

FISH MARKETING ORGANIZATION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2017

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

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

Opinion

What we have audited

The financial statements of Fish Marketing Organization (the “Organization”) set out on pages 4 to 39, which comprise:

- the balance sheet as at 31 March 2017;
- the statement of comprehensive income for the year ended;
- the statement of changes in funds for the year ended;
- the statement of cash flows for the year then ended;
- notes to the financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Organization as at 31 March 2017, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKAs”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report.

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

Independence

We are independent of the Organization in accordance with the HKICPA’s Code of Ethics for Professional Accountants (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Responsibilities of the Fish Marketing Organization 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 HKICPA, 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.

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

**Responsibilities of the Fish Marketing Organization for the Financial Statements
(Continued)**

In preparing the financial statements, the Fish Marketing Organization is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Fish Marketing Organization either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

The Fish Marketing Organization is responsible for overseeing the Organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Fish Marketing Organization.

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

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- Conclude on the appropriateness of the Fish Marketing Organization's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Fish Marketing Organization regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 13 September 2017

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

BALANCE SHEET

	Note	<u>As at 31 March</u>	
		2017	2016
ASSETS			
Non-current assets			
Property, plant and equipment	5	22,041,409	25,426,724
Fish Marketing Organization ("FMO")			
Loans	7(a)	839,384	1,311,619
Assets under defined benefit plan	17(a)	1,790,000	631,000
		<hr/> 24,670,793	<hr/> 27,369,343
Current assets			
Inventories	8	534,406	772,691
FMO Loans	7(a)	28,587,084	27,880,697
Co-operative for American Relief Everywhere ("CARE") Loans	14(a)	-	43,026
Receivables from co-operative societies and fishermen		51,848	397,681
Trade and other receivables	9	6,538,602	7,448,063
Bank deposits with original maturities over three months	10	120,764,916	142,024,446
Cash and cash equivalents	11	95,844,200	57,322,874
		<hr/> 252,321,056	<hr/> 235,889,478
Total assets		<hr/> 276,991,849	<hr/> 263,258,821
FUNDS			
FMO General Fund			
Accumulated surplus	12	148,970,251	135,379,769
Specific funds			
FMO Loan Fund	7(a)	86,777,553	85,882,859
Funds provided from external sources for capital expenditure	13	1,778,641	1,778,641
CARE Loan Fund	14(a)	165,814	163,009
Total funds		<hr/> 237,692,259	<hr/> 223,204,278

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

BALANCE SHEET (CONTINUED)

		As at 31 March	
	Note	2017	2016
LIABILITIES			
Non-current liabilities			
Non-current deposits from licensees of market premises	15	10,762,294	9,519,040
Long service payment obligations	17	3,875,722	6,182,472
		<hr/>	<hr/>
		14,638,016	15,701,512
		<hr/>	<hr/>
Current liabilities			
Trade and other payables	15	10,400,766	10,929,479
Amounts due to Government Loan Fund	16	9,480,304	9,858,416
Long service payment obligations	17	392,612	676,891
Fish buyers' deposits		723,871	611,046
Savings held on behalf of co-operative societies and fishermen	18	3,664,021	2,277,199
		<hr/>	<hr/>
		24,661,574	24,353,031
		<hr/>	<hr/>
Total liabilities		39,299,590	40,054,543
		<hr/>	<hr/>
Total funds and liabilities		276,991,849	263,258,821
		<hr/>	<hr/>

The notes on pages 10 to 39 are an integral part of these financial statements.

The financial statements on pages 4 to 39 were approved by Fish Marketing Organization on 13 September 2017.

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	2017	2016
INCOME			
Operating income			
Commission		21,265,949	21,177,971
Net income from sales of marine fish/produce	19	4,191,225	3,930,096
Licence fee income		40,786,793	37,253,659
Cold storage income		108,780	110,660
Berthing income		915,895	953,120
Net income from sales of sea water	20	162,842	196,876
Other operating income		1,047,327	824,861
		<hr/>	<hr/>
		68,478,811	64,447,243
		<hr/>	<hr/>
Non-trading income			
Interest income on bank deposits		1,010,058	810,192
Other income		4,327	2,580
		<hr/>	<hr/>
		1,014,385	812,772
		<hr/>	<hr/>
Total income		69,493,196	65,260,015
		<hr/>	<hr/>
EXPENDITURE			
Operating expenditure			
Employee benefit expenditure	21	(34,654,838)	(33,277,549)
		<hr/>	<hr/>
General working expenses			
Rent, rates and permit fees		(2,253,399)	(2,173,176)
Printing and stationery		(428,502)	(422,060)
Utility services		(3,118,465)	(3,024,940)
Maintenance and minor improvements		(1,865,155)	(2,243,046)
Stores and equipment		(719,851)	(669,021)
Miscellaneous expenses		(1,097,454)	(743,856)
Staff welfare		(239,953)	(249,962)
Staff training		(98,080)	(99,775)
Travelling expenses		(102,959)	(99,983)
Protective clothing and uniforms		(5,760)	(9,405)
Insurance		(914,018)	(736,805)
Auditor's remuneration		(436,400)	(369,400)
Security services		(1,366,269)	(1,336,693)
Commission expenses		(27)	(98)
Bank charges		(19,874)	(16,431)
Handling fees		-	(5,191)
		<hr/>	<hr/>
Balance carried forward		(12,666,166)	(12,199,842)
		<hr/>	<hr/>

