

FISH MARKETING ORGANIZATION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2015

**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 2015, 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 financial position of Fish Marketing 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, 20 August 2015

FISH MARKETING ORGANIZATION

(All amounts in Hong Kong dollars unless otherwise stated)

BALANCE SHEET

		As at 31 March	
	Note	2015	2014
ASSETS			
Non-current assets			
Property, plant and equipment	5	28,100,582	32,905,979
Fish Marketing Organization (“FMO”) Loans	7(a)	1,568,905	1,959,704
Assets under defined benefit plan	18(a)	2,000,000	2,200,000
		<u>31,669,487</u>	<u>37,065,683</u>
Current assets			
Inventories	8	747,974	1,267,785
FMO Loans	7(a)	33,820,239	38,458,598
Receivables from co-operative societies and fishermen		3,006	31,289
Trade and other receivables	9	6,881,218	6,284,619
Bank deposits with original maturities over three months	10	154,975,145	155,299,996
Cash and cash equivalents	11	28,882,713	9,126,337
		<u>225,310,295</u>	<u>210,468,624</u>
Total assets		<u>256,979,782</u>	<u>247,534,307</u>
FUNDS			
FMO General Fund			
Accumulated surplus	12	128,532,673	122,949,265
Specific funds			
FMO Loan Fund	7(a)	85,702,910	84,820,021
Funds provided from external sources for capital expenditure	13	1,778,641	1,778,641
CARE Loan Fund	14	164,799	164,799
Total funds		<u>216,179,023</u>	<u>209,712,726</u>

FISH MARKETING ORGANIZATION

(All amounts in Hong Kong dollars unless otherwise stated)

BALANCE SHEET (Continued)

		As at 31 March	
	Note	2015	2014
LIABILITIES			
Non-current liabilities			
Non-current deposits from licensees of market premises	15	8,192,745	9,602,756
Provision for long service payments	17	6,214,125	5,770,504
		<u>14,406,870</u>	<u>15,373,260</u>
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Current liabilities			
Trade and other payables	15	11,616,005	7,696,587
Amounts due to Government Loan Fund	16	11,871,623	12,799,818
Provision for long service payments	17	637,224	270,058
Fish buyers' deposits		572,186	553,350
Savings held on behalf of co-operative societies and fishermen	19	1,696,851	1,128,508
		<u>26,393,889</u>	<u>22,448,321</u>
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Total liabilities		<u>40,800,759</u>	<u>37,821,581</u>
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Total funds and liabilities		<u>256,979,782</u>	<u>247,534,307</u>
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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 20 August 2015.

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	2015	2014
INCOME			
Operating income			
Commission		21,489,703	21,467,155
Net income from sales of marine fish/produce	20	3,768,782	4,020,685
Licence fee income		35,114,929	31,681,254
Cold storage income		108,742	61,350
Berthing income		897,380	967,220
Net income from sales of sea water	21	236,058	494,484
Other operating income		746,316	596,708
		<u>62,361,910</u>	<u>59,288,856</u>
Non-trading income			
Interest income on bank deposits		850,100	610,104
Other income		23,840	25,842
		<u>873,940</u>	<u>635,946</u>
Total income		<u>63,235,850</u>	<u>59,924,802</u>
EXPENDITURE			
Operating expenditure			
Employee benefit expenditure	22	<u>(32,945,079)</u>	<u>(30,563,096)</u>
General working expenses			
Rent, rates and permit fees	23	(2,450,262)	(2,327,266)
Printing and stationery		(419,279)	(413,632)
Utility services		(2,996,936)	(2,887,565)
Maintenance and minor improvements		(1,535,461)	(1,465,210)
Stores and equipment		(442,424)	(285,970)
Miscellaneous expenses		(554,319)	(615,893)
Staff welfare		(228,427)	(237,723)
Staff training		(16,225)	(18,185)
Travelling expenses		(97,748)	(89,989)
Protective clothing and uniforms		(89)	(9,234)
Insurance		(785,797)	(789,902)
Auditor's remuneration		(355,400)	(339,400)
Security services		(1,260,810)	(1,149,178)
Commission expenses		(214)	(67)
Bank charges		(11,927)	(10,873)
Handling fees		(5,675)	-
Balance carried forward		<u>(11,160,993)</u>	<u>(10,640,087)</u>

