

**VEGETABLE MARKETING ORGANIZATION**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 MARCH 2015**

**INDEPENDENT AUDITOR'S REPORT  
TO THE DIRECTOR OF MARKETING**

(Vegetable Marketing Organization is established under the authority vested in the Director of Marketing by the Agricultural Products (Marketing) Ordinance, Chapter 277)

We have audited the financial statements of Vegetable Marketing Organization (the "Organization") set out on pages 3 to 37, which comprise the balance sheet as at 31 March 2015, the statement of comprehensive income, statement of changes in funds and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Director of Marketing's Responsibility for the Financial Statements**

The Agricultural Products (Marketing) Ordinance, Chapter 277, requires the Director of Marketing to keep proper accounts. The Director of Marketing 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 the Director of Marketing 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 the Director of Marketing, 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 THE DIRECTOR OF MARKETING (CONTINUED)**

(Vegetable Marketing Organization is established under the authority vested in the Director of Marketing by the Agricultural Products (Marketing) Ordinance, Chapter 277)

**Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of the Organization as at 31 March 2015, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards.

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 19 August 2015

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

**BALANCE SHEET**

		<u>As at 31 March</u>	
	Note	2015	2014
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	16,108,512	17,139,748
Assets under defined benefit plan	17	8,315,000	8,530,000
Vegetable Marketing Organization (“VMO”) Loans	6(a)	76,200	-
		<u>24,499,712</u>	<u>25,669,748</u>
<b>Current assets</b>			
Inventories	9(a)	633,192	631,068
Biological assets	9(b)	71,570	70,767
VMO Loans	6(a)	1,874,829	1,651,492
Trade and other receivables	10	9,852,206	10,110,710
Bank deposits with original maturities over three months	11	303,706,385	326,600,678
Cash and cash equivalents	12	30,389,275	28,401,913
		<u>346,527,457</u>	<u>367,466,628</u>
<b>Total assets</b>		<u><u>371,027,169</u></u>	<u><u>393,136,376</u></u>
<b>FUNDS</b>			
VMO General Fund			
Accumulated surplus	13	220,653,910	204,489,091
Specific funds			
VMO Loan Fund	6(a)	12,326,198	12,206,175
VMO Agricultural Development Fund	7	104,491,155	144,452,278
Funds provided from external sources for capital expenditure	14	1,764,104	1,764,104
<b>Total funds</b>		<u><u>339,235,367</u></u>	<u><u>362,911,648</u></u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Provisions for other liabilities	16	10,671,149	9,575,173
<b>Current liabilities</b>			
Trade and other payables	15	11,916,637	11,778,154
Provisions for other liabilities	16	2,305,297	2,210,771
Vegetable buyers’ deposits		6,898,719	6,660,630
		<u>21,120,653</u>	<u>20,649,555</u>
<b>Total liabilities</b>		<u><u>31,791,802</u></u>	<u><u>30,224,728</u></u>
<b>Total funds and liabilities</b>		<u><u>371,027,169</u></u>	<u><u>393,136,376</u></u>

The notes on pages 8 to 37 are an integral part of these financial statements.

The financial statements on pages 3 to 37 were approved by the Director of Marketing on 19 August 2015.

LEUNG Siu-fai

Director of Marketing

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

**STATEMENT OF COMPREHENSIVE INCOME**

		<u>Year ended 31 March</u>	
	Note	2015	2014
<b>INCOME</b>			
<b>Operating income</b>			
Commission		94,047,895	105,263,129
Rebates		(32,787,004)	(36,710,577)
		<u>61,260,891</u>	<u>68,552,552</u>
<b>Net income from sales of premium vegetables</b>	18	<u>8,944,237</u>	<u>8,528,404</u>
<b>Other operating income</b>		<u>1,786,986</u>	<u>1,405,411</u>
<b>Non-trading income</b>			
Interest income on bank deposits		1,980,957	1,502,598
Other income		800	803
Gain on disposals of property, plant and equipment	27(b)	63,367	-
		<u>2,045,124</u>	<u>1,503,401</u>
<b>Total income</b>		<u>74,037,238</u>	<u>79,989,768</u>
<b>EXPENDITURE</b>			
<b>Operating expenditure</b>			
<b>Employee benefit expenditure</b>	19(a)	(40,068,210)	(36,289,057)
<b>General working expenses</b>			
Rent, rates and permit fees	20	(2,350,383)	(2,261,592)
Printing and stationery		(502,377)	(446,259)
Utility services		(1,029,625)	(1,011,739)
Maintenance and minor improvements		(3,389,550)	(2,053,318)
Vegetable baskets		(13,330)	(7,800)
Stores and equipment		(858,572)	(955,367)
Miscellaneous expenses		(238,866)	(196,999)
Staff welfare		(357,298)	(421,410)
Staff training		(22,091)	(25,548)
Travelling expenses		(151,133)	(137,654)
Protective clothing and uniforms		(66,024)	(69,865)
Insurance		(1,602,664)	(1,721,674)
Auditor's remuneration		(341,400)	(327,400)
Market security		(615,482)	(530,644)
		<u>(11,538,795)</u>	<u>(10,167,269)</u>

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

**STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)**

	Note	Year ended 31 March	
		2015	2014
<b>Operating expenditure (Continued)</b>			
<b>General working expenses (Continued)</b>			
Balance brought forward		(11,538,795)	(10,167,269)
Transportation expenses		(3,070,927)	(3,062,716)
Depreciation - markets and depots	5	(1,667,160)	(1,989,525)
Subsidy to federation and co-operative societies		(982,800)	(939,227)
Grants-in-aid		(491,529)	(30,000)
Publication and publicity		(6,385)	(7,471)
Bank charges		(9,613)	(9,068)
		<u>(17,767,209)</u>	<u>(16,205,276)</u>
<b>Total operating expenditure</b>		<u>(57,835,419)</u>	<u>(52,494,333)</u>
<b>Other expenditure</b>			
Loss on disposals of property, plant and equipment	27(b)	-	(59,011)
<b>Total expenditure</b>		<u>(57,835,419)</u>	<u>(52,553,344)</u>
<b>Operating surplus for the year</b>		<u>16,201,819</u>	<u>27,436,424</u>
Net surplus/(deficit) from:			
- VMO Agricultural Development Fund	21	(39,961,123)	(39,378,048)
- VMO Loan Fund	22	120,023	172,432
		<u>(39,841,100)</u>	<u>(39,205,616)</u>
<b>Deficit for the year</b>		<u>(23,639,281)</u>	<u>(11,769,192)</u>
<b>Other comprehensive income for the year</b>			
<u>Items that will not be reclassified subsequently to surplus or deficit</u>			
Remeasurements for defined benefit plan	17	(37,000)	1,725,000
<b>Total comprehensive loss for the year</b>	13	<u>(23,676,281)</u>	<u>(10,044,192)</u>

The notes on pages 8 to 37 are an integral part of these financial statements.