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

STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

	Note	Year ended 31 March	
		2017	2016
Operating expenditure (Continued)			
General working expenses (Continued)			
Balance brought forward		(12,666,166)	(12,199,842)
Depreciation	5	(5,507,503)	(5,459,544)
Transportation expenses		(1,923,200)	(1,889,214)
Liaison and ancillary services		(20,000)	(20,000)
Publicity and sales promotion	22	(2,891,473)	(2,997,164)
Legal and professional fees		-	(25,000)
Cleaning charges		(596,540)	(386,448)
Subsidy for lorry parking		(502,350)	(509,922)
General working expenses		(24,107,232)	(23,487,134)
Total operating expenditure		<u>(58,762,070)</u>	<u>(56,764,683)</u>
Other expenditure			
Loss on disposals of property, plant and equipment	26(b)	(90,770)	(66,394)
Environment improvement services		(774,167)	-
		(864,937)	(66,394)
Total expenditure		<u>(59,627,007)</u>	<u>(56,831,077)</u>
Operating surplus for the year			
Net surplus from FMO Loan Fund	24	894,694	179,949
Net surplus/(deficit) from CARE Loan Fund	25	2,805	(1,790)
Surplus for the year		<u>10,763,688</u>	<u>8,607,097</u>
Other comprehensive income for the year			
<u>Items that will not be reclassified subsequently to surplus or deficit</u>			
Remeasurements for defined benefit plan	17	1,063,000	(1,535,000)
Remeasurements for long service payment obligations	17	2,661,293	(209,436)
Total comprehensive income for the year		<u>14,487,981</u>	<u>6,862,661</u>

The notes on pages 10 to 39 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	Total funds	
		2017	2016
At 1 April		223,204,278	216,341,617
Surplus for the year		10,763,688	8,607,097
Other comprehensive income/(loss)			
- Remeasurements for - defined benefit plan	17	1,063,000	(1,535,000)
- long service payment obligations	17	2,661,293	(209,436)
Total comprehensive income		14,487,981	6,862,661
At 31 March		237,692,259	223,204,278

The notes on pages 10 to 39 are an integral part of these financial statements.

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

STATEMENT OF CASH FLOWS

	Note	Year ended 31 March	
		2017	2016
Cash flows from operating activities			
Cash generated from operations	26(a)	18,355,772	19,097,108
Interest received on FMO loans		644,033	520,567
CARE Loan interest received		831	184
Net cash generated from operating activities		19,000,636	19,617,859
Cash flows from investing activities			
Purchases of property, plant and equipment	5	(2,212,958)	(2,869,880)
Proceeds from disposals of property, plant and equipment	26(b)	-	17,800
Net uplift of bank deposits with original maturities over three months		21,259,530	12,950,699
Bank interest received		1,261,157	1,113,626
Net cash generated from investing activities		20,307,729	11,212,245
Cash flows from financing activities			
New drawdown from Government Loan Fund	16	40,000,000	50,000,000
Repayments to Government Loan Fund		(40,452,500)	(52,035,000)
Interest paid on Government Loan Fund		(334,539)	(354,943)
Net cash used in financing activities		(787,039)	(2,389,943)
Net increase in cash and cash equivalents			
Cash and cash equivalents at beginning of the year		38,521,326	28,440,161
Cash and cash equivalents at end of the year	11	95,844,200	57,322,874

The notes on pages 10 to 39 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.

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”), which collective term includes all applicable individual HKFRS, Hong Kong Accounting Standards (“HKAS”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants and accounting principles generally accepted in Hong Kong. The financial statements have been prepared 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 financial year commencing on 1 April 2016

The following Amendments have been adopted by the Organization for the first time for the financial year commencing on 1 April 2016:

- Clarification of acceptable methods of depreciation and amortisation - Amendments to HKAS 16;
- Annual improvements to HKFRSs 2012 – 2014 cycle; and
- Disclosure initiative – Amendments to HKAS 1.

The adoption of these Amendments did not have any impact on the current year or any prior year and is not likely to affect future years.

(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 beginning on or after 1 April 2017. The following Amendments are relevant and application to the Organization; however, they have not been early adopted in these financial statements:

		Effective for the Organization’s financial period commencing on
Amendments to HKAS 7	Statement of cash flows	1 April 2017
HKFRS 9	Financial instruments	1 April 2018
HKFRS 15	Revenue from contracts with customers	1 April 2018
HKFRS 16	Leases	1 April 2019

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

2.2 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

FISH MARKETING ORGANIZATION

(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.3 Property, plant and equipment

Land and buildings comprise mainly offices and market buildings. Leasehold land classified as finance lease and all other property, plant and equipment 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 recognised 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 derecognised. 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 amortisation from the time when the land interest becomes available for its intended use. Amortisation 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 recognised in the statement of comprehensive income.

2.4 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised 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 of disposal 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.

FISH MARKETING ORGANIZATION

(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.5 Inventories

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

2.6 Financial assets

The Organization's financial assets comprise mainly loans and receivables. The classification of financial assets 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, CARE Loans and trade and other receivables

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, CARE Loans and trade and other receivables are initially recognised at fair value and subsequently carried at amortised 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 recognised 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.