FISH MARKETING ORGANIZATION

(All amounts in Hong Kong dollars unless otherwise stated)

STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

		Year ended 31 March	
	Note	2015	2014
Operating expenditure (Continued)			
General working expenses (Continued)			
Balance brought forward		(11,160,993)	(10,640,087)
Depreciation	5	(5,508,341)	(5,653,273)
Transportation expenses		(1,830,812)	(1,646,058)
Liaison and ancillary services		(20,000)	(20,000)
Publicity and sales promotion	24	(2,188,218)	(2,130,385)
Legal and professional fees		(109,000)	(144,000)
Cleaning charges		(248,150)	(230,100)
Subsidy for lorry parking		(532,351)	(509,262)
		<u>(21,597,865)</u>	<u>(20,973,165)</u>
General working expenses			
		<u>(21,597,865)</u>	<u>(20,973,165)</u>
Total operating expenditure		<u>(54,542,944)</u>	<u>(51,536,261)</u>
Other expenditure			
Loss on disposals of property, plant and equipment	27(b)	(56,498)	(69,923)
		<u>(56,498)</u>	<u>(69,923)</u>
Total expenditure		<u>(54,599,442)</u>	<u>(51,606,184)</u>
Operating surplus for the year		8,636,408	8,318,618
Funding to Marine Fish Scholarship Fund	30	(3,000,000)	-
Net surplus from FMO Loan Fund	26	882,889	939,569
		<u>6,519,297</u>	<u>9,258,187</u>
Surplus for the year		6,519,297	9,258,187
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	(53,000)	547,000
		<u>(53,000)</u>	<u>547,000</u>
Total comprehensive income for the year	12	<u>6,466,297</u>	<u>9,805,187</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 CHANGES IN FUNDS

	Note	<u>Total funds</u>
Balance at 1 April 2013		199,907,539
Surplus for the year		9,258,187
Other comprehensive income		
- Remeasurements for defined benefit plan	18(b)	547,000
Total comprehensive income		9,805,187
Balances at 31 March 2014 and 1 April 2014		209,712,726
Surplus for the year		6,519,297
Other comprehensive loss		
- Remeasurements for defined benefit plan	18(b)	(53,000)
Total comprehensive income		6,466,297
Balance at 31 March 2015		216,179,023

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

		<u>Year ended 31 March</u>	
	Note	2015	2014
Cash flows from operating activities			
Cash generated from operations	27(a)	19,803,020	19,638,282
Interest received on FMO loans		568,998	906,910
		<u>20,372,018</u>	<u>20,545,192</u>
Net cash generated from operating activities		20,372,018	20,545,192
Cash flows from investing activities			
Bank interest received		1,123,518	933,617
Purchases of property, plant and equipment	5	(759,442)	(997,353)
Net uplift/(placement) of bank deposits with original maturities over three months		324,851	(31,949,996)
		<u>688,927</u>	<u>(32,013,732)</u>
Net cash generated from/(used in) investing activities		688,927	(32,013,732)
Cash flows from financing activities			
New drawdown from Government Loan Fund	16	57,000,000	58,000,000
Repayments to Government Loan Fund		(57,871,680)	(56,858,534)
Interest on Government Loan Fund paid		(432,889)	(503,720)
		<u>(1,304,569)</u>	<u>637,746</u>
Net cash (used in)/generated from financing activities		(1,304,569)	637,746
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at beginning of the year		19,756,376	(10,830,794)
		9,126,337	19,957,131
		<u>28,882,713</u>	<u>9,126,337</u>
Cash and cash equivalents at end of the year	11	<u>28,882,713</u>	<u>9,126,337</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 to 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 20 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.

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) 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.

