.

Amendment to HKFRS 7, "Financial instruments: Disclosures", on asset and liability offsetting. The amendment requires new disclosure requirements which focus on quantitative information about recognized financial instruments that are offset in the balance sheet, as well as those recognized financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset. This new amendment does not have any impact on these financial statements as the Organization has not offset any financial instruments, nor has it entered into master netting or similar arrangements which are subject to the disclosures of HKFRS 7.

HKFRS 13, "Fair value measurement", aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs. This new standard does not have any significant impact on these financial statements.

HKAS 19, "Employee Benefits" was revised in June 2011. The changes on the Organization's accounting policies have been as follows: to immediately recognize all past service costs, if any; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability.

The changes of HKAS 19 have been applied retrospectively and the effect of the changes is as follows:

	At 31 March 2013	At 1 April 2012
Increase in assets under defined benefit plan	350,000	533,000
Increase in accumulated surplus	350,000	533,000
	<u> </u>	<u> </u>
		Year ended 31 March 2013
Increase in employee benefit expenditure		927,000
Increase in other comprehensive income		744,000
		<u> </u>

- (b) New standards, amendments and interpretations (collectively, the "Amendments") to existing HKFRS that are not yet effective and have not been early adopted by the Organization

Certain Amendments have been published that are mandatory for the Organization's accounting periods commencing on or after 1 April 2014.

FISH MARKETING ORGANIZATION

(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

- (b) New standards, amendments and interpretations (collectively, the “Amendments”) to existing HKFRS that are not yet effective and have not been early adopted by the Organization (Continued)

The following Amendments are relevant and applicable to the Organization; however, they have not been early adopted in these financial statements:

		Effective for the Organization’s accounting periods commencing on or after
HKAS 16 (Amendment)	Clarification of Acceptable Methods of Depreciation	1 April 2016
HKAS 32 (Amendment)	Financial instruments: Presentation – Offsetting financial assets and financial liabilities	1 April 2014
HKAS 36 (Amendment)	Impairment of assets on recoverable amount disclosures	1 April 2014
HKFRS 15	Revenue from Contracts with Customers	1 April 2017
HKFRS 19 (2011) (Amendment)	Employee Benefits	1 July 2014
HKFRS 9	Financial instruments	1 April 2015
HKFRS 7 and HKFRS 9 (Amendment)	Mandatory effective date and transition disclosures	1 April 2015

The Organization will apply these Amendments in the year of initial application. The Organization is currently assessing the impact of the adoption of the Amendments and is not yet in a position to state whether they would have a significant impact on the Organization’s results of operations and financial position.

2.2 Foreign currency translation

- (a) Functional and presentation currency

Items included in the financial statements of the Organization are measured using the currency of the primary economic environment in which the Organization operates (“the functional currency”). The financial statements are presented in Hong Kong dollars, which is the Organization’s functional and presentation currency.

- (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions and valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income.

FISH MARKETING ORGANIZATION

(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.3 Property, plant and equipment

Land and buildings comprise mainly offices and market buildings. Leasehold land classified as finance lease and all other property, plant and equipment is stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Organization and that cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Leasehold land classified as finance lease commences amortization from the time when the land interest becomes available for its intended use. Amortization on leasehold land classified as finance lease and depreciation on all other property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Leasehold land classified as finance lease	Over the unexpired period of the lease
Leasehold improvements	Shorter of the lease period and the useful lives of 10 years
Buildings	
- Permanent construction but not of a concrete nature	10 years
- Permanent construction of a concrete nature	20 years
Furniture, fixtures and equipment	5 to 10 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.4).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the statement of comprehensive income.

2.4 Impairment of non-financial assets

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each balance sheet date.

2.5 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost, determined using the first-in first-out method, mainly comprises invoiced cost. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

FISH MARKETING ORGANIZATION

(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.6 Financial assets

The Organization classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Organization's loans and receivables comprise those financial assets that are detailed in note 6.

2.7 FMO Loans and trade and other receivables

FMO Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

FMO Loans and trade and other receivables are initially recognized at fair value and subsequently carried at amortized cost using the effective interest method, less provision for impairment.

2.8 Impairment of financial assets carried at amortized cost

The Organization assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the statement of comprehensive income.

FISH MARKETING ORGANIZATION
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand and bank deposits with original maturities of three months or less.

2.10 Government loans and borrowing costs

Government loans are recognized initially at fair value, net of transaction costs incurred. Government loans are subsequently stated at amortized cost; any difference, if any, between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of comprehensive income over the period of the government loans using the effective interest method.

Government loans are classified as current liabilities which are due within 12 months after the balance sheet date and as non-current liabilities for the portion which are due over 12 months after the balance sheet date.

Borrowing costs are recognized in the statement of comprehensive income in the period in which they are incurred.

2.11 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers and service providers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.12 Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by the employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

(b) Retirement plan obligations

The Organization operates a defined benefit plan, a defined contribution plan and a mandatory provident fund scheme ("MPF scheme") in Hong Kong, the assets of which are held in separate trustee-administered funds. All three retirement plans are funded by payments from employees and by the Organization. For the defined benefit plan, payments are made after taking into account the recommendations of independent qualified actuary.

Defined contribution plan and MPF scheme

The Organization's contributions to the defined contribution plan and MPF scheme are based on a certain percentage of the employees' income. The Organization's contributions to both the defined contribution plan and the MPF scheme are expensed as incurred.