2.9 Impairment of financial assets carried at amortised 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 reorganisation, 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.

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 amortised cost (Continued)**

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 recognised 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 recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised 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 recognised initially at fair value, net of transaction costs incurred. Government loans are subsequently stated at amortised cost; any difference, if any, between the proceeds (net of transaction costs) and the redemption value is recognised 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 recognised in the statement of comprehensive income in the period in which they are incurred.

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 recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

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

(a) Employee leave entitlements

Employee entitlements to annual leave are recognised 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 recognised 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 recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Defined benefit plan

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

The asset recognised 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 obligation.

The current service cost of the defined benefit plan, recognised 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.

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)

Defined benefit plan (Continued)

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.

Remeasurement 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) Long service payment obligations

The Organization recognises long service payment obligations liable to its employees in accordance with the Hong Kong 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 obligations are 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 other retirement plans.

The expected costs of these obligations are accrued over the period of employment using the same accounting methodology as used for defined benefit plan. Remeasurements arising from experience adjustments and changes in assumptions are charged or credited directly to other comprehensive income in the period in which they arise. These obligations are valued annually by an independent qualified actuary.

2.14 Provisions

Provisions are recognised 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 recognised 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 recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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 recognised as follows:

- (a) Commission income is recognised 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 recognised 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.

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 (Continued)

- (d) Cold storage income is recognised based on the weight and period of fish stored on an accruals basis.
- (e) Berthing income is recognised when the services are rendered.
- (f) Interest income on bank deposits, FMO Loans and CARE Loan is recognised on a time proportion basis using the effective interest method.
- (g) Other operating income mainly represents loading income which is recognised upon loading of fisheries products in the markets.
- (h) Other income is recognised 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 recognised over the lease term 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 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 dealt with as a single line item in the statement of comprehensive income and the details are disclosed in notes 24 and 25. Any net surplus or deficit relating to these Funds is transferred from the FMO General Fund to the respective Funds.

3 Financial and fund risks management

3.1 Financial risk factors

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

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)

(a) Foreign exchange risk

Foreign exchange risk arises where future commercial transactions and recognised 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, receivable from co-operative societies and fishermen, 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 receivable from co-operative societies and fishermen, the Organization closely monitors the balances and they have no past history of default.

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 minimise credit risk resulting from counterparties default. The Organization will also make specific provision for those balances which cannot be recovered. The Organization does not hold any 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, its overall credit risk is considered to be low.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient bank deposits and bank balances. Cash flows are prepared daily and closely monitored by the Organization to ensure that it has sufficient cash to meet operational needs. In the opinion of the Organization, 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.

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 2017 and 2016, the maturity analysis of the financial liabilities is as follows:

	2017	2016
Less than one year		
Trade and other payables	8,892,074	9,406,157
Fish buyers' deposits	723,871	611,046
Savings held on behalf of co-operative societies and fishermen	3,664,021	2,277,199
Amounts due to Government Loan Fund (note 16)	9,547,500	10,000,000
Interest payable on amounts due to Government Loan Fund over the loan period	132,599	156,526
	<hr/>	<hr/>
	22,960,065	22,450,928
	<hr/>	<hr/>
More than one year		
Non-current deposits from licensees of market premises (note 15)	10,762,294	9,519,040
	<hr/>	<hr/>
Total	33,722,359	31,969,968
	<hr/>	<hr/>

(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 2017, if interest rates on the bank deposits, FMO Loans and amounts due to Government Loan Fund had been 25 basis points (2016: 11 basis points) higher/lower with all other variables held constant, surplus for the year would have been approximately \$567,000 (2016: approximately \$227,000) 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.

Defined benefit plan and long service payment obligations

The present values of the defined benefit and long service payment obligations depend 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 and long service payment obligations include the discount rate. Any changes in these assumptions will impact the carrying amount of defined benefit and long service payment obligations.

The actuary, Milliman 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 and long service payment obligations. 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 and long service payment obligations.

Other key assumptions for defined benefit and long service payment obligations are based in part on current market conditions. Additional information is disclosed in note 17.

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 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>
Year ended					
31 March 2016					
Opening net book amount	5,552,927	17,191,937	5,244,102	111,616	28,100,582
Additions	-	1,499,100	1,370,780	-	2,869,880
Disposals (note 26(b))	-	-	(84,194)	-	(84,194)
- Cost	-	-	(559,538)	-	(559,538)
- Accumulated depreciation	-	-	475,344	-	475,344
Depreciation	(176,558)	(3,937,016)	(1,290,162)	(55,808)	(5,459,544)
Closing net book amount	<u>5,376,369</u>	<u>14,754,021</u>	<u>5,240,526</u>	<u>55,808</u>	<u>25,426,724</u>
At 31 March 2016					
Cost	35,037,605	51,035,892	15,909,739	876,758	102,859,994
Accumulated depreciation	(29,661,236)	(36,281,871)	(10,669,213)	(820,950)	(77,433,270)
Net book amount	<u>5,376,369</u>	<u>14,754,021</u>	<u>5,240,526</u>	<u>55,808</u>	<u>25,426,724</u>
Year ended 31 March 2017					
Opening net book amount	5,376,369	14,754,021	5,240,526	55,808	25,426,724
Additions	-	1,493,000	719,958	-	2,212,958
Disposals (note 26(b))	-	-	(90,770)	-	(90,770)
- Cost	-	-	(711,467)	-	(711,467)
- Accumulated depreciation	-	-	620,697	-	620,697
Depreciation	(176,558)	(3,993,009)	(1,282,128)	(55,808)	(5,507,503)
Closing net book amount	<u>5,199,811</u>	<u>12,254,012</u>	<u>4,587,586</u>	<u>-</u>	<u>22,041,409</u>
At 31 March 2017					
Cost	35,037,605	52,528,892	15,918,230	876,758	104,361,485
Accumulated depreciation	(29,837,794)	(40,274,880)	(11,330,644)	(876,758)	(82,320,076)
Net book amount	<u>5,199,811</u>	<u>12,254,012</u>	<u>4,587,586</u>	<u>-</u>	<u>22,041,409</u>