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 ¹
Annual Improvements Project	Annual Improvements 2011 - 2013 Cycle ¹
Annual Improvements Project	Annual Improvements 2012 - 2014 Cycle ²
HKAS 16 and HKAS 38 Amendment	Classification of Acceptable Methods of Depreciation and Amortisation ²
HKAS 19 (2011) Amendment	Defined Benefit Plans: Employee Contributions ¹
HKFRS 9	Financial instruments - Financial liabilities ⁴
HKFRS 15	Revenue from contracts with customers ³

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.

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

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.2 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.

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 are 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.

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

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.4 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.

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 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.

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 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.

2.10 Cash and cash equivalents

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

2.11 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.

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 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 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.

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 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 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.

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.

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 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 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.

2.16 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.

- (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.

2.17 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.

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

NOTES TO THE FINANCIAL STATEMENTS

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 policies 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.

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.

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)

(c) Liquidity risk (Continued)

As at 31 March 2015 and 2014, the maturity analysis of the financial liabilities is as follows:

	2015	2014
Less than one year		
Trade and other payables	9,572,293	6,421,780
Fish buyers' deposits	572,186	553,350
Savings held on behalf of co-operative societies and fishermen	1,696,851	1,128,508
Amounts due to Government Loan Fund	12,035,000	12,906,680
Interest payable on amounts due to Government Loan Fund over the loan period	197,730	206,583
	<u>24,074,060</u>	<u>21,216,901</u>
	-----	-----
More than one year		
Trade and other payables (note 15)	8,192,745	9,602,756
	<u>8,192,745</u>	<u>9,602,756</u>
Total	<u>32,266,805</u>	<u>30,819,657</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 deposits, 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 2015, if interest rates on the bank deposits, FMO Loans and amounts due to Government Loan Fund had been 12 basis points (2014: 20 basis points) higher/lower with all other variables held constant, surplus for the year would have been approximately \$230,000 (2014: approximately \$366,000) higher/lower, as a result of higher/lower net interest income on the bank deposits, FMO Loans and amounts due to Government Loan Fund.

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, Funds provided from external sources for capital expenditure and CARE Loan Fund.

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 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.

FISH MARKETING ORGANIZATION

(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

3 Financial and fund risks management (Continued)

3.4 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.

(a) 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.

(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 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).

(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.

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

NOTES TO THE FINANCIAL STATEMENTS

5 Property, plant and equipment

	Land and buildings	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Total
At 1 April 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>
Year ended 31 March 2015					
Opening net book amount	5,729,485	21,150,777	5,781,697	244,020	32,905,979
Additions	-	28,200	731,242	-	759,442
Disposals (note 27(b))	-	-	(56,498)	-	(56,498)
- Cost	-	-	(248,213)	-	(248,213)
- Accumulated depreciation	-	-	191,715	-	191,715
Depreciation	(176,558)	(3,987,040)	(1,212,339)	(132,404)	(5,508,341)
Closing net book amount	<u>5,552,927</u>	<u>17,191,937</u>	<u>5,244,102</u>	<u>111,616</u>	<u>28,100,582</u>
At 31 March 2015					
Cost	35,037,605	49,536,792	15,098,497	876,758	100,549,652
Accumulated depreciation	(29,484,678)	(32,344,855)	(9,854,395)	(765,142)	(72,449,070)
Net book amount	<u>5,552,927</u>	<u>17,191,937</u>	<u>5,244,102</u>	<u>111,616</u>	<u>28,100,582</u>

Depreciation expense of \$5,508,341 (2014: \$5,653,273) 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.