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

**STATEMENT OF CHANGES IN FUNDS**

	Note	<u>Total funds</u>
<b>Balance at 1 April 2013</b>		372,955,840
Deficit for the year		(11,769,192)
Other comprehensive income		
- Remeasurements for defined benefit plan	17(b)	1,725,000
<b>Total comprehensive loss</b>		(10,044,192)
<b>Balances at 31 March 2014 and 1 April 2014</b>		362,911,648
Deficit for the year		(23,639,281)
Other comprehensive loss		
- Remeasurements for defined benefit plan	17(b)	(37,000)
<b>Total comprehensive loss</b>		(23,676,281)
<b>Balance at 31 March 2015</b>		339,235,367

The notes on pages 8 to 37 are an integral part of these financial statements.

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

**STATEMENT OF CASH FLOWS**

		<u>Year ended 31 March</u>	
	Note	2015	2014
<b>Cash flows from operating activities</b>			
Net cash used in operations	27(a)	(22,361,273)	(14,572,982)
VMO Loans interest received		3,112	43,468
		<u>                    </u>	<u>                    </u>
Net cash used in operating activities		(22,358,161)	(14,529,514)
		<u>                    </u>	<u>                    </u>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		(1,945,660)	(2,024,465)
Proceeds from disposals of property, plant and equipment	27(b)	103,900	1,600
Net uplift of bank deposits with original maturities over three months		22,894,293	14,519,322
Bank interest received		3,292,990	2,894,673
		<u>                    </u>	<u>                    </u>
Net cash generated from investing activities		24,345,523	15,391,130
		<u>                    </u>	<u>                    </u>
<b>Net increase in cash and cash equivalents</b>		1,987,362	861,616
Cash and cash equivalents at beginning of the year		28,401,913	27,540,297
		<u>                    </u>	<u>                    </u>
<b>Cash and cash equivalents at end of the year</b>	12	<u>30,389,275</u>	<u>28,401,913</u>

The notes on pages 8 to 37 are an integral part of these financial statements.



## **VEGETABLE MARKETING ORGANIZATION**

(All amounts in Hong Kong dollars unless otherwise stated)

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **1 General information**

The Vegetable Marketing Organization (the “Organization”) is established under the authority vested in the Director of Marketing by the Agricultural Products (Marketing) Ordinance, Chapter 277, which requires that, in the Kowloon Area and in the New Territories Area, vegetables be bought or sold wholesale at the wholesale vegetable market operated by the Organization. A vegetable seller shall pay to the Organization, for the services provided in respect of such sale, a commission at the rate of ten per cent of the price for which the vegetables are sold.

The principal activity of the Organization is to provide services to the vegetable sellers in return of commission calculated based on the price of the vegetable concluded in the Organization’s market.

The amount of commission income accruing to the Organization therefore depends significantly on:

- the degree of the vegetable sellers’ compliance with the Agricultural Products (Marketing) Ordinance by bringing their products into the Organization’s market for sale; and
- the conditions prevailing in the market which influence the selling prices of the vegetables.

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 the Director of Marketing on 19 August 2015.

#### **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, except for biological assets, which have been measured at fair value less costs to sell.

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.

- (a) New standards, amendments and interpretations to existing HKFRS (collectively, the “Amendments”) effective for the Organization’s accounting year commencing on 1 April 2014

The following Amendments have been adopted by the Organization for the first time for the accounting year commencing on 1 April 2014:

Amendment to Hong Kong Accounting Standard (“HKAS”) 32, “Financial instruments: Presentation” on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. This amendment did not have a significant impact on the financial statements.

## VEGETABLE 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) New standards, amendments and interpretations to existing HKFRS (collectively, the “Amendments”) effective for the Organization’s accounting year commencing on 1 April 2014 (Continued)

Amendment to HKAS 36, “Impairment of assets”, on the recoverable amount disclosures for non-financial assets. This amendment removes certain disclosures of the recoverable amount of cash-generating units which had been included in HKAS 36 by the issue of HKFRS 13 “Fair value measurement”. It also enhances the disclosures of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. This amendment did not have any impact on the financial statements.

Other Amendments which are effective for the Organization’s accounting year commencing on 1 April 2014 are not material to the Organization.

- (b) Amendments 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 2015 and they have not been early adopted in these financial statements. None of these is expected to have a significant impact on the financial statements of the Organization, except the following set out below:

Annual Improvements Project	Annual Improvements 2010 - 2012 Cycle <sup>1</sup>
Annual Improvements Project	Annual Improvements 2011 - 2013 Cycle <sup>1</sup>
Annual Improvements Project	Annual Improvements 2012 - 2014 Cycle <sup>2</sup>
HKAS 16 and HKAS 38 Amendment	Classification of Acceptable Methods of Depreciation and Amortization <sup>2</sup>
HKAS 19 (2011) Amendment	Defined Benefit Plans: Employee Contributions <sup>4</sup>
HKAS 16 and HKAS 41 Amendment	Agriculture: Bearer Plants <sup>2</sup>
HKFRS 9	Financial instruments - Financial liabilities <sup>4</sup>
HKFRS 15	Revenue from contracts with customers <sup>3</sup>

Note:

- (1) Effective for first financial period beginning on or after 1 July 2014
- (2) Effective for first financial period beginning on or after 1 January 2016
- (3) Effective for first financial period beginning on or after 1 January 2017
- (4) Effective for first financial period beginning on or after 1 January 2018

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.

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

**NOTES TO THE FINANCIAL STATEMENTS**

**2 Summary of significant accounting policies (Continued)**

**2.2 Foreign currency translation (Continued)**

(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.

**2.3 Property, plant and equipment**

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

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	
- Cheung Sha Wan Vegetable Market	20 years
- Buildings at depots	10 years
Furniture, fixtures and computer equipment	5 to 10 years
Motor vehicles	5 years
Machinery and others	5 to 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each 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.

## **VEGETABLE MARKETING ORGANIZATION**

(All amounts in Hong Kong dollars unless otherwise stated)

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **2 Summary of significant accounting policies (Continued)**

##### **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 comprise seeds and vegetables and 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.

##### **2.6 Biological assets**

Biological assets are living plants managed by the Organization which are involved in the agricultural activity of the transformation of biological assets into hydroponic vegetable produce for sales.

Biological assets are measured at their fair values less costs to sell, where the fair values are based on their market prices with similar size and species. The fair values less costs to sell of biological assets at the time of harvest are deemed as the cost of hydroponic vegetable produce for sales.

Management reviews the progress of biological assets on an ongoing basis and should these be deemed to be unsuitable for further planting, full provision for impairment losses is made at that time.

Gains or losses arising from initial recognition of biological assets at fair values less costs to sell and from a change in fair values less costs to sell of biological assets are included in the statement of comprehensive income in the period in which it arises.