FISH MARKETING ORGANIZATION
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.12 Employee benefits (Continued)

(b) Retirement plan obligations (Continued)

Defined contribution plan and MPF scheme (Continued)

The Organization's contributions to the defined contribution plan are reduced by contributions forfeited by those employees who leave the defined contribution plan prior to vesting fully in the contributions.

The Organization has no further payment obligations once the contributions to both the defined contribution plan and the MPF scheme have been paid. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

Defined benefit plan

A defined benefit plan is a retirement plan that is not a defined contribution plan. Typically, defined benefit plan define an amount of retirement benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The asset recognized in the balance sheet in respect of defined benefit plan is the fair value of plan assets less the present value of the defined benefit obligation at each balance sheet date. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds or government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise.

Past service costs are charged immediately to the statement of comprehensive income.

(c) Provision for long service payments

The Organization recognizes provision for long service payments to its employees in accordance with the Employment Ordinance (Cap. 57) upon the termination of the employment, or retirement when the employees fulfil certain conditions and the termination meets the required circumstances. The provision is calculated based on the long service payments that are required to be made to the employees by the Organization in respect of their services up to the year-end date as reduced by certain benefits arising from the Organization's retirement plans.

FISH MARKETING ORGANIZATION

(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.13 Provisions

Provisions are recognized when the Organization has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2.14 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of goods and services in the ordinary course of the Organization's activities. Revenue is recognized as follows:

- (a) Commission income is recognized based on the price or quantity of the fish transactions concluded in the Organization's markets on an accruals basis.
- (b) Sales of marine fish/produce/sea water is recognized as income upon delivery of marine fish/produce/sea water to the customer, who has accepted the marine fish/produce/sea water and collectability of the related receivables is reasonably assured.
- (c) Licence fee income is accounted for on a straight-line basis over the respective period of the leases of market premises.
- (d) Cold storage income is recognized based on the weight and period of fish stored on an accruals basis.
- (e) Berthing income is recognized when the services are rendered.
- (f) Interest income on bank deposits and FMO Loans is recognized on a time proportion basis using the effective interest method.
- (g) Other operating income mainly represents loading income which is recognized upon loading of fisheries products in the markets.
- (h) Other income is recognized on an accruals basis.

2.15 Operating leases

- (a) As the lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

FISH MARKETING ORGANIZATION
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.15 Operating leases (Continued)

- (b) As the lessor

When assets are leased out under operating leases, the assets are included in the balance sheet according to their nature. Licence fee income arising from market premises leased out under operating leases is recognized over the term of the lease on a straight-line basis.

2.16 FMO Loan Fund and CARE Loan Fund (“Funds”)

The FMO Loan Fund was set up for making loans to fishermen for productive purposes.

The CARE Loan Fund was initially donated by the Co-operative for American Relief Everywhere for making loans to fishermen for productive purposes.

The income and expenditure relating to these Funds are directly dealt with in the statement of comprehensive income. Any net surplus or deficit relating to these Funds is transferred from the FMO General Fund to the respective Funds.

3 Financial and fund risks management

3.1 Financial risk factors

The Organization’s activities expose it to a variety of financial risks factors: foreign exchange risk, credit risk, liquidity risk and cash flow and fair value interest rate risk. The Organization’s overall risk management procedures focus on the unpredictability of financial markets and seek to minimize potential adverse effects on the Organization’s financial performance.

- (a) Foreign exchange risk

Foreign exchange risk arises where future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Organization’s functional currency. In the opinion of the Organization, the Organization has minimal exposure to foreign exchange risk as its transactions are mainly denominated in Hong Kong dollars and no sensitivity analysis is performed accordingly.

- (b) Credit risk

The Organization has policies in place for the control and monitoring of its credit risk. The credit risk of the Organization is primarily attributable to the FMO Loans, trade and other receivables and deposits and balances placed with banks.

In respect of FMO Loans, individual evaluations are performed on all borrowers. For each loan granting, the Organization has policy to assess the eligibility of the granting to fishermen and request each borrower to provide surety for the loan. Besides, the Organization will make specific provision for those balances which cannot be recovered.

In respect of trade and other receivables, which are arisen mainly from the sales of marine fish/produce/sea water and the commission receivables from credit customers, the Organization has policies in place to ensure they are with appropriate credit history and to limit the amount of credit exposure to credit customers so as to minimize credit risk resulting from counterparties default. The Organization will also make specific provision for those balances which cannot be recovered. The Organization does not obtain collateral from credit customers.

FISH MARKETING ORGANIZATION
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

3 Financial and fund risks management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

The credit risk on liquid funds is limited because the counterparties are reputable and creditworthy banks.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. In the opinion of the Organization, the Organization's overall credit risk is considered to be low.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient bank deposits and bank balances. In the opinion of the Organization, the Organization does not have any significant liquidity risk.

The table below analyzes the Organization's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

As at 31 March 2014 and 2013, the maturity analysis of the financial liabilities is as follows:

	2014	2013
Less than one year		
Trade and other payables (note 15)	16,078,581	16,646,010
Fish buyers' deposits	553,350	655,252
Savings held on behalf of co-operative societies and fishermen	1,128,508	1,291,009
Amounts due to Government Loan Fund	12,906,680	11,765,214
Interest payable on amounts due to Government Loan Fund over the loan period	206,583	236,405
	<u>30,873,702</u>	<u>30,593,890</u>

(d) Cash flow and fair value interest rate risk

The Organization's cash flow and fair value interest rate risk is primarily arisen from bank deposit, FMO Loans and amounts due to Government Loan Fund. Other than that, the Organization has no other significant interest-bearing assets or liabilities.