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

NOTES TO THE FINANCIAL STATEMENTS

6 Financial instruments by category

The Organization's financial instruments include the following:

	Note	2015	2014
Financial assets - loans and receivables			
FMO Loans – net	7(a)	35,389,144	40,418,302
Receivables from co-operative societies and fishermen		3,006	31,289
Trade and other receivables	9	5,897,415	5,355,765
Bank deposits with original maturities over three months	10	154,975,145	155,299,996
Cash and cash equivalents	11	28,882,713	9,126,337
		<u>225,147,423</u>	<u>210,231,689</u>
Financial liabilities - other financial liabilities at amortized cost			
Trade and other payables	15	17,765,038	16,024,536
Amounts due to Government Loan Fund	16	11,871,623	12,799,818
Fish buyers' deposits		572,186	553,350
Savings held on behalf of co-operative societies and fishermen	19	1,696,851	1,128,508
		<u>31,905,698</u>	<u>30,506,212</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	2015	2014
ASSETS			
Non-current assets			
FMO Loans			
- Loans to fishermen		35,158,505	40,816,868
- Interest receivable		839,002	880,977
		<u>35,997,507</u>	<u>41,697,845</u>
Less: Provision for impairment of FMO Loans	(b)	(167,365)	(584,516)
		<u>35,830,142</u>	<u>41,113,329</u>
Less: Accumulated amortization at 1 April		(695,027)	(602,525)
Premium/(discount) on amortization of FMO Loans	26	254,029	(92,502)
		<u>(440,998)</u>	<u>(695,027)</u>
Accumulated amortization at 31 March		<u>(440,998)</u>	<u>(695,027)</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)

	Note	2015	2014
ASSETS (Continued)			
Non-current assets (Continued)			
FMO Loans - net		35,389,144	40,418,302
Less: Current portion		(33,820,239)	(38,458,598)
		<u>1,568,905</u>	<u>1,959,704</u>
Current assets			
Current portion of FMO Loans		33,820,239	38,458,598
Interest receivable on bank deposits		75,067	72,989
Bank deposits with original maturities over three months	10	39,557,127	53,561,670
Cash and cash equivalents	11	22,553,195	3,566,878
		<u>96,005,628</u>	<u>95,660,135</u>
Total assets		<u><u>97,574,533</u></u>	<u><u>97,619,839</u></u>
FUNDS			
Capital account transferred from FMO General Fund		57,000,000	57,000,000
		<u>27,820,021</u>	<u>26,880,452</u>
Accumulated surplus at 1 April			
Net surplus for the year transferred from FMO General Fund	12&26	882,889	939,569
		<u>28,702,910</u>	<u>27,820,021</u>
Accumulated surplus at 31 March			
Total funds		<u><u>85,702,910</u></u>	<u><u>84,820,021</u></u>
LIABILITIES			
Current and total liabilities			
Amounts due to Government Loan Fund	16	11,871,623	12,799,818
		<u>97,574,533</u>	<u>97,619,839</u>
Total funds and liabilities		<u><u>97,574,533</u></u>	<u><u>97,619,839</u></u>

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

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% (2014: 1% to 3%) per annum and are repayable over a period up to eight years (2014: up to thirty eight years). As at 31 March 2015, the effective interest rate of the FMO Loans is 1.13% (2014: 1.15%) 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.

As at 31 March 2015, FMO Loans of \$167,365 (2014: \$584,516) 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:

	2015	2014
<u>Current</u>	-	278,840
<u>Past due by:</u>		
61 to 90 days	-	8,647
Over 90 days	167,365	297,029
	<u>167,365</u>	<u>584,516</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	2015	2014
At 1 April		584,516	796,206
Write-back on collection	26	(114,773)	(211,690)
Provision written off as uncollectible		(302,378)	-
		<u>167,365</u>	<u>584,516</u>
At 31 March		<u>167,365</u>	<u>584,516</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 2015 and 2014 and are denominated in Hong Kong dollars.

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

NOTES TO THE FINANCIAL STATEMENTS

8 Inventories

	Note	2015	2014
Marine fish/produce	20	320,956	917,471
Plastic containers		32,442	12,883
Printing forms		222,500	220,625
Neckties		3,864	3,864
Plastic rollers		7,454	7,454
Sea water	21	7,784	4,893
Fish tag		60,297	83,152
Fish feed		79,035	-
Souvenir		13,642	17,443
		<u>747,974</u>	<u>1,267,785</u>

Cost of inventories recognized as expenditures amounted to \$18,033,575 (2014: \$15,088,205).