FISH MARKETING ORGANIZATION

(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS**5 Property, plant and equipment (Continued)**

Depreciation expense of \$5,507,503 (2016: \$5,459,544) has been charged in general working expenses.

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

6 Financial instruments by category

The Organization's financial instruments include the following:

	Note	2017	2016
Financial assets - loans and receivables			
FMO Loans – net	7(a)	29,426,468	29,192,316
CARE Loans	14(a)	-	43,026
Receivables from co-operative societies and fishermen		51,848	397,681
Trade and other receivables	9	5,644,159	6,182,436
Bank deposits with original maturities over three months	10	120,764,916	142,024,446
Cash and cash equivalents	11	95,844,200	57,322,874
		<u>251,731,591</u>	<u>235,162,779</u>
Financial liabilities - other financial liabilities at amortised cost			
Trade and other payables	15	19,654,368	18,925,197
Amounts due to Government Loan Fund	16	9,480,304	9,858,416
Fish buyers' deposits		723,871	611,046
Savings held on behalf of co-operative societies and fishermen	18	3,664,021	2,277,199
		<u>33,522,564</u>	<u>31,671,858</u>

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

NOTES TO THE FINANCIAL STATEMENTS

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 4 and 5:

	Note	2017	2016
ASSETS			
Non-current assets			
FMO Loans			
- Loans to fishermen		28,901,355	29,173,898
- Interest receivable		883,240	1,052,813
		-----	-----
Less: Provision for impairment of FMO Loans	(b)	29,784,595 (35,974)	30,226,711 (383,216)
		-----	-----
		29,748,621	29,843,495
		-----	-----
Less: Accumulated amortisation at 1 April		(651,179)	(440,998)
Amortisation of premium/(discount) on			
FMO Loans	24	329,026	(210,181)
		-----	-----
Accumulated amortisation at 31 March		(322,153)	(651,179)
		-----	-----
FMO Loans - net		29,426,468	29,192,316
Less: Current portion		(28,587,084)	(27,880,697)
		-----	-----
Non-current portion		839,384	1,311,619
		-----	-----
Current assets			
Current portion of FMO Loans		28,587,084	27,880,697
Interest receivable on bank deposits		46,059	16,494
Bank deposits with original maturities over three			
months	10	50,171,154	14,571,553
Cash and cash equivalents	11	16,614,176	51,960,912
		-----	-----
		95,418,473	94,429,656
		-----	-----
Total assets		96,257,857	95,741,275
		-----	-----
FUNDS			
Capital account transferred from FMO General			
Fund		57,000,000	57,000,000
		-----	-----
Accumulated surplus at 1 April		28,882,859	28,702,910
Net surplus for the year transferred from FMO			
General Fund	12&24	894,694	179,949
		-----	-----
Accumulated surplus at 31 March		29,777,553	28,882,859
		-----	-----
Total funds		86,777,553	85,882,859
		-----	-----

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	2017	2016
LIABILITIES			
Current and total liabilities			
Amounts due to Government Loan Fund	16	9,480,304	9,858,416
		=====	=====
Total funds and liabilities		96,257,857	95,741,275
		=====	=====

(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% (2016: 1% to 3%) per annum and are repayable over a period up to six years (2016: up to seven years). As at 31 March 2017, the weighted average effective interest rate of the FMO Loans is 1.24% (2016: 1.93%) 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 2017, FMO Loans of \$35,974 (2016: \$383,216) 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:

		2017	2016
<u>Past due by:</u>			
Current		35,974	-
Over 90 days		-	383,216
		=====	=====

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	2017	2016
At 1 April		383,216	167,365
(Reversal of provision for)/provision for impairment of receivables	24	(170,258)	215,851
Provision written off as uncollectible		(140,893)	-
Reversal of over-provision for impairment of receivables		(36,091)	-
At 31 March		35,974	383,216
		=====	=====

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 2017 and 2016 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	2017	2016
Marine fish/produce	19	280,184	290,743
Plastic containers		18,504	15,127
Printing forms		198,135	242,003
Neckties		3,864	3,864
Plastic rollers		7,454	7,454
Sea water	20	12,306	12,382
Fish tag		213	43,569
Fish feed		-	143,424
Souvenir		13,746	14,125
		<u>534,406</u>	<u>772,691</u>

Cost of inventories recognised as expenditures amounted to \$17,189,781 (2016: \$17,919,831).