##### **2.7 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 8.

## **VEGETABLE MARKETING ORGANIZATION**

(All amounts in Hong Kong dollars unless otherwise stated)

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **2 Summary of significant accounting policies (Continued)**

##### **2.8 VMO Loans and trade and other receivables**

VMO 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.

VMO 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.

##### **2.9 Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Organization or the counterparty.

##### **2.10 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.

##### **2.11 Cash and cash equivalents**

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

## VEGETABLE 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 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.

##### 2.13 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.

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 plans 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.

**VEGETABLE 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 Employee benefits (Continued)**

(b) Retirement plan obligations (Continued)

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 actuary 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.

The current service cost of the defined benefit plan, recognized in the statement of comprehensive income in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation results from employee service in the current year, benefit changes, curtailments and settlements.

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

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. The cost is included in employee benefit expense in the statement of comprehensive income.

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.

(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.

**2.14 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.

## **VEGETABLE 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 Revenue and other income 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 and other income are recognized as follows:

- (a) Commission income relating to the provision of services to the vegetable sellers is recognized based on the price of the vegetable transactions concluded in the Organization's market on an accruals basis, and is reduced by rebates which are recognized at a rate of 3.5% based on the price of the same vegetable transactions.
- (b) Sales of vegetables is recognized upon delivery of vegetables to the customer, who has accepted the vegetables and collectability of the related receivables is reasonably assured.
- (c) Commission income relating to the sales of premium vegetables is recognized when the relevant sales transactions have been concluded.
- (d) Interest income on bank deposits and VMO Loans are recognized on a time proportion basis using the effective interest method.
- (e) FarmFest income, other income and other operating income are recognized on an accruals basis.

### **2.16 VMO Loan Fund and VMO Agricultural Development Fund ("Funds")**

The VMO Loan Fund was set up for making loans to farmers for productive purposes.

The VMO Agricultural Development Fund was set up for promoting local agriculture.

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

### **2.17 Operating leases (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.

## **3 Financial and fund risks management**

### **3.1 Financial risk factors**

The Organization's activities expose it to a variety of financial risks: 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 Director of Marketing, 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.



## VEGETABLE 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

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 VMO Loans, trade and other receivables and deposits and balances placed with banks.

In respect of VMO Loans, individual evaluations are performed on all borrowers. For each loan granting, the Organization has policies to assess the eligibility of the granting to farmers and request each borrower to provide third party personal guarantee 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 from the sales of vegetables 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.

The credit risk on bank deposits and cash and cash equivalents 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 Director of Marketing, 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 Director of Marketing, the Organization does not have any significant liquidity risk.

The table below analyses 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 2015 and 2014, the maturity analysis of the financial liabilities is as follows:

	2015	2014
<b>Less than one year</b>		
Trade and other payables (note 15)	11,698,625	11,730,782
Vegetable buyers' deposits	6,898,719	6,660,630
	<u>18,597,344</u>	<u>18,391,412</u>

**VEGETABLE 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)**

(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 deposits. Other than that, the Organization has no other significant interest-bearing assets or liabilities.

As at 31 March 2015, if interest rates on the bank deposits had been 12 basis points (2014: 20 basis points) higher/lower with all other variables held constant, deficit for the year would have been approximately \$371,000 (2014: approximately \$668,000) lower/higher, as a result of higher/lower interest income on the bank deposits.

**3.2 Fund 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 operations. The Organization's overall strategy remains unchanged from prior year.

The total funds of the Organization comprises VMO General Fund, VMO Loan Fund, VMO Agricultural Development 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 at fair value on the three-level hierarchy basis in the balance sheet.

The carrying value less impairment provision 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.

**3.4 Offsetting financial assets and financial liabilities**

No disclosure of the offsetting of financial assets and financial liabilities is made as there are no netting arrangements in place during the year.

**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.

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

**NOTES TO THE FINANCIAL STATEMENTS**

**4 Critical accounting estimates and judgements (Continued)**

(a) Impairment of VMO Loans

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

(b) 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.

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 each 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 17(d).

(c) 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.

**VEGETABLE MARKETING ORGANIZATION**

(All amounts in Hong Kong dollars unless otherwise stated)

**NOTES TO THE FINANCIAL STATEMENTS**

**5 Property, plant and equipment**

	Markets and depots					VMO Agricultural Development Fund (note 7)				
	Land and buildings	Furniture, fixtures and computer equipment	Motor vehicles	Machinery and others	Subtotal	Leasehold improvements	Furniture, fixtures and computer equipment	Machinery and others (note)	Subtotal	Total
<b>At 1 April 2013</b>										
Cost	4,446,130	26,810,589	7,076,117	38,738	38,371,574	4,126,083	7,230,303	6,982,358	18,338,744	56,710,318
Accumulated depreciation	(3,843,759)	(21,287,213)	(6,022,911)	(35,082)	(31,188,965)	(2,543,261)	(3,695,496)	(284,429)	(6,523,186)	(37,712,151)
Net book amount	<u>602,371</u>	<u>5,523,376</u>	<u>1,053,206</u>	<u>3,656</u>	<u>7,182,609</u>	<u>1,582,822</u>	<u>3,534,807</u>	<u>6,697,929</u>	<u>11,815,558</u>	<u>18,998,167</u>
<b>Year ended 31 March 2014</b>										
Opening net book amount	602,371	5,523,376	1,053,206	3,656	7,182,609	1,582,822	3,534,807	6,697,929	11,815,558	18,998,167
Additions	-	1,196,894	295,420	3,050	1,495,364	-	474,621	67,657	542,278	2,037,642
Disposals (note 27(b))	-	(60,163)	-	(448)	(60,611)	-	-	-	-	(60,611)
- Cost	-	(535,458)	-	(18,510)	(553,968)	-	-	-	-	(553,968)
- Accumulated depreciation	-	475,295	-	18,062	493,357	-	-	-	-	493,357
Depreciation	<u>(17,631)</u>	<u>(1,464,684)</u>	<u>(505,444)</u>	<u>(1,766)</u>	<u>(1,989,525)</u>	<u>(412,608)</u>	<u>(730,111)</u>	<u>(703,206)</u>	<u>(1,845,925)</u>	<u>(3,835,450)</u>
Closing net book amount	<u>584,740</u>	<u>5,195,423</u>	<u>843,182</u>	<u>4,492</u>	<u>6,627,837</u>	<u>1,170,214</u>	<u>3,279,317</u>	<u>6,062,380</u>	<u>10,511,911</u>	<u>17,139,748</u>
<b>At 31 March 2014</b>										
Cost	4,446,130	27,472,025	7,371,537	23,278	39,312,970	4,126,083	7,704,924	7,050,015	18,881,022	58,193,992
Accumulated depreciation	(3,861,390)	(22,276,602)	(6,528,355)	(18,786)	(32,685,133)	(2,955,869)	(4,425,607)	(987,635)	(8,369,111)	(41,054,244)
Net book amount	<u>584,740</u>	<u>5,195,423</u>	<u>843,182</u>	<u>4,492</u>	<u>6,627,837</u>	<u>1,170,214</u>	<u>3,279,317</u>	<u>6,062,380</u>	<u>10,511,911</u>	<u>17,139,748</u>