As at 31 March 2014, if interest rates on the bank deposits, FMO Loans and amounts due to Government Loan Fund had been 20 basis points (2013: 29 basis points) higher/lower with all other variables held constant, surplus for the year would have been \$365,624 (2013: \$498,694) higher/lower, as a result of higher/lower net interest income on the bank deposits, FMO Loans and amounts due to Government Loan Fund.

FISH MARKETING ORGANIZATION
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

3 Financial and fund risks management (Continued)

3.2 Funds risk management

The Organization's objectives when managing funds are to safeguard the Organization's ability to continue as a going concern and to have sufficient funding for future operation. The Organization's overall strategy remains unchanged from prior year.

Total funds of the Organization comprise FMO General Fund, FMO Loan Fund, CARE Loan Fund and Funds provided from external sources for capital expenditure.

3.3 Fair value estimation

Fair value measurement by level of hierarchy is not disclosed as the Organization has no financial instruments that are measured on the three-level hierarchy basis in the balance sheet.

The carrying value less impairment of loans and receivables, and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Organization for similar financial instruments.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Organization makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Useful lives of property, plant and equipment

The Organization's management determines the estimated useful lives of its property, plant and equipment. These estimates are based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions.

Management will increase the depreciation charges where useful lives are less than the previously estimated lives, or will write-off obsolete assets that have been abandoned.

(b) Impairment of FMO Loans

The Organization makes provision for impairment of FMO Loans based on an assessment of the recoverability of the FMO Loans. Provisions are applied to FMO Loans where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of FMO Loans requires the use of judgement and estimates. Where the expectations are different from the original estimates, such differences will impact the carrying values of FMO Loans and impairment of FMO Loans is recognized in the year in which such estimates have been changed.

(c) Defined benefit plan

This applies where the Organization's accounting policy is to recognize any actuarial gains or losses over the average remaining working lives of employees through the statement of comprehensive income.

FISH MARKETING ORGANIZATION

(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

4 Critical accounting estimates and judgements (Continued)

(c) Defined benefit plan (Continued)

The present value of the defined benefit obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost/(income) for defined benefit plan include the discount rate. Any changes in these assumptions will impact the carrying amount of defined benefit obligation.

The actuary, Mercer (Hong Kong) Limited, determines the appropriate discount rate at the end of the year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the defined benefit obligation. In determining the appropriate discount rate, the actuary considers the interest rates of high-quality corporate bonds or government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related defined benefit liability.

Other key assumptions for defined benefit obligation are based in part on current market conditions. Additional information is disclosed in note 18(d).

(d) Provision for long services payments

Provision for long services payments are made based on best estimates that take into consideration the historical turnover rate, investment returns and projected salary increment percentage.

Where the final outcome of the above matters are different from the amounts that were initially recorded, such differences will impact the relevant expense item in the statement of comprehensive income and the corresponding provision account in the balance sheet in the year in which such estimates are changed.

5 Property, plant and equipment

	Land and buildings	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Total
At 1 April 2012					
Cost	35,044,117	46,231,270	14,070,571	757,236	96,103,194
Accumulated depreciation	(28,960,550)	(19,858,671)	(6,837,050)	(527,445)	(56,183,716)
Net book amount	<u>6,083,567</u>	<u>26,372,599</u>	<u>7,233,521</u>	<u>229,791</u>	<u>39,919,478</u>
Year ended 31 March 2013					
Opening net book amount	6,083,567	26,372,599	7,233,521	229,791	39,919,478
Additions	-	2,997,772	408,201	279,038	3,685,011
Disposals (note 27(b))	-	-	(70,339)	-	(70,339)
- Cost	(6,512)	-	(276,760)	(159,516)	(442,788)
- Accumulated depreciation	6,512	-	206,421	159,516	372,449
Depreciation	<u>(177,524)</u>	<u>(4,372,759)</u>	<u>(1,219,640)</u>	<u>(132,405)</u>	<u>(5,902,328)</u>
Closing net book amount	<u>5,906,043</u>	<u>24,997,612</u>	<u>6,351,743</u>	<u>376,424</u>	<u>37,631,822</u>

FISH MARKETING ORGANIZATION
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

5 Property, plant and equipment (Continued)

	Land and buildings	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Total
At 31 March 2013					
Cost	35,037,605	49,229,042	14,202,012	876,758	99,345,417
Accumulated depreciation	(29,131,562)	(24,231,430)	(7,850,269)	(500,334)	(61,713,595)
Net book amount	<u>5,906,043</u>	<u>24,997,612</u>	<u>6,351,743</u>	<u>376,424</u>	<u>37,631,822</u>
Year ended 31 March 2014					
Opening net book amount	5,906,043	24,997,612	6,351,743	376,424	37,631,822
Additions	-	279,550	717,803	-	997,353
Disposals (note 27(b))	-	-	(69,923)	-	(69,923)
- Cost	-	-	(304,347)	-	(304,347)
- Accumulated depreciation	-	-	234,424	-	234,424
Depreciation	(176,558)	(4,126,385)	(1,217,926)	(132,404)	(5,653,273)
Closing net book amount	<u>5,729,485</u>	<u>21,150,777</u>	<u>5,781,697</u>	<u>244,020</u>	<u>32,905,979</u>
At 31 March 2014					
Cost	35,037,605	49,508,592	14,615,468	876,758	100,038,423
Accumulated depreciation	(29,308,120)	(28,357,815)	(8,833,771)	(632,738)	(67,132,444)
Net book amount	<u>5,729,485</u>	<u>21,150,777</u>	<u>5,781,697</u>	<u>244,020</u>	<u>32,905,979</u>

Depreciation expense of \$5,653,273 (2013: \$5,902,328) has been charged in general working expenses.