9 Trade and other receivables

	2017	2016
Trade receivables	3,030,108	3,324,452
Interest receivables	229,882	207,878
Other receivables	1,222,529	1,400,466
Utility deposits	1,161,640	1,249,640
	<u>5,644,159</u>	<u>6,182,436</u>
Financial assets		
Prepayments	894,443	1,265,627
	<u>6,538,602</u>	<u>7,448,063</u>

As of 31 March 2017, trade receivables of \$439,305 (2016: \$930,920) 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:

	2017	2016
<u>Past due by:</u>		
Up to 30 days	349,323	855,045
31 to 60 days	66,097	55,690
61 to 90 days	13,175	20,132
Over 90 days	10,710	53
	<u>439,305</u>	<u>930,920</u>

FISH MARKETING ORGANIZATION

(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS**9 Trade and other receivables (Continued)**

The 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 2017 and 2016 and are denominated in Hong Kong dollars.

10 Bank deposits with original maturities over three months

	Note	2017	2016
FMO General Fund		70,593,762	127,452,893
FMO Loan Fund	7(a)	50,171,154	14,571,553
Maximum exposure to credit risk		120,764,916	142,024,446
		<hr/> <hr/>	<hr/> <hr/>

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

11 Cash and cash equivalents

	Note	2017	2016
FMO General Fund			
Cash at banks and in hand		5,141,962	5,241,979
Bank deposits with original maturities of three months or less		73,922,248	-
		<hr/>	<hr/>
		79,064,210	5,241,979
		<hr/>	<hr/>
FMO Loan Fund			
Cash at banks and in hand		4,205,312	6,881,297
Bank deposits with original maturities of three months or less		12,408,864	45,079,615
	7(a)	<hr/>	<hr/>
		16,614,176	51,960,912
		<hr/>	<hr/>
CARE Loan Fund			
Cash at banks	14(a)	165,814	119,983
		<hr/>	<hr/>
Total		95,844,200	57,322,874
		<hr/>	<hr/>
Maximum exposure to credit risk		95,642,993	56,776,444
		<hr/>	<hr/>

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

FISH MARKETING ORGANIZATION

(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS**12 FMO General Fund – Accumulated Surplus**

	Note	2017	2016
At 1 April		135,379,769	128,695,267
Surplus for the year		10,763,688	8,607,097
Surplus/(loss) from remeasurements for			
- Defined benefit plan	17	1,063,000	(1,535,000)
- Long service payment obligations	17	2,661,293	(209,436)
Net surplus transferred to FMO Loan Fund	7(a)	(894,694)	(179,949)
Net deficit transferred to CARE Loan Fund	14(a)	(2,805)	1,790
At 31 March		<u>148,970,251</u>	<u>135,379,769</u>

13 Funds provided from external sources for capital expenditure

		2017	2016
C.D. & W. Grant for Cheung Sha Wan Market		1,147,192	1,147,192
C.D. & W. Scheme Surplus for loans to fishermen		66,449	66,449
Compensation for relinquishing seven buildings at Aberdeen Fish Market on ground resumed by Government		565,000	565,000
		<u>1,778,641</u>	<u>1,778,641</u>

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

NOTES TO THE FINANCIAL STATEMENTS

14 CARE Loan Fund

(a) Balance sheet

The CARE Loan Fund is represented by the following assets and liabilities which have been included in the assets of the Organization in the balance sheet on pages 4 and 5:

	Note	2017	2016
ASSETS			
Non-current assets			
CARE Loan:			
- Loan issued to fishermen		-	45,000
- Interest receivable		-	177
		-----	-----
		-	45,177
Less: Accumulated amortisation at 1 April		(2,151)	-
Amortisation of premium/(discount)	25	2,151	(2,151)
		-----	-----
Accumulated amortisation at 31 March		-	(2,151)
		-----	-----
CARE Loan – net		-	43,026
Less: current portion		-	(43,026)
		-----	-----
Non-current portion		-	-
		-----	-----
Current assets			
Current portion of CARE Loan		-	43,026
Cash and cash equivalents	11	165,814	119,983
		-----	-----
Total assets		165,814	163,009
		=====	=====
FUNDS			
Accumulated surplus at 1 April		163,009	164,799
Net surplus/(deficit) for the year	12&25	2,805	(1,790)
		-----	-----
Accumulated surplus at 31 March		165,814	163,009
		-----	-----
LIABILITIES			
Current and total liabilities		-	-
		-----	-----
Total funds and liabilities		165,814	163,009
		=====	=====

(b) CARE Loans

The CARE Loan Fund is represented by the designated cash and cash equivalents as stated in note 11. 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.

As at 31 March 2017, there is no CARE Loan. As at 31 March 2016, the CARE Loan borne interest at 2.83% per annum and was repayable within one year. The effective interest rate of the CARE Loans was 2.83% per annum.

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

NOTES TO THE FINANCIAL STATEMENTS

15 Trade and other payables

	2017	2016
Trade payables	636,237	635,164
Other payables	3,427,418	3,735,564
Deposits from licensees of market premises	14,856,784	13,909,751
Utility and other deposits	733,929	644,718
	<hr/>	<hr/>
Financial liabilities	19,654,368	18,925,197
Receipts in advance	130,685	110,930
Provision for unused annual leave (note (a))	1,378,007	1,412,392
	<hr/>	<hr/>
Less: Non-current deposits from licensees of market premises	21,163,060	20,448,519
	(10,762,294)	(9,519,040)
	<hr/>	<hr/>
	10,400,766	10,929,479
	<hr/>	<hr/>

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

	Note	2017	2016
At 1 April		1,412,392	1,334,987
Charged to the statement of comprehensive income			
Provision for the year	21	103,046	158,612
Utilised during the year		(137,431)	(81,207)
		<hr/>	<hr/>
At 31 March		1,378,007	1,412,392
		<hr/>	<hr/>

(b) The carrying values of trade and other payables approximate their fair values at 31 March 2017 and 2016 and are denominated in Hong Kong dollars.