**VEGETABLE MARKETING ORGANIZATION**

(All amounts in Hong Kong dollars unless otherwise stated)

**NOTES TO THE FINANCIAL STATEMENTS**

**5 Property, plant and equipment (Continued)**

	Markets and depots					VMO Agricultural Development Fund (note 7)				Total
	Land and buildings	Furniture, fixtures and computer equipment	Motor vehicles	Machinery and others	Subtotal	Leasehold improvements	Furniture, fixtures and computer equipment	Machinery and others (note)	Subtotal	
<b>Year ended</b>										
<b>31 March 2015</b>										
Opening net book amount	584,740	5,195,423	843,182	4,492	6,627,837	1,170,214	3,279,317	6,062,380	10,511,911	17,139,748
Additions	-	1,154,049	369,000	2,420	1,525,469	-	373,341	746,475	1,119,816	2,645,285
Disposals (note 27(b))	-	(40,533)	-	-	(40,533)	-	(23,648)	-	(23,648)	(64,181)
- Cost	-	(218,177)	(524,924)	(240)	(743,341)	-	(186,884)	-	(186,884)	(930,225)
- Accumulated depreciation	-	177,644	524,924	240	702,808	-	163,236	-	163,236	866,044
Depreciation	(17,630)	(1,277,090)	(370,190)	(2,250)	(1,667,160)	(412,609)	(755,902)	(776,669)	(1,945,180)	(3,612,340)
Closing net book amount	567,110	5,031,849	841,992	4,662	6,445,613	757,605	2,873,108	6,032,186	9,662,899	16,108,512
<b>At 31 March 2015</b>										
Cost	4,446,130	28,407,897	7,215,613	25,458	40,095,098	4,126,083	7,891,381	7,796,490	19,813,954	59,909,052
Accumulated depreciation	(3,879,020)	(23,376,048)	(6,373,621)	(20,796)	(33,649,485)	(3,368,478)	(5,018,273)	(1,764,304)	(10,151,055)	(43,800,540)
Net book amount	567,110	5,031,849	841,992	4,662	6,445,613	757,605	2,873,108	6,032,186	9,662,899	16,108,512

Note: The additions for the year of \$746,475 (2014: \$67,657) include the contingent price of equipment of \$699,625 (2014: \$13,177) for Controlled Environment Hydroponic Research and Development Project as described in note 16.

Depreciation expenses of \$1,667,160 and \$1,945,180 (2014: \$1,989,525 and \$1,845,925) have been charged in the operating expenditure and net deficit from VMO Agricultural Development Fund respectively on page 5 and note 21, respectively. The Organization's leasehold land and buildings are situated in Hong Kong and the leasehold land classified as finance lease is held under a medium term lease of between 10 to 50 years.

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

**NOTES TO THE FINANCIAL STATEMENTS**

**6 VMO Loan Fund**

(a) Balance sheet

The VMO Loan Fund is represented by the following assets which have been included in the assets of the Organization in the balance sheet on page 3:

	Note	2015	2014
<b>ASSETS</b>			
<b>Non-current assets</b>			
VMO Loans			
- Loans to farmers		2,118,140	1,845,940
- Interest receivable		60,920	61,572
		<u>2,179,060</u>	<u>1,907,512</u>
Less: Provision for impairment of VMO Loans		(126,479)	(173,445)
		<u>2,052,581</u>	<u>1,734,067</u>
Less: Accumulated amortization at 1 April (Discount)/premium on amortization of VMO Loans	22	(82,575)	(87,713)
		<u>(18,977)</u>	<u>5,138</u>
Accumulated amortization at 31 March		<u>(101,552)</u>	<u>(82,575)</u>
VMO Loans – net		1,951,029	1,651,492
Less: Current portion		<u>(1,874,829)</u>	<u>(1,651,492)</u>
Non-current portion		<u>76,200</u>	<u>-</u>
<b>Current assets</b>			
Current portion of VMO Loans		1,874,829	1,651,492
Other receivables		8,701	11,268
Bank deposits with original maturities over three months	11	4,450,136	5,722,621
Cash and cash equivalents	12	5,916,332	4,820,794
		<u>12,249,998</u>	<u>12,206,175</u>
<b>Total assets</b>		<u>12,326,198</u>	<u>12,206,175</u>
<b>FUNDS</b>			
Capital account transferred from VMO General Fund		2,608,000	2,608,000
Accumulated surplus at 1 April		9,598,175	9,425,743
Net surplus for the year transferred from VMO General Fund	13&22	120,023	172,432
Accumulated surplus at 31 March		<u>9,718,198</u>	<u>9,598,175</u>
<b>Total funds</b>		<u>12,326,198</u>	<u>12,206,175</u>
<b>LIABILITIES</b>			
Current and total liabilities		-	-
<b>Total funds and liabilities</b>		<u>12,326,198</u>	<u>12,206,175</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**

**6 VMO Loan Fund (Continued)**

(b) VMO Loans

The VMO Loan Fund was set up for making loans to farmers for productive purposes.

The VMO Loans bear interests at rates from 0.005% to 1.917% (2014: 0.007% to 1.917%) per annum and are repayable within one to two years (2014: one to two years) with third party personal guarantees. As at 31 March 2015, the effective interest rate of the VMO Loans is 0.025% (2014: 0.045%) per annum.

As at 31 March 2015, VMO Loans of \$126,479 (2014: \$173,445) were past due and impaired and full provisions have been made. The individually impaired receivables mainly related to borrowers, which were in unexpectedly difficult economic situations. The ageing of these VMO Loans is as follows:

	2015	2014
<u>Past due by:</u>		
Up to 30 days	10,000	2,000
Over 90 days	116,479	171,445
	<u>126,479</u>	<u>173,445</u>

The remaining balances of VMO Loans were not past due or impaired.

Movement on provision for impairment of VMO Loans is as follows:

	Note	2015	2014
At 1 April		173,445	427,031
Provision written-off as uncollectible		-	(170,966)
Credited to the statement of comprehensive income			
- Write-back on collection	22	(46,966)	(82,620)
At 31 March		<u>126,479</u>	<u>173,445</u>

The creation and release of provisions for impaired VMO Loans have been included in the net surplus from VMO 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 VMO Loans. The carrying values of VMO Loans approximate their fair values at 31 March 2015 and 2014 and are denominated in Hong Kong dollars.