The Organization's leasehold land and buildings are situated in Hong Kong and the leasehold land classified as finance lease are held under medium term leases of between 10 to 50 years.

6 Financial instruments by category

The Organization's financial instruments include the following:

	Note	2014	2013
Financial assets - loans and receivables			
FMO Loans – net	7(a)	40,418,302	48,428,517
Receivables from co-operative societies and fishermen		31,289	15,141
Trade and other receivables	9	5,355,765	5,473,372
Bank deposits with original maturities over three months	10	155,299,996	123,350,000
Cash and cash equivalents	11	9,126,337	19,957,131
		<u>210,231,689</u>	<u>197,224,161</u>

FISH MARKETING ORGANIZATION
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

6 Financial instruments by category (Continued)

The Organization's financial instruments include the following: (Continued)

	Note	2014	2013
Financial liabilities - other financial liabilities at amortized cost			
Trade and other payables	15	16,078,581	16,646,010
Amounts due to Government Loan Fund	16	12,799,818	12,059,116
Fish buyers' deposits		553,350	655,252
Savings held on behalf of co-operative societies and fishermen	19	1,128,508	1,291,009
		<u>30,560,257</u>	<u>30,651,387</u>

7 FMO Loan Fund

(a) Balance sheet

The FMO Loan Fund is represented by the following assets and liabilities which have been included in the assets and liabilities of the Organization in the balance sheet on pages 3 and 4:

	Note	2014	2013
ASSETS			
Non-current assets			
FMO Loans			
- Loans to fishermen		40,816,868	48,678,364
- Interest receivable		880,977	1,148,884
		<u>41,697,845</u>	<u>49,827,248</u>
Less: Provision for impairment of FMO Loans	(b)	(584,516)	(796,206)
		<u>41,113,329</u>	<u>49,031,042</u>
Less: Accumulated amortization at 1 April (Discount)/premium on amortization of FMO Loans	26	(602,525)	(627,550)
		<u>(92,502)</u>	<u>25,025</u>
Accumulated amortization at 31 March		<u>(695,027)</u>	<u>(602,525)</u>
FMO Loans - net		40,418,302	48,428,517
Less: Current portion		(38,458,598)	(46,850,591)
Non-current portion		<u>1,959,704</u>	<u>1,577,926</u>

FISH MARKETING ORGANIZATION
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

7 FMO Loan Fund (Continued)

(a) Balance sheet (Continued)

The FMO Loan Fund is represented by the following assets and liabilities which have been included in the assets and liabilities of the Organization in the balance sheet on pages 3 and 4: (Continued)

	Note	2014	2013
ASSETS (Continued)			
Current assets			
Current portion of FMO Loans		38,458,598	46,850,591
Interest receivable on bank deposits		72,989	125,734
Bank deposits with original maturities over three months	10	53,561,670	34,650,000
Cash and cash equivalents	11	3,566,878	12,735,317
		<u>95,660,135</u>	<u>94,361,642</u>
Total assets		<u><u>97,619,839</u></u>	<u><u>95,939,568</u></u>
FUNDS			
Capital account transferred from FMO General Fund		57,000,000	57,000,000
Accumulated surplus at 1 April		26,880,452	25,905,674
Net surplus for the year transferred from FMO General Fund	12&26	939,569	974,778
		<u>27,820,021</u>	<u>26,880,452</u>
Total funds		<u><u>84,820,021</u></u>	<u><u>83,880,452</u></u>
LIABILITIES			
Current and total liabilities			
Amounts due to Government Loan Fund	16	12,799,818	12,059,116
Total funds and liabilities		<u><u>97,619,839</u></u>	<u><u>95,939,568</u></u>

(b) FMO Loans

The FMO Loan Fund is primarily for making loans to fishermen for productive purposes. The FMO Loans bear interests at rates from 1% to 3% (2013: 1% to 3%) per annum and are repayable over a period up to thirty eight years (2013: thirty eight years). As at 31 March 2014, the effective interest rate of the FMO Loans is 1.15% (2013: 1.21%) per annum.

Loan borrowers are required to provide surety for the loans through endorsement of their fishing vessel license books in the Marine Department that the vessels are subjects of the loans concerned and/or provision of guarantees by third parties.

FISH MARKETING ORGANIZATION
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

7 FMO Loan Fund (Continued)

(b) FMO Loans (Continued)

As at 31 March 2014, FMO Loans of \$584,516 (2013: \$796,206) were impaired and full provisions have been made. The individually impaired receivables mainly related to borrowers, who were in unexpectedly difficult economic situations. The ageing of these FMO Loans is as follows:

	2014	2013
<u>Current</u>	278,840	573,202
<u>Past due by:</u>		
61 to 90 days	8,647	-
Over 90 days	297,029	223,004
	<u>584,516</u>	<u>796,206</u>

None of the remaining balances of FMO Loans were past due or impaired.