9 Trade and other receivables

	2015	2014
Trade receivables	2,976,458	2,749,397
Less: Provision for impairment of trade receivables	-	(18,554)
	<u>2,976,458</u>	<u>2,730,843</u>
Trade receivables, net	2,976,458	2,730,843
Interest receivables	262,718	210,321
Other receivables	1,388,599	1,039,961
Utility deposits	1,269,640	1,374,640
	<u>5,897,415</u>	<u>5,355,765</u>
Financial assets	5,897,415	5,355,765
Prepayments	983,803	928,854
	<u>6,881,218</u>	<u>6,284,619</u>
Total	<u>6,881,218</u>	<u>6,284,619</u>

As at 31 March 2015, trade receivables of \$270,982 (2014: \$532,390) 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	245,486	499,781
31 to 60 days	10,364	20,934
61 to 90 days	2,803	3,237
Over 90 days	12,329	8,438
	<u>270,982</u>	<u>532,390</u>

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

NOTES TO THE FINANCIAL STATEMENTS

9 Trade and other receivables (Continued)

As at 31 March 2015, no trade receivables (2014: \$18,554) were impaired and no (2014: full) provisions have been made. The individually impaired receivables as at 31 March 2014, mainly related to customers, which were in unexpected difficult economic situations. The ageing of these trade receivables was as follows:

	2015	2014
<u>Past due by:</u>		
Over 90 days	-	18,554
	<u> </u>	<u> </u>

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

	2015	2014
At 1 April	18,554	18,554
Receivables written off during the year as uncollectible	(18,554)	-
	<u> </u>	<u> </u>
At 31 March	<u> </u>	<u> </u>

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 2015 and 2014 and are denominated in Hong Kong dollars.

10 Bank deposits with original maturities over three months

	Note	2015	2014
FMO General Fund		115,418,018	101,738,326
FMO Loan Fund	7(a)	39,557,127	53,561,670
		<u> </u>	<u> </u>
Maximum exposure to credit risk		<u>154,975,145</u>	<u>155,299,996</u>

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

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

NOTES TO THE FINANCIAL STATEMENTS

11 Cash and cash equivalents

	Note	2015	2014
<u>FMO General Fund</u>			
Cash at banks and in hand		6,164,719	5,394,660
<u>FMO Loan Fund</u>			
Cash at banks		8,153,195	3,566,878
Bank deposits with original maturities of three months or less		14,400,000	-
	7(a)	22,553,195	3,566,878
<u>CARE Loan Fund</u>			
Cash at banks	14	164,799	164,799
Total		28,882,713	9,126,337
Maximum exposure to credit risk		28,609,876	8,944,346

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

12 FMO General Fund

	Note	Accumulated surplus
Balance at 1 April 2013		
Comprehensive income		114,083,647
Net surplus transferred to FMO Loan Fund	7(a)	9,805,187
		(939,569)
Balances at 31 March 2014 and 1 April 2014		
Comprehensive income		122,949,265
Net surplus transferred to FMO Loan Fund	7(a)	6,466,297
		(882,889)
Balance at 31 March 2015		
		128,532,673

13 Funds provided from external sources for capital expenditure

	2015	2014
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
At 1 April and 31 March	1,778,641	1,778,641

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 2015 and 2014.

15 Trade and other payables

	2015	2014
Trade payables	461,227	753,446
Other payables	3,358,341	2,936,463
Deposits from licensees of market premises	13,251,481	11,826,838
Utility and other deposits	693,989	507,789
	<hr/>	<hr/>
Financial liabilities	17,765,038	16,024,536
Receipts in advance	708,725	54,045
Provision for unused annual leave (note (a))	1,334,987	1,220,762
	<hr/>	<hr/>
	19,808,750	17,299,343
Less: Non-current deposits from licensees of market premises	(8,192,745)	(9,602,756)
	<hr/>	<hr/>
	<u>11,616,005</u>	<u>7,696,587</u>

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

	Note	2015	2014
At 1 April		1,220,762	1,207,335
Charged to the statement of comprehensive income			
- Additional provision	22	177,369	91,672
Utilized during the year		(63,144)	(78,245)
		<hr/>	<hr/>
At 31 March		<u>1,334,987</u>	<u>1,220,762</u>

(b) 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.

