

FISH MARKETING ORGANIZATION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2019

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

(Fish Marketing Organization is established by the Marine Fish (Marketing) Ordinance, Chapter 291 and headed by the Director of Marketing)

Opinion

What we have audited

The financial statements of Fish Marketing Organization (the "Organization") set out on pages 4 to 41, which comprise:

- the balance sheet as at 31 March 2019;
- the statement of comprehensive income for the year then ended;
- the statement of changes in funds for the year then 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 2019, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") 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 Director of Marketing for the Financial Statements

The Marine Fish (Marketing) Ordinance, Chapter 291, requires the Organization to keep proper accounts. The Director of Marketing (the "Director") 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 the Director 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 THE DIRECTOR OF MARKETING (CONTINUED)**

(Fish Marketing Organization is established by the Marine Fish (Marketing) Ordinance, Chapter 291 and headed by the Director of Marketing)

**Responsibilities of the Director of Marketing for the Financial Statements
(Continued)**

In preparing the financial statements, the Director 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 Organization either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

The Director 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 HKSA's 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 HKSA's, 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 Director.

**INDEPENDENT AUDITOR'S REPORT
TO THE DIRECTOR OF MARKETING (CONTINUED)**

(Fish Marketing Organization is established by the Marine Fish (Marketing) Ordinance, Chapter 291 and headed by the Director of Marketing)

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

- Conclude on the appropriateness of the Director'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 Director 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, - 9 OCT 2019

FISH MARKETING ORGANIZATION

(All amounts in Hong Kong dollars unless otherwise stated)

BALANCE SHEET

		<u>As at 31 March</u>	
	Note	2019	2018
ASSETS			
Non-current assets			
Property, plant and equipment	5	16,175,094	18,938,958
FMO Loans	7(a)	448,465	535,411
Assets under defined benefit plan	17(a)	3,435,000	4,010,000
Total non-current assets		<u>20,058,559</u>	<u>23,484,369</u>
Current assets			
Inventories	8	862,613	711,545
FMO Loans	7(a)	93,221,217	42,797,270
Receivables from co-operative societies and fishermen		148,522	101,946
Trade and other receivables	9	8,289,444	6,874,781
Bank deposits with original maturities over three months	10	173,558,999	187,239,618
Cash and cash equivalents	11	19,662,589	35,441,267
Total current assets		<u>295,743,384</u>	<u>273,166,427</u>
Total assets		<u>315,801,943</u>	<u>296,650,796</u>
FUNDS			
FMO General Fund			
Accumulated surplus	12	174,055,063	162,061,177
Specific funds			
FMO Loan Fund	7(a)	87,209,516	87,073,440
Funds provided from external sources for capital expenditure	13	1,778,641	1,778,641
CARE Loan Fund	14(a)	165,814	165,814
Total funds		<u>263,209,034</u>	<u>251,079,072</u>

FISH MARKETING ORGANIZATION

(All amounts in Hong Kong dollars unless otherwise stated)

BALANCE SHEET (CONTINUED)

		<u>As at 31 March</u>	
	Note	2019	2018
LIABILITIES			
Non-current liabilities			
Non-current deposits from licensees of market premises	15	16,548,861	10,913,571
Long service payment obligations	17	4,158,169	3,183,081
Total non-current liabilities		<u>20,707,030</u>	<u>14,096,652</u>
Current liabilities			
Trade and other payables	15	8,449,905	13,085,229
Amounts due to Government Loan Fund	16	19,143,826	13,342,840
Long service payment obligations	17	219,777	494,434
Fish buyers' deposits		537,123	509,674
Savings held on behalf of co-operative societies and fishermen	18	3,535,248	4,042,895
Total current liabilities		<u>31,885,879</u>	<u>31,475,072</u>
Total liabilities		<u>52,592,909</u>	<u>45,571,724</u>
Total funds and liabilities		<u>315,801,943</u>	<u>296,650,796</u>

The above balance sheet should be read in conjunction with the accompanying notes.