Movements on provision for impairment of FMO Loans are as follows:

	Note	2014	2013
At 1 April		796,206	862,555
Write-back of provisions for impairment	26	(211,690)	(66,349)
At 31 March		<u>584,516</u>	<u>796,206</u>

The creation and release of provision for impaired FMO Loans have been included in the net surplus from FMO Loan Fund in the statement of comprehensive income. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the balance sheet date is the carrying values of the FMO Loans. The carrying values of FMO Loans approximate their fair values at 31 March 2014 and 2013 and are denominated in Hong Kong dollars.

8 Inventories

	Note	2014	2013
Marine fish/produce	20	917,471	177,741
Plastic containers		12,883	12,883
Printing forms		220,625	200,657
Neckties		3,864	3,864
Plastic rollers		7,454	7,454
Sea water	21	4,893	5,757
Fish tag		83,152	115,542
Souvenir		17,443	21,170
		<u>1,267,785</u>	<u>545,068</u>

FISH MARKETING ORGANIZATION
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

8 Inventories (Continued)

Cost of inventories recognized as expenditures amounted to \$15,088,205 (2013: \$15,564,847).

9 Trade and other receivables

	2014	2013
Trade receivables	2,749,397	2,636,993
Less: Provision for impairment of trade receivables	(18,554)	(18,554)
	<hr/>	<hr/>
Trade receivables, net	2,730,843	2,618,439
Interest receivables	210,321	247,743
Other receivables	1,039,961	1,248,550
Utility deposits	1,374,640	1,358,640
	<hr/>	<hr/>
Financial assets	5,355,765	5,473,372
Prepayments	928,854	1,181,219
	<hr/>	<hr/>
Total	<u>6,284,619</u>	<u>6,654,591</u>

As at 31 March 2014, trade receivables of \$532,390 (2013: \$442,701) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The Organization does not hold any collateral over these balances and the ageing analysis of these trade receivables is as follows:

	2014	2013
<u>Past due by:</u>		
Up to 30 days	499,781	437,210
31 to 60 days	20,934	989
61 to 90 days	3,237	112
Over 90 days	8,438	4,390
	<hr/>	<hr/>
	<u>532,390</u>	<u>442,701</u>

As at 31 March 2014, trade receivables of \$18,554 (2013: \$18,554) were impaired and full provisions have been made. The individually impaired receivables mainly relates to customers, which were in unexpected difficult economic situations. The ageing of these trade receivables is as follows:

	2014	2013
<u>Past due by:</u>		
Over 90 days	18,554	18,554
	<hr/>	<hr/>
	<u>18,554</u>	<u>18,554</u>

Movement on provision for impairment of trade receivables is as follows:

	2014	2013
At 1 April	18,554	19,744
Write-back of provisions for impairment	-	(1,190)
	<hr/>	<hr/>
At 31 March	<u>18,554</u>	<u>18,554</u>

FISH MARKETING ORGANIZATION
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

9 Trade and other receivables (Continued)

The creation and release of provision for impaired receivables have been included in “operating expenditure and non-trading income” respectively in the statement of comprehensive income. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the balance sheet date is the carrying value of each class of receivables mentioned above. The carrying values of trade and other receivables approximate their fair values at 31 March 2014 and 2013 and are denominated in Hong Kong dollars.

10 Bank deposits with original maturities over three months

	Note	2014	2013
FMO General Fund		101,738,326	88,700,000
FMO Loan Fund	7(a)	53,561,670	34,650,000
		<u>155,299,996</u>	<u>123,350,000</u>
Maximum exposure to credit risk		<u>155,299,996</u>	<u>123,350,000</u>

The carrying values of bank deposits are denominated in Hong Kong dollars.

11 Cash and cash equivalents

	Note	2014	2013
<u>FMO General Fund</u>			
Cash at banks and in hand		5,394,660	4,875,015
Bank deposits with original maturities of three months or less		-	2,200,000
		<u>5,394,660</u>	<u>7,075,015</u>
<u>FMO Loan Fund</u>			
Cash at banks and in hand		3,566,878	2,985,317
Bank deposits with original maturities of three months or less		-	9,750,000
		<u>3,566,878</u>	<u>12,735,317</u>
<u>CARE Loan Fund</u>			
Cash at banks	14	164,799	164,799
		<u>164,799</u>	<u>164,799</u>
Total		<u>9,126,337</u>	<u>19,957,131</u>
Maximum exposure to credit risk		<u>8,944,346</u>	<u>18,486,101</u>

The carrying value of cash and cash equivalents are denominated in Hong Kong dollars.