FISH MARKETING ORGANIZATION
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NOTES TO THE FINANCIAL STATEMENTS

16 Amounts due to Government Loan Fund

Since 2006, the Government has annually approved an amount 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 drawdowns for the years of 2006 to 2014 are as follows:

	2015	2014
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	58,000,000
- 2014	57,000,000	-
	<u>60,000,000</u>	<u>308,098,000</u>

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

	Note	2015	2014
Amount due to Government Loan Fund (2006)		-	60,000
Amount due to Government Loan Fund (2008)		120,000	120,000
Amount due to Government Loan Fund (2009)		-	87,014
Amount due to Government Loan Fund (2011)		-	38,000
Amount due to Government Loan Fund (2013)		-	12,601,666
Amount due to Government Loan Fund (2014)		11,915,000	-
		<u>12,035,000</u>	<u>12,906,680</u>
Interest payable to Government Loan Fund (2006)		-	12,315
Interest payable to Government Loan Fund (2008)		15,991	14,108
Interest payable to Government Loan Fund (2009)		-	68
Interest payable to Government Loan Fund (2011)		-	44
Interest payable to Government Loan Fund (2013)		-	-
Interest payable to Government Loan Fund (2014)		13,851	-
		<u>29,842</u>	<u>26,535</u>
		<u>12,064,842</u>	<u>12,933,215</u>
(Less)/add: Accumulated amortization at 1 April		(133,397)	254,447
Premium on amortization of amounts due to Government Loan Fund	26	(59,822)	(387,844)
Accumulated amortization at 31 March		(193,219)	(133,397)
Total	7(a)	<u>11,871,623</u>	<u>12,799,818</u>

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NOTES TO THE FINANCIAL STATEMENTS

16 Amounts due to Government Loan Fund (Continued)

The amounts due to Government Loan Fund are unsecured and interest-bearing at rates set by the Government periodically. At 31 March 2015, the prevailing interest rate of the amounts due is 1.395% (2014: 1.395%) per annum. For the amounts drawdown from 2012 onwards, the principal and the interest payable are repayable by 4 quarterly installments from the initial drawdown date. For the amounts drawdown before 2012, the principal and the interest payable are repayable only when the fishermen make their repayments of the corresponding FMO loans to the Organization as described in note 7(b).

The carrying values of amounts due to Government Loan Fund approximate their fair values at 31 March 2015 and 2014 and are denominated in Hong Kong dollars.

17 Provision for long service payments

	Note	2015	2014
At 1 April		6,040,562	6,663,009
Payments for the year		(354,774)	(449,336)
Additional/(write-back of) provision for the year	22	1,165,561	(173,111)
		<u>6,851,349</u>	<u>6,040,562</u>
At 31 March		6,851,349	6,040,562
Less: Current portion		(637,224)	(270,058)
		<u>6,214,125</u>	<u>5,770,504</u>

18 Assets under defined benefit plan

	Note	2015	2014
Balance sheet assets for:			
- Defined benefit plan	(a)	<u>2,000,000</u>	<u>2,200,000</u>
Statement of comprehensive income charged for:			
- Defined benefit plan	22	<u>147,000</u>	<u>194,000</u>
Remeasurements for:			
- Defined benefit plan	(b)	<u>(53,000)</u>	<u>547,000</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.