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

**NOTES TO THE FINANCIAL STATEMENTS**

**7 VMO Agricultural Development Fund**

The VMO Agricultural Development 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 page 3:

	Note	2015	2014
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	9,662,899	10,511,911
<b>Current assets</b>			
Inventories	9(a)	398,854	421,242
Biological assets	9(b)	71,570	70,767
Trade and other receivables		1,476,047	1,378,965
Bank deposits with original maturities over three months	11	96,755,000	134,500,413
Cash and cash equivalents	12	376,575	1,374,004
		<u>99,078,046</u>	<u>137,745,391</u>
<b>Total assets</b>		<u>108,740,945</u>	<u>148,257,302</u>
<b>FUNDS</b>			
Capital account			
At 1 April and 31 March		350,000,000	350,000,000
Accumulated deficit at 1 April		(205,547,722)	(166,169,674)
Net deficit for the year transferred from VMO General Fund	13&21	(39,961,123)	(39,378,048)
Accumulated deficit at 31 March		(245,508,845)	(205,547,722)
<b>Total funds</b>		<u>104,491,155</u>	<u>144,452,278</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Provisions for other liabilities		2,423,582	2,190,875
<b>Current liabilities</b>			
Other payables		1,089,407	951,556
Provisions for other liabilities		736,801	662,593
		<u>1,826,208</u>	<u>1,614,149</u>
<b>Total liabilities</b>		<u>4,249,790</u>	<u>3,805,024</u>
<b>Total funds and liabilities</b>		<u>108,740,945</u>	<u>148,257,302</u>

The VMO Agricultural Development Fund was set up for promoting local agriculture through financing or subsidizing various agricultural research and development projects, agricultural land rehabilitation scheme, construction and improvement of communal agricultural facilities, vocational training for farmers and agricultural workers, introduction of new agricultural technique, exhibitions and other publicity means to promote agriculture.



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

**NOTES TO THE FINANCIAL STATEMENTS**

**8 Financial instruments by category**

The Organization's financial instruments include the following:

	Note	2015	2014
<b>Financial assets - loans and receivables</b>			
VMO Loans	6	1,951,029	1,651,492
Trade and other receivables	10	6,482,974	6,503,475
Bank deposits with original maturities over three months	11	303,706,385	326,600,678
Cash and cash equivalents	12	30,389,275	28,401,913
		<u>342,529,663</u>	<u>363,157,558</u>
<b>Financial liabilities - other financial liabilities at amortized cost</b>			
Trade and other payables	15	11,698,625	11,730,782
Vegetable buyers' deposits		6,898,719	6,660,630
		<u>18,597,344</u>	<u>18,391,412</u>

**9 Inventories and biological assets**

(a) Inventories

	2015	2014
Premium vegetables	114,675	133,491
Others	518,587	498,623
	<u>633,262</u>	<u>632,114</u>
Less: Provision for impairment of inventories	(70)	(1,046)
	<u>633,192</u>	<u>631,068</u>
Represented by:		
- General fund	234,338	209,826
- VMO Agricultural Development Fund (note 7)	398,854	421,242
	<u>633,192</u>	<u>631,068</u>

(b) Biological assets

	2015	2014
At 1 April	70,767	69,494
Additions	2,109,893	1,929,222
Harvested hydroponic vegetable produce	(1,850,818)	(1,637,904)
Write off (note 26)	(258,272)	(290,045)
	<u>71,570</u>	<u>70,767</u>
At 31 March	<u>71,570</u>	<u>70,767</u>
<u>Analysis of biological assets</u>		
Mature	-	-
Immature	71,570	70,767
	<u>71,570</u>	<u>70,767</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**

**9 Inventories and biological assets**

(b) Biological assets (Continued)

As at 31 March 2015, the Organization had 359 (2014: 367) kilogram of biological assets. During the year, the quantity of hydroponic vegetable produce harvested for sales is 9,432 (2014: 7,677) kilogram.

**10 Trade and other receivables**

	2015	2014
Trade receivables	4,851,820	5,311,512
Interest receivables	762,952	804,477
Other receivables	868,202	387,486
	<hr/>	<hr/>
Financial assets	6,482,974	6,503,475
Prepayments for:		
- insurance expense	1,974,525	2,539,105
- other operating expenses	1,394,707	1,068,130
	<hr/>	<hr/>
Total	<u>9,852,206</u>	<u>10,110,710</u>

As at 31 March 2015, trade receivables of \$256,805 (2014: \$476,801) 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:

	2015	2014
<u>Past due by:</u>		
Up to 30 days	246,473	465,289
31 to 60 days	932	1,847
61 to 90 days	1,750	1,504
Over 90 days	7,650	8,161
	<hr/>	<hr/>
	<u>256,805</u>	<u>476,801</u>

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 2015 and 2014 and are denominated in Hong Kong dollars.

**11 Bank deposits with original maturities over three months**

	Note	2015	2014
VMO General Fund		202,501,249	186,377,644
VMO Loan Fund	6	4,450,136	5,722,621
VMO Agricultural Development Fund	7	96,755,000	134,500,413
		<hr/>	<hr/>
Maximum exposure to credit risk		<u>303,706,385</u>	<u>326,600,678</u>

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

**12 Cash and cash equivalents**

	Note	2015	2014
<u>VMO General Fund</u>			
Cash at banks and in hand		24,096,368	20,047,115
Bank deposits with original maturities of three months or less		-	2,160,000
		<u>24,096,368</u>	<u>22,207,115</u>
<u>VMO Loan Fund</u>			
Cash at banks		216,332	499,745
Bank deposits with original maturities of three months or less		5,700,000	4,321,049
	6	<u>5,916,332</u>	<u>4,820,794</u>
<u>VMO Agricultural Development Fund</u>			
Cash at banks and in hand		376,575	544,004
Bank deposits with original maturities of three months or less		-	830,000
	7	<u>376,575</u>	<u>1,374,004</u>
Total		<u>30,389,275</u>	<u>28,401,913</u>
Maximum exposure to credit risk		<u>28,851,186</u>	<u>26,628,209</u>

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

**13 VMO General Fund**

	Note	Accumulated surplus
<b>Balance at 1 April 2013</b>		175,327,667
Comprehensive loss		(10,044,192)
Net surplus transferred to VMO Loan Fund	6(a)	(172,432)
Net deficit transferred to VMO Agricultural Development Fund	7	39,378,048
<b>Balance at 31 March 2014</b>		<u>204,489,091</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**

**13 VMO General Fund (Continued)**

	Note	Accumulated surplus
<b>Balance at 1 April 2014</b>		204,489,091
Comprehensive loss		(23,676,281)
Net surplus transferred to VMO Loan Fund	6(a)	(120,023)
Net deficit transferred to VMO Agricultural Development Fund	7	39,961,123
		<hr/>
<b>Balance at 31 March 2015</b>		<u>220,653,910</u>