FISH MARKETING ORGANIZATION
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

12 FMO General Fund

	Note	Accumulated surplus
Balance at 1 April 2012, as previously reported		102,744,637
Effect of changes in HKAS 19	2.1(a)	533,000
		<u>103,277,637</u>
Balance at 1 April 2012, as restated		103,277,637
Net surplus transferred from statement of comprehensive income, as restated		11,036,788
Remeasurement for defined benefit plan, as restated		744,000
		<u>11,780,788</u>
Total comprehensive income, as restated		11,780,788
Net surplus transferred to FMO Loan Fund	7(a)	(974,778)
		<u>114,083,647</u>
Balance at 31 March 2013, as restated		114,083,647
Balance at 1 April 2013, as previously reported		113,733,647
Effect of changes in HKAS 19	2.1(a)	350,000
		<u>114,083,647</u>
Balance at 1 April 2013, as restated		114,083,647
Net surplus transferred from statement of comprehensive income		9,258,187
Remeasurement for defined benefit plan		547,000
		<u>9,805,187</u>
Total comprehensive income		9,805,187
Net surplus transferred to FMO Loan Fund	7(a)	(939,569)
		<u>122,949,265</u>
Balance at 31 March 2014		122,949,265

13 Funds provided from external sources for capital expenditure

	2014	2013
C.D. & W. Grant for Cheung Sha Wan Market	1,147,192	1,147,192
C.D. & W. Scheme Surplus for loans to fishermen	66,449	66,449
Compensation for relinquishing seven buildings at Aberdeen Fish Market on ground resumed by Government	565,000	565,000
	<u>1,778,641</u>	<u>1,778,641</u>
At 1 April and 31 March	<u>1,778,641</u>	<u>1,778,641</u>

FISH MARKETING ORGANIZATION
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

14 CARE Loan Fund

The CARE Loan Fund is represented by the designated cash and cash equivalents as stated in note 11 which have been included in the current assets of the Organization in the balance sheet on page 3. The CARE Loan Fund was initially donated by the Co-operative for American Relief Everywhere. The fund was set up for making loans to fishermen for productive purposes and there are no movements for both years ended 31 March 2014 and 2013.

15 Trade and other payables

	2014	2013
Trade payables	753,446	618,450
Other payables	2,990,508	4,289,035
Deposits from licensees of market premises	11,826,838	11,260,646
Utility and other deposits	507,789	477,879
	<hr/>	<hr/>
Financial liabilities	16,078,581	16,646,010
Provision for unused annual leave (note (a))	1,220,762	1,207,335
	<hr/>	<hr/>
	<u>17,299,343</u>	<u>17,853,345</u>

(a) Movements on provision for unused annual leave are as follows:

	Note	2014	2013
At 1 April		1,207,335	1,072,847
Charged to the statement of comprehensive income			
- Additional provision	22	91,672	191,039
Utilized during the year		(78,245)	(56,551)
		<hr/>	<hr/>
At 31 March		<u>1,220,762</u>	<u>1,207,335</u>

(b) The carrying values of trade and other payables approximate their fair values at 31 March 2014 and 2013 and are denominated in Hong Kong dollars.

16 Amounts due to Government Loan Fund

Since 2006, the Government has annually approved the amounts of loans that could be drawn down from the Government Loan Fund to the FMO Loan Fund to meet the demand for loans of fishermen affected by the Fishing Moratorium. The amounts of actual drawdown for the years of 2006 to 2013 are as follows:

	2014	2013
Year of drawdown		
- 2006	60,000,000	60,000,000
- 2007	35,210,000	35,210,000
- 2008	40,130,000	40,130,000
- 2009	40,140,000	40,140,000
- 2010	32,058,000	32,058,000
- 2011	41,270,000	41,270,000
- 2012	34,400,000	34,400,000
- 2013	58,000,000	-
	<hr/>	<hr/>

FISH MARKETING ORGANIZATION

(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS**16 Amounts due to Government Loan Fund (Continued)**

At 31 March, the principal and interest payables of the amounts due to Government Loan Fund are as follows:

	Note	2014	2013
Amount due to Government Loan Fund (2006)		60,000	60,000
Amount due to Government Loan Fund (2008)		120,000	120,000
Amount due to Government Loan Fund (2009)		87,014	145,014
Amount due to Government Loan Fund (2011)		38,000	2,840,200
Amount due to Government Loan Fund (2012)		-	8,600,000
Amount due to Government Loan Fund (2013)		12,601,666	-
		<u>12,906,680</u>	<u>11,765,214</u>
Interest payable to Government Loan Fund (2006)		12,315	11,280
Interest payable to Government Loan Fund (2008)		14,108	12,190
Interest payable to Government Loan Fund (2009)		68	230
Interest payable to Government Loan Fund (2011)		44	3,758
Interest payable to Government Loan Fund (2012)		-	11,997
		<u>26,535</u>	<u>39,455</u>
		<u>12,933,215</u>	<u>11,804,669</u>
(Less)/add: Accumulated amortization at 1 April		254,447	346,078
Premium on amortization of amounts due to Government Loan Fund	26	(387,844)	(91,631)
Accumulated amortization at 31 March		(133,397)	254,447
Total	7(a)	<u>12,799,818</u>	<u>12,059,116</u>

The amounts due to Government Loan Fund are unsecured and interest-bearing at rates set by the Government periodically. At 31 March 2014, the prevailing interest rate of the amounts due is 1.395% (2013: 1.674%) per annum. For the amounts drawdown in 2012 and 2013, the principal and the interest payable are repayable by 4 quarterly installments from the initial drawdown date. For the amounts due in respect of the other years, the principal and the interest payable are repayable only when the fishermen make their repayments of the corresponding FMO loans to FMO as described in note 7(b).

The carrying values of amounts due to Government Loan Fund approximate their fair values at 31 March 2014 and 2013 and are denominated in Hong Kong dollars.