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 from fishermen affected by the Fishing Moratorium.

FISH MARKETING ORGANIZATION

(All amounts in Hong Kong dollars unless otherwise stated)

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

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

	Note	2017	2016
Amount due to Government Loan Fund (2008)		-	120,000
Amount due to Government Loan Fund (2015)		-	9,880,000
Amount due to Government Loan Fund (2016)		9,547,500	-
		<hr/>	<hr/>
		9,547,500	10,000,000
		<hr/>	<hr/>
Interest payable to Government Loan Fund (2008)		-	17,771
Interest payable to Government Loan Fund (2015)		-	10,555
Interest payable to Government Loan Fund (2016)		10,200	-
		<hr/>	<hr/>
		10,200	28,326
		<hr/>	<hr/>
		9,557,700	10,028,326
		<hr/>	<hr/>
Less: Accumulated amortisation at 1 April		(169,910)	(193,219)
Amortisation of premium on amounts due to Government Loan Fund	24	92,514	23,309
		<hr/>	<hr/>
Accumulated amortisation at 31 March		(77,396)	(169,910)
		<hr/>	<hr/>
Total	7(a)	9,480,304	9,858,416
		<hr/>	<hr/>

The amounts due to Government Loan Fund are unsecured and interest-bearing at rates set by the Government periodically. At 31 March 2017, the prevailing interest rate of the amounts due is 1.282% (2016: 1.282%) 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 the amounts due to Government Loan Fund approximate their fair values at 31 March 2017 and 2016 and are denominated in Hong Kong dollars.

FISH MARKETING ORGANIZATION

(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

17 Retirement benefit obligations

	Note	2017	2016
Balance sheet assets for:			
- Defined benefit plan	(a)	1,790,000	631,000
Balance sheet obligations for:			
- Long service payment obligations		(3,875,722)	(6,182,472)
- Non-current portion		(392,612)	(676,891)
- Current portion			
	(b)	(4,268,334)	(6,859,363)
Statement of comprehensive income charged for:			
- Defined benefit plan	21	97,000	40,000
- Long service payment obligations	21	608,260	636,540
		705,260	676,540
Remeasurements for:			
- Defined benefit plan	(a)	(1,063,000)	1,535,000
- Long service payment obligations	(b)	(2,661,293)	209,436
		(3,724,293)	1,744,436

(a) Defined benefit plan

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 2017 and 2016 carried out by Milliman Limited (2016: Mercer (Hong Kong) Limited), who holds a recognised professional qualification.

The amounts recognised in the balance sheet are determined as follows:

	2017	2016
Present value of the funded obligations	(10,814,000)	(10,475,000)
Fair value of plan assets	12,604,000	11,106,000
Assets in the balance sheet	1,790,000	631,000

FISH MARKETING ORGANIZATION

(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

17 Retirement benefit obligations (Continued)

(a) Defined benefit plan (Continued)

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 2015	(12,966,000)	14,966,000	2,000,000
Current service costs	(47,000)	-	(47,000)
Interest (expense)/income	(73,000)	88,000	15,000
	<hr/>	<hr/>	<hr/>
	(13,086,000)	15,054,000	1,968,000
	<hr/>	<hr/>	<hr/>
Remeasurements:			
- Return on plan assets (excluding interest income)	-	(1,191,000)	(1,191,000)
- Surplus from change in financial assumption changes	107,000	-	107,000
- Experience losses	(451,000)	-	(451,000)
	<hr/>	<hr/>	<hr/>
	(344,000)	(1,191,000)	(1,535,000)
	<hr/>	<hr/>	<hr/>
Plan participants contributions	(114,000)	114,000	-
Employer contributions	-	206,000	206,000
Benefit payments	3,069,000	(3,069,000)	-
Administrative cost	-	(8,000)	(8,000)
	<hr/>	<hr/>	<hr/>
	2,955,000	(2,757,000)	198,000
	<hr/>	<hr/>	<hr/>
At 31 March 2016	(10,475,000)	11,106,000	631,000
	<hr/>	<hr/>	<hr/>
At 1 April 2016	(10,475,000)	11,106,000	631,000
Current service costs	(94,000)	-	(94,000)
Interest (expense)/income	(53,000)	57,000	4,000
	<hr/>	<hr/>	<hr/>
	(10,622,000)	11,163,000	541,000
	<hr/>	<hr/>	<hr/>
Remeasurements:			
- Return on plan assets (excluding interest income)	-	1,366,000	1,366,000
- Surplus from change in financial assumption changes	13,000	-	13,000
- Experience losses	(316,000)	-	(316,000)
	<hr/>	<hr/>	<hr/>
	(303,000)	1,366,000	1,063,000
	<hr/>	<hr/>	<hr/>
Plan participants contributions	(107,000)	107,000	-
Employer contributions	-	193,000	193,000
Benefit payments	218,000	(218,000)	-
Administrative cost	-	(7,000)	(7,000)
	<hr/>	<hr/>	<hr/>
	111,000	75,000	186,000
	<hr/>	<hr/>	<hr/>
At 31 March 2017	(10,814,000)	12,604,000	1,790,000
	<hr/>	<hr/>	<hr/>