**14 Funds provided from external sources for capital expenditure**

	2015	2014
Colonial Development Welfare Fund Grants		
- Scheme D994-Village agricultural depots	144,000	144,000
- Scheme D1066-Purchase of lorries	150,000	150,000
- Scheme D5250-Cheung Sha Wan Vegetable Market	1,470,104	1,470,104
	<hr/>	<hr/>
At 1 April and 31 March	<u>1,764,104</u>	<u>1,764,104</u>

**15 Trade and other payables**

	2015	2014
Trade payables	7,660,327	8,141,388
Other payables	3,017,843	2,660,519
Vegetable sellers' and other deposits	1,020,455	928,875
	<hr/>	<hr/>
Financial liabilities	11,698,625	11,730,782
Receipts in advance	218,012	47,372
	<hr/>	<hr/>
	<u>11,916,637</u>	<u>11,778,154</u>

The carrying values of trade and other payables approximate their fair values at 31 March 2015 and 2014 and are denominated in Hong Kong dollars.

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

**NOTES TO THE FINANCIAL STATEMENTS**

**16 Provisions for other liabilities**

	Unused annual leave	Long service payments	Contingent price of equipment (note)	Total
<b>At 1 April 2013</b>	1,398,813	10,806,366	2,211,400	14,416,579
Payments for the year	(192,599)	(904,521)	-	(1,097,120)
	<u>1,206,214</u>	<u>9,901,845</u>	<u>2,211,400</u>	<u>13,319,459</u>
(Write-back of)/additional provision for the year				
- General Fund (note 19(a))	103,563	(1,604,972)	-	(1,501,409)
- Agricultural Development Fund	107,891	169,490	(322,664)	(45,283)
- Property, plant and equipment (note 5)	-	-	13,177	13,177
	<u>211,454</u>	<u>(1,435,482)</u>	<u>(309,487)</u>	<u>(1,533,515)</u>
<b>At 31 March 2014 and 1 April 2014</b>	1,417,668	8,466,363	1,901,913	11,785,944
Payments for the year	(122,814)	(443,486)	-	(566,300)
	<u>1,294,854</u>	<u>8,022,877</u>	<u>1,901,913</u>	<u>11,219,644</u>
(Write-back of)/additional provision for the year				
- General Fund (note 19(a))	197,394	1,170,012	-	1,367,406
- Agricultural Development Fund	62,430	(4,131)	(368,528)	(310,229)
- Property, plant and equipment (note 5)	-	-	699,625	699,625
	<u>259,824</u>	<u>1,165,881</u>	<u>331,097</u>	<u>1,756,802</u>
<b>At 31 March 2015</b>	<u>1,554,678</u>	<u>9,188,758</u>	<u>2,233,010</u>	<u>12,976,446</u>
Analysis of total provisions:				
<u>At 31 March 2015</u>				
Non-current	-	8,845,147	1,826,002	10,671,149
Current	1,554,678	343,611	407,008	2,305,297
	<u>1,554,678</u>	<u>9,188,758</u>	<u>2,233,010</u>	<u>12,976,446</u>
<u>At 31 March 2014</u>				
Non-current	-	8,000,144	1,575,029	9,575,173
Current	1,417,668	466,219	326,884	2,210,771
	<u>1,417,668</u>	<u>8,466,363</u>	<u>1,901,913</u>	<u>11,785,944</u>

**VEGETABLE MARKETING ORGANIZATION**  
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**NOTES TO THE FINANCIAL STATEMENTS**

**16 Provisions for other liabilities (Continued)**

Note:

During the year ended 31 March 2013, the Organization entered into an agreement (the “Agreement”) with an independent third party (the “Third Party”) to set up and operate a factory for growing hydroponic vegetable produce (the “Vegetable Factory”) in Hong Kong. The duration of the Agreement is five years. In accordance with the Agreement,

- (i) the Organization and the Third Party have to share their respective costs of the equipment of the Vegetable Factory (“Equipment”), amounting to \$4,696,350 and \$1,565,450 respectively;
- (ii) the Organization is responsible for operating the Vegetable Factory and bears all the relevant operating costs;
- (iii) during the duration of the Agreement, the Organization has to grant to the Third Party a pre-agreed percentage of the daily production output of the Vegetable Factory free of charge (“Free Hydroponic Vegetables”); and
- (iv) at the end of the duration of the Agreement, the Organization can opt to pay a pre-agreed amount (“Continuous Consideration”) to the Third Party to continue to operate the Vegetable Factory.

Accordingly, as at 31 March 2015, a provision is recognized for the present value of costs of Free Hydroponic Vegetables and the Continuous Consideration (collectively, the “contingent price of equipment”), totaling \$2,233,010 (2014: \$1,901,913). It is expected that \$407,008 will be utilized next year and \$1,826,002 will be utilized or paid during the remaining duration of the Agreement.

**17 Assets under defined benefit plan**

	Note	2015	2014
<b>Balance sheet assets for:</b>			
- Defined benefit plan	(a)	<u>8,315,000</u>	<u>8,530,000</u>
<b>Statement of comprehensive income charged for:</b>			
- Defined benefit plan	19(a)	<u>178,000</u>	<u>387,000</u>
<b>Remeasurements for:</b>			
- Defined benefit plan	(b)	<u>(37,000)</u>	<u>1,725,000</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 2015 and 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	2015	2014
Present value of the funded obligations	(b)	(19,507,000)	(20,735,000)
Fair value of plan assets	(b)	<u>27,822,000</u>	<u>29,265,000</u>
Assets in the balance sheet		<u>8,315,000</u>	<u>8,530,000</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**

**17 Assets under defined benefit plan (Continued)**

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

	Present value of defined benefit obligations	Fair value of plan assets	Total
At 1 April 2013	(24,756,000)	31,948,000	7,192,000
Current service costs	(425,000)	-	(425,000)
Interest (expense)/income	(144,000)	188,000	44,000
	<u>(25,325,000)</u>	<u>32,136,000</u>	<u>6,811,000</u>
<u>Remeasurements:</u>			
- Return on plan assets (excluding interest income)	-	707,000	707,000
- Gain from change in financial assumption changes	1,363,000	-	1,363,000
- Experience losses	(345,000)	-	(345,000)
	<u>1,018,000</u>	<u>707,000</u>	<u>1,725,000</u>
Plan participants contributions	(306,000)	306,000	-
Benefit payments	3,878,000	(3,878,000)	-
Administrative cost	-	(6,000)	(6,000)
	<u>3,572,000</u>	<u>(3,578,000)</u>	<u>(6,000)</u>
At 31 March 2014	<u>(20,735,000)</u>	<u>29,265,000</u>	<u>8,530,000</u>
At 1 April 2014	(20,735,000)	29,265,000	8,530,000
Current service costs	(324,000)	-	(324,000)
Interest (expense)/income	(355,000)	511,000	156,000
	<u>(21,414,000)</u>	<u>29,776,000</u>	<u>8,362,000</u>
<u>Remeasurements:</u>			
- Return on plan assets (excluding interest income)	-	1,795,000	1,795,000
- Loss from change in financial assumption changes	(586,000)	-	(586,000)
- Experience losses	(1,246,000)	-	(1,246,000)
	<u>(1,832,000)</u>	<u>1,795,000</u>	<u>(37,000)</u>
Plan participants contributions	(258,000)	258,000	-
Benefit payments	3,997,000	(3,997,000)	-
Administrative cost	-	(10,000)	(10,000)
	<u>3,739,000</u>	<u>(3,749,000)</u>	<u>(10,000)</u>
At 31 March 2015	<u>(19,507,000)</u>	<u>27,822,000</u>	<u>8,315,000</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**