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(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

17 Provision for long service payments

	Note	2014	2013
At 1 April		6,663,009	6,763,665
Payments for the year		(449,336)	(321,842)
(Write-back of)/additional provision for the year	22	(173,111)	221,186
		<u>6,040,562</u>	<u>6,663,009</u>
At 31 March		6,040,562	6,663,009
Less: Current portion		(270,058)	(414,413)
		<u>5,770,504</u>	<u>6,248,596</u>

18 Assets under defined benefit plan

	Note	2014	2013 (Restated)
Balance sheet assets for:			
- Defined benefit plan	(a)	<u>2,200,000</u>	<u>1,847,000</u>
Statement of comprehensive income charged for:			
- Defined benefit plan	22	<u>194,000</u>	<u>348,000</u>
Remeasurements for:			
- Defined benefit plan	(b)	<u>547,000</u>	<u>744,000</u>

The Organization's defined benefit plan is a final salary defined benefit plan. The assets of the funded plan are held independently of the Organization's assets in separate trustee administered funds. The Organization's plan is valued by a qualified actuary annually using the project unit cost method. The following details are based on the valuations as at 31 March 2014 carried out by Mercer (Hong Kong) Limited, who holds a recognized professional qualification.

(a) The amounts recognized in the balance sheet are determined as follows:

	Note	2014	2013 (Restated)
Present value of the funded obligations	(b)	(14,717,000)	(14,967,000)
Fair value of plan assets	(b)	<u>16,917,000</u>	<u>16,814,000</u>
Assets in the balance sheet, as restated		<u>2,200,000</u>	<u>1,847,000</u>

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(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

18 Assets under defined benefit plan (Continued)

- (b) The movements in present value of defined benefit obligations and fair value of plan assets over the year are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Total
At 1 April 2012, as restated	(14,589,000)	16,040,000	1,451,000
Current service costs	(353,000)	-	(353,000)
Interest (expense)/income	(72,000)	79,000	7,000
	<u>(15,014,000)</u>	<u>16,119,000</u>	<u>1,105,000</u>
<u>Remeasurements:</u>			
- Return on plan assets (excluding interest income)	-	1,078,000	1,078,000
- Loss from change in financial assumption changes	(85,000)	-	(85,000)
- Experience losses	(249,000)	-	(249,000)
	<u>(334,000)</u>	<u>1,078,000</u>	<u>744,000</u>
Plan participants contributions	(155,000)	155,000	-
Benefit payments	536,000	(536,000)	-
Administrative cost	-	(2,000)	(2,000)
	<u>381,000</u>	<u>(383,000)</u>	<u>(2,000)</u>
At 31 March 2013, as restated	<u>(14,967,000)</u>	<u>16,814,000</u>	<u>1,847,000</u>
At 1 April 2013, as restated	(14,967,000)	16,814,000	1,847,000
Current service costs	(198,000)	-	(198,000)
Interest (expense)/income	(44,000)	50,000	6,000
	<u>(15,209,000)</u>	<u>16,864,000</u>	<u>1,655,000</u>
<u>Remeasurements:</u>			
- Return on plan assets (excluding interest income)	-	714,000	714,000
- Gain from change in financial assumption changes	249,000	-	249,000
- Experience losses	(416,000)	-	(416,000)
	<u>(167,000)</u>	<u>714,000</u>	<u>547,000</u>
Plan participants contributions	(156,000)	156,000	-
Benefit payments	815,000	(815,000)	-
Administrative cost	-	(2,000)	(2,000)
	<u>659,000</u>	<u>(661,000)</u>	<u>(2,000)</u>
At 31 March 2014	<u>(14,717,000)</u>	<u>16,917,000</u>	<u>2,200,000</u>

FISH MARKETING ORGANIZATION

(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS**18 Assets under defined benefit plan (Continued)**

(c) The plan assets at the balance sheet date are held in the following forms:

	2014 %	2013 %
Equities	74	74
Bonds	23	23
Money instruments	3	3
	<u>100</u>	<u>100</u>

(d) The principal actuarial assumptions used are as follows:

	2014 %	2013 %
Discount rate	0.9	0.3
Expected rate of future salary increases	<u>4.0</u>	<u>4.0</u>

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	<u>Impact on defined benefit obligation</u>		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.6%	Decrease by 1.7%	Increase by 1.7%
Salary growth rate	1.0%	Increase by 2.1%	Decrease by 2.0%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the balance sheet dates) has been applied as when calculating the liability recognized within the balance sheet.

19 Savings held on behalf of co-operative societies and fishermen

The savings, representing the amounts deposited by co-operative societies and fishermen netting off against the payments made by the Organization on their behalf, are unsecured, interest free and repayable on demand.