FISH MARKETING ORGANIZATION

(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS**17 Retirement benefit obligations (Continued)**

(a) Defined benefit plan (Continued)

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

	2017 %	2016 %
Equities	67	69
Bonds	28	23
Money instruments	5	8
	<hr/> 100	<hr/> 100
	<hr/> <hr/>	<hr/> <hr/>

(b) Long service payment obligations

The long service payments as prescribed under the Hong Kong Employment Ordinance are payable to employees, upon the termination of their employment, subject to completion of five years of continuous service and meeting certain qualifying conditions. The benefit is based on final wages and years of service at the time the employment is terminated.

The Organization has statutory obligation to pay such long service payments, which may be reduced by the employee's entitlements to retirement benefits under the Organization's other retirement plans registered under the Occupational Retirement Schemes Ordinance or MPF scheme, where appropriate.

The movements in liabilities recognised in the balance sheet over the year are as follows:

	Present value of long service payment obligations
At 1 April 2015	6,688,755
Current service costs	532,281
Interest expense	104,259
	<hr/> 7,325,295
Remeasurements:	<hr/>
- Surplus from change in financial assumption changes	(919,350)
- Experience losses	1,128,786
	<hr/> 209,436
Benefit payments	(675,368)
	<hr/> <hr/> 6,859,363

FISH MARKETING ORGANIZATION

(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

17 Retirement benefit obligations (Continued)

(b) Long service payment obligations (Continued)

	Present value of long service payment obligations
At 1 April 2016	6,859,363
Current service costs	495,217
Interest expense	113,043
	<hr/>
	7,467,623
	<hr/>
Remeasurements:	
- Loss from change in financial assumption changes	38,386
- Experience gains	(2,699,679)
	<hr/>
	(2,661,293)
	<hr/>
Benefit payments	(537,996)
	<hr/>
At 31 March 2017	4,268,334
	<hr/>

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

	<u>Defined benefit obligation</u>		<u>Long service payment obligations</u>	
	2017 %	2016 %	2017 %	2016 %
Discount rate	0.7	0.6	1.6	1.7
Expected rate of future salary increases	3.5	3.5	3.5	3.5

(d) The sensitivity of the defined benefit and long service payment obligations to changes in the weighted principal assumptions is:

	<u>Impact on defined benefit obligation</u>			<u>Impact on long service payment obligations</u>	
	Change in assumption	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.5%	Decrease by 0.6%	Increase by 0.6%	Decrease by 10.9%	Increase by 12.6%
Salary growth rate	0.5%	Increase by 0.6%	Decrease by 0.6%	Increase by 5.3%	Decrease by 5.1%

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 and long service payment obligations to significant actuarial assumptions, the same method (present value of the defined benefit and long service payment obligations calculated using the projected unit credit method at the balance sheet date) has been applied as when calculating the liability recognised within the balance sheet.

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

NOTES TO THE FINANCIAL STATEMENTS

17 Retirement benefit obligations (Continued)

(e) The expected contributions by the Organization and by the employees for the year ending 31 March 2018:

	<u>Defined benefit obligation</u>	<u>Long service payment obligations</u>
Expected contributions by:		
- Organization	193,000	-
- Employees	107,000	-

(f) The weighted average duration of the defined benefit obligation and long service payment obligations is around 1.9 years and 10.4 years, respectively.

(g) The expected maturity analysis of undiscounted benefit payments over the next 10 years is as follows:

	<u>Defined benefit obligation</u>	<u>Long service payment obligations</u>	
	2017	2016	2017
Less than 1 year	5,037,000	3,403,000	273,000
Between 1 and 2 years	2,530,000	1,618,000	442,000
Between 2 and 5 years	2,692,000	2,736,000	1,256,000
Next 5 years	1,029,000	3,408,000	1,589,000
	<u>11,288,000</u>	<u>11,165,000</u>	<u>3,560,000</u>
	<u>=====</u>	<u>=====</u>	<u>=====</u>
			4,130,000

18 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.

19 Net income from sales of marine fish/produce

	Note	2017	2016
Gross sales			
Sales of marine fish/produce		19,562,103	20,083,571
Cost of inventories sold			
Opening inventories		290,743	320,956
Purchases		15,360,319	16,123,262
Closing inventories	8	(280,184)	(290,743)
		<u>15,370,878</u>	<u>16,153,475</u>
Net income for the year			
		<u>4,191,225</u>	<u>3,930,096</u>

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

NOTES TO THE FINANCIAL STATEMENTS

20 Net income from sales of sea water

	Note	2017	2016
Sales of sea water		1,531,883	1,611,570
Cost of inventories sold		-----	-----
Opening inventories		12,382	7,784
Purchases		1,368,965	1,419,292
Closing inventories	8	(12,306)	(12,382)
		1,369,041	1,414,694
Net income for the year		<u>162,842</u>	<u>196,876</u>
		<u><u>162,842</u></u>	<u><u>196,876</u></u>