**17 Assets under defined benefit plan (Continued)**

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

	2015 %	2014 %
Equities	81	80
Bonds	16	17
Money instruments	3	3
	100	100
	100	100

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

	2015 %	2014 %
Discount rate	1.2	1.8
Expected rate of future salary increases	4.0	4.0
	4.0	4.0
	4.0	4.0

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	0.5%	Decrease by 2.6%	Increase by 2.7%
Salary growth rate	0.5%	Increase by 2.9%	Decrease by 2.8%

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.

(e) The expected contributions by the Organization and by the employees for the year ending 31 March 2016 are \$455,000 and \$253,000 respectively.

(f) The weighted average duration of the defined benefit obligation is around 5.9 years.

(g) The expected maturity analysis of undiscounted funded obligation is as follows:

	2015	2014
Less than 1 year	1,524,000	2,015,000
Between 1 and 2 years	4,054,000	3,286,000
Between 2 and 5 years	6,601,000	6,708,000
Over 5 years	5,515,000	5,727,000
	17,694,000	17,736,000
	17,694,000	17,736,000



**VEGETABLE MARKETING ORGANIZATION**  
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**NOTES TO THE FINANCIAL STATEMENTS**

**18 Net income from sales of premium vegetables**

The income and expenditure on the sales of premium vegetables for the year are as follows:

	2015	2014
Sales of premium vegetables	31,761,742	31,486,787
Cost of inventories sold	(23,796,421)	(24,041,871)
<b>Gross profit</b>	<u>7,965,321</u>	<u>7,444,916</u>
Commission income	1,024,223	1,125,275
<b>Direct operating expenses</b>		
Rebates	(3,961)	(6,833)
Sales commission	(13,169)	(16,015)
Sundry expenses	(28,177)	(18,939)
	<u>(45,307)</u>	<u>(41,787)</u>
<b>Net income for the year</b>	<u><u>8,944,237</u></u>	<u><u>8,528,404</u></u>

The cost of inventories sold includes inventory written-off of \$1,716,049 (2014: \$1,452,705).

**19 Employee benefit expenditure**

(a) Employee benefit expenditure in the VMO General Fund is analysed as below:

	Note	2015	2014
Salaries and wages		36,583,513	35,576,957
Additional provision for unused annual leave	16	197,394	103,563
Additional provision for/(write back of provision for) long service payments	16	1,170,012	(1,604,972)
Retirement benefit costs			
- Defined contribution plan and MPF scheme		1,939,291	1,826,509
- Defined benefit plan	17	178,000	387,000
		<u>40,068,210</u>	<u>36,289,057</u>

(b) In addition to the above, employee benefit expenditure amounting to \$14,170,438 (2014: \$12,781,568) as listed below has been included in various expenditure items in the VMO Agricultural Development Fund in note 21.

	Note	2015	2014
Salaries and wages		13,451,326	11,914,469
Provision for unused annual leave	16	62,430	107,891
(Write-back of provision for)/additional provision for long service payments	16	(4,131)	169,490
Retirement benefit costs - MPF scheme		660,813	589,718
		<u>14,170,438</u>	<u>12,781,568</u>

**20 Rent, rates and permit fees**

Included in the amount, \$630,500 (2014: \$630,500) represents operating lease rentals for market premises.

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

**NOTES TO THE FINANCIAL STATEMENTS**

**21 Net deficit from VMO Agricultural Development Fund**

The income and expenditure of VMO Agricultural Development Fund for the year are as follows:

	Note	2015	2014
<b>Income</b>			
FarmFest income		3,734,045	3,429,165
Interest income on bank deposits		1,180,799	1,236,546
Other income		260,402	28,040
		5,175,246	4,693,751
<b>Expenditure</b>			
Land rehabilitation scheme			
- Repairs and maintenance		(168,448)	(241,711)
- Depreciation		(105,291)	(93,023)
- Recreational Farming		(846,457)	(710,251)
- Miscellaneous expenditure		(40,508)	(27,328)
Construction and improvement of communal agricultural facilities		-	(168,300)
Crop Development Programmes Promotion			
- Depreciation		(14,603)	(11,743)
- Net deficit from sales of accredited local vegetables	24	(159,330)	(329,750)
- Grants to a third party organization		(3,002,000)	(2,265,000)
- Other expenses		(3,515,947)	(4,121,488)
Controlled Environment Greenhouse Production			
- Depreciation		(2,392)	(6,042)
- Purchase of tools		(2,313,924)	(1,431,000)
- Other expenses		(3,541,461)	(3,018,555)
Promotion of Organic Farming			
- Depreciation		(23,433)	(12,350)
- Net deficit from sales of organic vegetables	25	(653,603)	(428,845)
- Grants to third party organizations		(11,877,131)	(12,619,849)
- Other expenses		(5,885,326)	(5,266,895)
Voluntary Registration Scheme of Local Vegetable Farms			
- Depreciation		(13,684)	(10,452)
- Other expenses		(2,728,449)	(3,103,946)
Promotion of Local Agricultural and Fisheries Products			
- FarmFest expenses		(5,403,491)	(5,006,354)
Improvement to VMO's wholesale marketing facilities and services			
- Depreciation		(1,007,348)	(1,007,349)
- Other expenses		(1,556,469)	(1,637,240)
Controlled Environment Hydroponic Research and Development Project			
- Depreciation		(292,448)	(220,310)
- Net deficit from sales of hydroponic vegetables	26	(1,544,175)	(2,136,768)
- Other expenses		(413,749)	(195,268)
Loss on disposals of property, plant and equipment	27(b)	(23,648)	-
Miscellaneous expenses		(3,054)	(1,982)
		(45,136,369)	(44,071,799)
<b>Net deficit for the year</b>	7	(39,961,123)	(39,378,048)

**VEGETABLE MARKETING ORGANIZATION**  
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**NOTES TO THE FINANCIAL STATEMENTS**