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NOTES TO THE FINANCIAL STATEMENTS

20 Net income from sales of marine fish/produce

	Note	2014	2013
Gross sales			
Sales of marine fish/produce		17,773,035	18,438,199
		-----	-----
Cost of inventories sold			
Opening inventories		177,741	165,187
Purchases		14,492,080	14,246,364
Closing inventories	8	(917,471)	(177,741)
		-----	-----
		13,752,350	14,233,810
		-----	-----
Net income for the year		<u>4,020,685</u>	<u>4,204,389</u>

21 Net income from sales of sea water

	Note	2014	2013
Sales of sea water		1,516,053	1,468,855
		-----	-----
Cost of inventories sold			
Opening inventories		5,757	12,362
Purchases		1,020,705	978,845
Closing inventories	8	(4,893)	(5,757)
		-----	-----
		1,021,569	985,450
		-----	-----
Net income for the year		<u>494,484</u>	<u>483,405</u>

22 Employee benefit expenditure

	Note	2014	2013 (Restated)
Salaries and wages		29,030,498	28,012,794
Additional provision for unused annual leave (Write-back of)/additional provision for long service payments	15(a) 17	91,672 (173,111)	191,039 221,186
Retirement benefit costs			
- defined contribution plan and MPF scheme		1,420,037	1,376,881
- defined benefit plan	18	194,000	348,000
		-----	-----
		30,563,096	30,149,900
		-----	-----

23 Rent, rates and permit fees

Included in the amount, \$362,400 (2013: \$332,200) represents operating lease rentals for market premises.

24 Publicity and sales promotion

	2014	2013
Share of expenses for a promotion event co- organized by the Organization and the Vegetable Marketing Organization	1,577,190	600,000
Others	553,195	464,274
	-----	-----
	<u>2,130,385</u>	<u>1,064,274</u>

FISH MARKETING ORGANIZATION
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

25 Taxation

No Hong Kong profits tax has been provided as the Organization is exempted under Section 87 of the Inland Revenue Ordinance, Cap 112 from any tax chargeable under the Ordinance.

26 Net surplus from FMO Loan Fund

	Note	2014	2013
Income			
Interest on FMO Loans		639,003	952,781
Interest on bank deposits		286,091	404,324
Premium on amortization of FMO Loans	7(a)	-	25,025
Write-back of provision for impairment of FMO Loans	7(b)	211,690	66,349
Premium on amortization of amounts due to Government Loan Fund	16	387,844	91,631
		<u>1,524,628</u>	<u>1,540,110</u>
Expenditure			
Interest expense for amounts due to Government Loan Fund		(490,800)	(565,332)
Discount on amortization of FMO Loans	7(a)	(92,502)	-
Bank charges		(1,757)	-
		<u>(585,059)</u>	<u>(565,332)</u>
Net surplus for the year	7(a)	<u><u>939,569</u></u>	<u><u>974,778</u></u>

27 Notes to the statement of cash flows

(a) Cash generated from operations

	2014	2013 (Restated)
Surplus for the year	9,258,187	11,036,788
Adjustments for:		
- Interest income on bank deposits	(896,195)	(1,240,536)
- Interest income on FMO Loans (note 26)	(639,003)	(952,781)
- Depreciation (note 5)	5,653,273	5,902,328
- Write-back of provision for impairment of trade receivables (note 9)	-	(1,190)
- Write-back of provision for impairment of FMO Loans (note 7(b))	(211,690)	(66,349)
- Loss on disposals of property, plant and equipment (see (b) below)	69,923	20,339
- Discount/(premium) on amortization of FMO Loans (note 7(a))	92,502	(25,025)
- Interest expense for amounts due to Government Loan Fund (note 26)	490,800	565,332
- Premium on amortization of amounts due to Government Loan Fund (note 26)	(387,844)	(91,631)
- (Write-back of)/additional provision for long service payments (note 22)	(173,111)	221,186
Balance carried forward	<u><u>13,256,842</u></u>	<u><u>15,368,461</u></u>

FISH MARKETING ORGANIZATION
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NOTES TO THE FINANCIAL STATEMENTS

27 Notes to the statement of cash flows (Continued)

(a) Cash generated from operations (Continued)

	2014	2013 (Restated)
Balance brought forward	13,256,842	15,368,461
Changes in working capital:		
- FMO Loans	7,861,496	5,246,023
- Inventories	(722,717)	16,918
- Receivables from co-operative societies and fishermen	(16,148)	3,755
- Trade and other receivables	332,550	(805,261)
- Provision for long service payments	(449,336)	(321,842)
- Assets under defined benefit plan	194,000	348,000
- Trade and other payables	(554,002)	1,135,736
- Fish buyers' deposits	(101,902)	183,430
- Savings held on behalf of co-operative societies and fishermen	(162,501)	248,675
	<u>19,638,282</u>	<u>21,423,895</u>

(b) In the statement of cash flows, proceeds from disposals of property, plant and equipment comprise:

	Note	2014	2013
Net book amount	5	69,923	70,339
Loss on disposals of property, plant and equipment		(69,923)	(20,339)
		<u>-</u>	<u>50,000</u>

28 Commitments

(a) Capital commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	2014	2013
Property, plant and equipment	<u>147,700</u>	<u>604,500</u>

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NOTES TO THE FINANCIAL STATEMENTS

28 Commitments (Continued)

(b) Operating lease commitments

(i) As lessor

At 31 March, the Organization had future aggregate minimum license fee receivable under non-cancellable operating leases in respect of market premises as follows:

	2014	2013
No later than one year	<u>8,055,348</u>	<u>7,315,493</u>

(ii) As lessee

At 31 March, the Organization had future aggregate minimum lease payments under non-cancellable operating leases in respect of market premises as follows:

	2014	2013
No later than one year	362,400	362,400
Later than one year and no later than five years	-	362,400
	<u>362,400</u>	<u>724,800</u>

29 Key management compensation

	2014	2013
Salaries and other short-term employee benefits	<u>483,783</u>	<u>453,306</u>