21 Employee benefit expenditure

	Note	2017	2016
Salaries and wages		32,237,958	30,882,979
Provision for unused annual leave	15(a)	103,046	158,612
Retirement benefit costs			
- Defined contribution plan and MPF scheme		1,608,574	1,559,418
- Defined benefit plan	17	97,000	40,000
- Long service payment obligations	17	608,260	636,540
		<u>34,654,838</u>	<u>33,277,549</u>
		<u><u>34,654,838</u></u>	<u><u>33,277,549</u></u>

22 Publicity and sales promotion

	2017	2016
Share of expenses for a promotion event co-organised by the Organization and the Vegetable Marketing Organization		
Others	1,908,176	1,804,890
	983,297	1,192,274
	<u>2,891,473</u>	<u>2,997,164</u>
	<u><u>2,891,473</u></u>	<u><u>2,997,164</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.

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

NOTES TO THE FINANCIAL STATEMENTS

24 Net surplus from FMO Loan Fund

	Note	2017	2016
Income			
Interest on FMO Loans		531,444	734,378
Interest on bank deposits		273,103	248,594
Amortisation of premium on FMO Loans	7(a)	329,026	-
Reversal of provision for impairment of FMO Loans	7(b)	170,258	-
		<hr/>	<hr/>
		1,303,831	982,972
Expenditure			
Interest expense for amounts due to Government Loan Fund		(316,413)	(353,427)
Amortisation of discount on FMO Loans	7(a)	-	(210,181)
Amortisation of discount on amounts due to Government Loan Fund	16	(92,514)	(23,309)
Provision for impairment of FMO Loans	7(b)	-	(215,851)
Bank charges		(210)	(255)
		<hr/>	<hr/>
		(409,137)	(803,023)
Net surplus for the year	7(a)	<hr/> <hr/> <hr/> 894,694	<hr/> <hr/> <hr/> 179,949
		<hr/> <hr/> <hr/>	<hr/> <hr/> <hr/>

25 Net surplus/(deficit) from CARE Loan Fund

	Note	2017	2016
Income			
Interest on CARE Loan		654	361
Amortisation of premium on CARE Loan	14(a)	2,151	-
		<hr/>	<hr/>
		2,805	361
Expenditure			
Amortisation of discount on CARE Loan	14(a)	-	(2,151)
Net surplus/(deficit) for the year		<hr/> <hr/> <hr/> 2,805	<hr/> <hr/> <hr/> (1,790)
		<hr/> <hr/> <hr/>	<hr/> <hr/> <hr/>

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

NOTES TO THE FINANCIAL STATEMENTS

26 Notes to the statement of cash flows

(a) Net cash generated from operations

	2017	2016
Surplus for the year	10,763,688	8,607,097
Adjustments for:		
- Interest income on bank deposits	(1,283,161)	(1,058,786)
- Interest income on FMO Loans (note 24)	(531,444)	(734,378)
- Interest income on CARE Loans (note 25)	(654)	(361)
- Depreciation (note 5)	5,507,503	5,459,544
- (Reversal of provision for)/provision for impairment of FMO Loans (note 7(b))	(170,258)	215,851
- Loss on disposals of property, plant and equipment (see (b) below)	90,770	66,394
- Amortisation of (premium)/discount on FMO Loans (note 7(a))	(329,026)	210,181
- Amortisation of (premium)/discount on CARE Loans (note 14)	(2,151)	2,151
- Interest expense for amounts due to Government Loan Fund (note 24)	316,413	353,427
- Amortisation of discount on amounts due to Government Loan Fund (note 24)	92,514	23,309
- Provision for unused annual leave (note 21)	103,046	158,612
- Retirement benefit costs for defined benefit plan (note 17)	97,000	40,000
- Retirement benefit costs for long service payments (note 17)	608,260	636,540
	<hr/>	<hr/>
	15,262,500	13,979,581
	<hr/>	<hr/>
Changes in working capital:		
- FMO Loans	152,543	5,984,607
- CARE Loans	45,000	(45,000)
- Inventories	238,285	(24,717)
- Receivables from co-operative societies and fishermen	345,833	(394,675)
- Trade and other receivables	931,465	(621,685)
- Long service payment obligations	(537,996)	(675,368)
- Defined benefit plan	(193,000)	(206,000)
- Trade and other payables	611,495	481,157
- Fish buyers' deposits	112,825	38,860
- Savings held on behalf of co-operative societies and fishermen	1,386,822	580,348
	<hr/>	<hr/>
Net cash generated from operations	18,355,772	19,097,108
	<hr/>	<hr/>

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 (All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

26 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	2017	2016
Net book amount	5	90,770	84,194
Loss on disposals of property, plant and equipment		(90,770)	(66,394)
Proceeds from disposals of property, plant and equipment		<u>-</u>	<u>17,800</u>
		<u><u>-</u></u>	<u><u>-</u></u>

27 Commitments

(a) Capital commitments

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

	2017	2016
Property, plant and equipment	102,400	127,500
	<u><u>-</u></u>	<u><u>-</u></u>

(b) Operating lease commitments – 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:

	2017	2016
No later than one year	10,203,330	9,499,655
	<u><u>-</u></u>	<u><u>-</u></u>

28 Key management compensation

	2017	2016
Salaries and other employee benefits	536,081	578,699
	<u><u>-</u></u>	<u><u>-</u></u>