**22 Net surplus from VMO Loan Fund**

	Note	2015	2014
<b>Income</b>			
Interest on bank deposits		89,709	81,543
Interest on VMO Loans		2,460	5,824
Premium on amortization of VMO Loans	6(a)	-	5,138
Write-back of provision for impairment of VMO Loans	6(b)	46,966	82,620
		<u>139,135</u>	<u>175,125</u>
<b>Expenditure</b>			
Bad debts written off		-	(2,663)
Bank charges		(135)	(30)
Discount on amortization of VMO Loans	6(a)	(18,977)	-
		<u>(19,112)</u>	<u>(2,693)</u>
<b>Net surplus for the year</b>		<u><u>120,023</u></u>	<u><u>172,432</u></u>

**23 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.

**24 Crop Development Programmes Promotion**

The income and expenditure on the sales of accredited local vegetables for the year are as follows:

	Note	2015	2014
<b>Sales of accredited local vegetables</b>			
Cost of inventories sold		233,860 (89,915)	315,298 (159,742)
		<u>143,945</u>	<u>155,556</u>
<b>Direct operating expenses</b>			
Employee benefit expenditure		(193,608)	(306,026)
Sales commission		(70,158)	(94,589)
Transportation charges		(8,327)	(11,649)
Stores and equipment		(21,136)	(58,411)
Miscellaneous expenses		(10,046)	(14,631)
		<u>(303,275)</u>	<u>(485,306)</u>
<b>Net deficit for the year</b>	21	<u><u>(159,330)</u></u>	<u><u>(329,750)</u></u>

**VEGETABLE MARKETING ORGANIZATION**  
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**NOTES TO THE FINANCIAL STATEMENTS**

**25 Promotion of Organic Farming**

The income and expenditure on the sales of organic vegetables for the year are as follows:

	Note	2015	2014
<b>Sales of organic vegetables</b>		4,413,283	3,896,418
Cost of inventories sold		(1,706,056)	(1,498,133)
		<u>                    </u>	<u>                    </u>
<b>Gross profit</b>		2,707,227	2,398,285
		<u>                    </u>	<u>                    </u>
<b>Direct operating expenses</b>			
Employee benefit expenditure		(1,901,541)	(1,591,956)
Sales commission		(980,676)	(835,496)
Transportation charges		(34,420)	(38,938)
Stores and equipment		(165,020)	(148,463)
Miscellaneous expenses		(277,413)	(210,517)
Depreciation		(1,760)	(1,760)
		<u>                    </u>	<u>                    </u>
		(3,360,830)	(2,827,130)
		<u>                    </u>	<u>                    </u>
<b>Net deficit for the year</b>	21	<u>(653,603)</u>	<u>(428,845)</u>

**26 Controlled Environment Hydroponic Research and Development Project**

The income and expenditure on the sales of hydroponic vegetables for the year are as follows:

	Note	2015	2014
<b>Sales of hydroponic vegetables</b>		823,281	847,324
Cost of hydroponic vegetables sold		(1,682,765)	(1,527,772)
		<u>                    </u>	<u>                    </u>
<b>Gross loss</b>		(859,484)	(680,448)
		<u>                    </u>	<u>                    </u>
<b>Other income</b>		1,963	18,453
		<u>                    </u>	<u>                    </u>
<b>Direct operating expenses</b>			
Publication and publicity		(216,800)	(997,043)
Packing materials		(124,287)	(170,626)
Employee benefit expenditure		(181,851)	(125,612)
Miscellaneous expenses		(163,716)	(181,492)
		<u>                    </u>	<u>                    </u>
		(686,654)	(1,474,773)
		<u>                    </u>	<u>                    </u>
<b>Net deficit for the year</b>	21	<u>(1,544,175)</u>	<u>(2,136,768)</u>

The cost of hydroponic vegetables sold includes biological assets written off of \$258,272 (2014: \$290,045), inventories written off of \$601,549 (2014: \$252,881), provision for impairment of inventories of \$70 (2014: \$1,046) and depreciation of \$484,221 (2014: \$482,896).

**VEGETABLE MARKETING ORGANIZATION**  
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**NOTES TO THE FINANCIAL STATEMENTS**

**27 Notes to the statement of cash flows**

(a) Net cash used in operations

	2015	2014
Deficit for the year	(23,639,281)	(11,769,192)
Adjustments for:		
- Interest income on bank deposits	(3,251,465)	(2,820,687)
- Interest income on VMO Loans	(2,460)	(5,824)
- Depreciation (note 5)	3,612,340	3,835,450
- Inventories written off (notes 18 and 26)	2,317,598	1,705,586
- Biological assets written off (notes 9(b) and 26)	258,272	290,045
- Write-back of provision for impairment of inventories (note 9(a))	(976)	(22,830)
- Write-back of provision for impairment of VMO Loans (note 22)	(46,966)	(82,620)
- Gain/(loss) on disposals of property, plant and equipment (note (b) below)	(39,719)	59,011
- VMO loan written off (note 22)	-	2,663
- Discount/(premium) on amortization of VMO Loans (note 22)	18,977	(5,138)
- Additional provision for unused annual leave (note 16)	259,824	18,855
- Additional provision for/(write back of provision for) long service payments (note 16)	1,165,881	(1,435,482)
- Write back of provision of produce to the Third Party (note 16)	(368,528)	(322,664)
	<u>(19,716,503)</u>	<u>(10,552,827)</u>
Changes in working capital:		
- Inventories	(2,318,746)	(1,691,862)
- Biological assets	(259,075)	(291,318)
- VMO Loans	(272,200)	88,321
- Trade and other receivables	216,979	2,798,845
- Trade and other payables	138,483	(4,836,908)
- Provisions for other liabilities	(566,300)	(904,521)
- Vegetable buyers' deposits	238,089	430,288
- Assets under defined benefit plan	178,000	387,000
	<u>(22,361,273)</u>	<u>(14,572,982)</u>
Net cash used in operations	<u><u>(22,361,273)</u></u>	<u><u>(14,572,982)</u></u>

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

**NOTES TO THE FINANCIAL STATEMENTS**

**27 Notes to the statement of cash flows (Continued)**

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

	Note	2015	2014
Net book amount	5	64,181	60,611
Gain/(loss) on disposals of property, plant and equipment recognized in:			
- Non-trading income/(other expenditure)	pages 4&5	63,367	(59,011)
- Net deficit from VMO Agricultural Development Fund	21	(23,648)	-
		39,719	(59,011)
Proceeds from disposals of property, plant and equipment		103,900	1,600

**28 Operating lease commitment**

The future aggregate minimum lease payments under non-cancellable operating lease in respect of market premises are as follows:

	2015	2014
No later than one year	157,625	157,625

**29 Key management compensation**

	2015	2014
Salaries and other short-term employee benefits	487,474	440,058