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NOTES TO THE FINANCIAL STATEMENTS

18 Assets under defined benefit plan (Continued)

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

	Note	2015	2014
Present value of the funded obligations	(b)	(12,966,000)	(14,717,000)
Fair value of plan assets	(b)	14,966,000	16,917,000
		<u> </u>	<u> </u>
Assets in the balance sheet		<u>2,000,000</u>	<u>2,200,000</u>

(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 2013	(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> </u>	<u> </u>	<u> </u>
	(15,209,000)	16,864,000	1,655,000
	<u> </u>	<u> </u>	<u> </u>
Remeasurements:			
- 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> </u>	<u> </u>	<u> </u>
	(167,000)	714,000	547,000
	<u> </u>	<u> </u>	<u> </u>
Plan participants contributions	(156,000)	156,000	-
Benefit payments	815,000	(815,000)	-
Administrative cost	-	(2,000)	(2,000)
	<u> </u>	<u> </u>	<u> </u>
	659,000	(661,000)	(2,000)
	<u> </u>	<u> </u>	<u> </u>
At 31 March 2014	<u>(14,717,000)</u>	<u>16,917,000</u>	<u>2,200,000</u>

FISH MARKETING ORGANIZATION
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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: (Continued)

	Present value of defined benefit obligations	Fair value of plan assets	Total
At 1 April 2014	(14,717,000)	16,917,000	2,200,000
Current service costs	(162,000)	-	(162,000)
Interest (expense)/income	(126,000)	146,000	20,000
	<u>(15,005,000)</u>	<u>17,063,000</u>	<u>2,058,000</u>
<u>Remeasurements:</u>			
- Return on plan assets (excluding interest income)	-	772,000	772,000
- Loss from change in financial assumption changes	(59,000)	-	(59,000)
- Experience losses	(766,000)	-	(766,000)
	<u>(825,000)</u>	<u>772,000</u>	<u>(53,000)</u>
Plan participants contributions	(140,000)	140,000	-
Benefit payments	3,004,000	(3,004,000)	-
Administrative cost	-	(5,000)	(5,000)
	<u>2,864,000</u>	<u>(2,869,000)</u>	<u>(5,000)</u>
At 31 March 2015	<u>(12,966,000)</u>	<u>14,966,000</u>	<u>2,000,000</u>

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

	2015 %	2014 %
Equities	74	74
Bonds	22	23
Money instruments	4	3
	<u>100</u>	<u>100</u>

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NOTES TO THE FINANCIAL STATEMENTS

18 Assets under defined benefit plan (Continued)

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

	2015 %	2014 %
Discount rate	0.7	0.9
Expected rate of future salary increases	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 1.1%	Increase by 1.2%
Salary growth rate	0.5%	Increase by 1.3%	Decrease by 1.3%

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 \$240,000 and \$133,000 respectively.
- (f) The weighted average duration of the defined benefit obligation is around 2.9 years.
- (g) The expected maturity analysis of undiscounted funded obligation is as follows:

	2015	2014
Less than 1 year	5,115,000	1,462,000
Between 1 and 2 years	1,054,000	6,272,000
Between 2 and 5 years	4,188,000	4,524,000
Over 5 years	3,441,000	3,652,000
	<u>13,798,000</u>	<u>15,910,000</u>

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	2015	2014
Gross sales			
Sales of marine fish/produce		20,139,170	17,773,035
Cost of inventories sold			
Opening inventories		917,471	177,741
Purchases		15,773,873	14,492,080
Closing inventories	8	(320,956)	(917,471)
		<u>16,370,388</u>	<u>13,752,350</u>
Net income for the year		<u><u>3,768,782</u></u>	<u><u>4,020,685</u></u>

21 Net income from sales of sea water

	Note	2015	2014
Sales of sea water			
		1,577,153	1,516,053
Cost of inventories sold			
Opening inventories		4,893	5,757
Purchases		1,343,986	1,020,705
Closing inventories	8	(7,784)	(4,893)
		<u>1,341,095</u>	<u>1,021,569</u>
Net income for the year		<u><u>236,058</u></u>	<u><u>494,484</u></u>

22 Employee benefit expenditure

	Note	2015	2014
Salaries and wages		29,979,027	29,030,498
Additional provision for unused annual leave	15(a)	177,369	91,672
Additional/(write-back of) provision for long service payments	17	1,165,561	(173,111)
Retirement benefit costs			
- defined contribution plan and MPF scheme		1,476,122	1,420,037
- defined benefit plan	18	147,000	194,000
		<u>32,945,079</u>	<u>30,563,096</u>

23 Rent, rates and permit fees

Included in the amount, \$362,400 (2014: \$362,400) represents operating lease rentals for market premises.

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NOTES TO THE FINANCIAL STATEMENTS

24 Publicity and sales promotion

	2015	2014
Share of expenses for a promotion event co-organized by the Organization and the Vegetable Marketing Organization	1,669,445	1,577,190
Others	518,773	553,195
	<u>2,188,218</u>	<u>2,130,385</u>

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	2015	2014
Income			
Interest on FMO Loans		567,797	639,003
Interest on bank deposits		325,815	286,091
Premium on amortization of FMO Loans	7(a)	254,029	-
Write-back of provision for impairment of FMO Loans	7(b)	114,773	211,690
Premium on amortization of amounts due to Government Loan Fund	16	59,822	387,844
		<u>1,322,236</u>	<u>1,524,628</u>
Expenditure			
Interest expense for amounts due to Government Loan Fund		(436,196)	(490,800)
Discount on amortization of FMO Loans	7(a)	-	(92,502)
Bank charges		(255)	(1,757)
Bad debts written off		(2,896)	-
		<u>(439,347)</u>	<u>(585,059)</u>
Net surplus for the year	7(a)	<u><u>882,889</u></u>	<u><u>939,569</u></u>

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NOTES TO THE FINANCIAL STATEMENTS

27 Notes to the statement of cash flows

(a) Net cash generated from operations

	2015	2014
Surplus for the year	6,519,297	9,258,187
Adjustments for:		
- Interest income on bank deposits	(1,175,915)	(896,195)
- Interest income on FMO Loans (note 26)	(567,797)	(639,003)
- Depreciation (note 5)	5,508,341	5,653,273
- Write-back of provision for impairment of FMO Loans (note 7(b))	(114,773)	(211,690)
- Loss on disposals of property, plant and equipment (see (b) below)	56,498	69,923
- Bad debts written off (note 26)	2,896	-
- (Premium)/discount on amortization of FMO Loans (note 7(a))	(254,029)	92,502
- Interest expense for amounts due to Government Loan Fund (note 26)	436,196	490,800
- Premium on amortization of amounts due to Government Loan Fund (note 26)	(59,822)	(387,844)
- Additional/(write-back of) provision for long service payments (note 22)	1,165,561	(173,111)
- Additional provision for unused annual leave (note 22)	177,369	91,672
	<u>11,693,822</u>	<u>13,348,514</u>
Changes in working capital:		
- FMO Loans	5,393,863	7,861,496
- Inventories	519,811	(722,717)
- Receivables from co-operative societies and fishermen	28,283	(16,148)
- Trade and other receivables	(544,202)	332,550
- Provision for long service payments	(354,774)	(449,336)
- Assets under defined benefit plan	147,000	194,000
- Trade and other payables	2,332,038	(645,674)
- Fish buyers' deposits	18,836	(101,902)
- Savings held on behalf of co-operative societies and fishermen	568,343	(162,501)
	<u>19,803,020</u>	<u>19,638,282</u>

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

	Note	2015	2014
Net book amount	5	56,498	69,923
Loss on disposals of property, plant and equipment		(56,498)	(69,923)
		<u>-</u>	<u>-</u>
Proceeds from disposals of property, plant and equipment		<u>-</u>	<u>-</u>

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NOTES TO THE FINANCIAL STATEMENTS

28 Commitments

(a) Capital commitments

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

	2015	2014
Property, plant and equipment	<u>119,500</u>	<u>147,700</u>

(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:

	2015	2014
No later than one year	<u>9,192,305</u>	<u>8,055,348</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:

	2015	2014
No later than one year	<u>-</u>	<u>362,400</u>

29 Key management compensation

	2015	2014
Salaries and other short-term employee benefits	<u>535,776</u>	<u>483,783</u>

30 Funding to Marine Fish Scholarship Fund

During the year, the Organization provides \$3,000,000 (2014: Nil) to Marine Fish Scholarship Fund to support its operations.