The financial statements on pages 4 to 41 were approved by the Director of Marketing on **9 OCT 2019**



LEUNG Siu-fai
Director of Marketing

FISH MARKETING ORGANIZATION

(All amounts in Hong Kong dollars unless otherwise stated)

STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 March	
		2019	2018
INCOME			
Operating income			
Commission		19,733,098	19,684,698
Net income from sales of marine fish/produce	19	3,445,212	3,993,555
Licence fee income		47,653,614	43,705,314
Cold storage income		28,741	77,544
Berthing income		803,650	800,490
Net income from sales of sea water	20	262,946	166,935
Other operating income		695,541	815,187
		<u>72,622,802</u>	<u>69,243,723</u>
Non-trading income			
Interest income on bank deposits		2,964,457	1,122,711
Other income		6	-
		<u>2,964,463</u>	<u>1,122,711</u>
Total income		<u>75,587,265</u>	<u>70,366,434</u>
EXPENDITURE			
Operating expenditure			
Employee benefit expenditure	21	(35,401,401)	(35,381,577)
General working expenses			
Rent, rates and permit fees		(2,457,275)	(2,424,858)
Printing and stationery		(441,209)	(432,896)
Utility services		(3,200,474)	(3,134,814)
Maintenance and minor improvements		(3,437,685)	(2,164,871)
Stores and equipment		(620,516)	(813,585)
Miscellaneous expenses		(1,636,563)	(1,203,616)
Staff welfare		(303,761)	(251,886)
Staff training		(37,895)	(29,995)
Travelling expenses		(71,210)	(113,892)
Protective clothing and uniforms		(25,205)	(3,380)
Insurance		(714,901)	(670,130)
Auditor's remuneration		(418,400)	(400,400)
Security services		(1,819,444)	(1,468,185)
Bank charges		(20,870)	(19,479)
		<u>(15,205,408)</u>	<u>(13,131,987)</u>
Balance carried forward			

FISH MARKETING ORGANIZATION

(All amounts in Hong Kong dollars unless otherwise stated)

STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

	Note	Year ended 31 March	
		2019	2018
Operating expenditure (Continued)			
General working expenses (Continued)			
Balance brought forward		(15,205,408)	(13,131,987)
Depreciation	5	(4,641,512)	(5,492,436)
Transportation expenses		(1,827,557)	(1,941,065)
Liaison and ancillary services		-	(20,000)
Publicity and sales promotion	22	(3,438,008)	(2,685,417)
Bad debt written off	9	-	(71,502)
Legal and professional fees		(175,800)	(68,400)
Cleaning charges		(869,080)	(655,810)
Subsidy for lorry parking		(481,196)	(459,276)
		<u>(26,638,561)</u>	<u>(24,525,893)</u>
Total operating expenditure		<u>(62,039,962)</u>	<u>(59,907,470)</u>
Other expenditure			
Loss on disposals of property, plant and equipment	26(b)	(94,110)	(170,051)
		<u>(94,110)</u>	<u>(170,051)</u>
Total expenditure		<u>(62,134,072)</u>	<u>(60,077,521)</u>
Operating surplus for the year		13,453,193	10,288,913
Net surplus from FMO Loan Fund	24	136,076	295,887
Net surplus from CARE Loan Fund	25	-	-
Surplus for the year		<u>13,589,269</u>	<u>10,584,800</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(a)	(550,000)	2,139,000
Remeasurements for long service payment obligations	17(b)	(909,307)	663,013
Total comprehensive income for the year		<u>12,129,962</u>	<u>13,386,813</u>

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

FISH MARKETING ORGANIZATION

(All amounts in Hong Kong dollars unless otherwise stated)

STATEMENT OF CHANGES IN FUNDS

	Note	Total funds	
		2019	2018
At 1 April		251,079,072	237,692,259
Surplus for the year		13,589,269	10,584,800
Other comprehensive income			
- Remeasurements for defined benefit plan	17(a)	(550,000)	2,139,000
- Remeasurements for long service payment obligations	17(b)	(909,307)	663,013
Total comprehensive income		12,129,962	13,386,813
At 31 March		263,209,034	251,079,072

The above statement of changes in funds should be read in conjunction with the accompanying notes.

FISH MARKETING ORGANIZATION

(All amounts in Hong Kong dollars unless otherwise stated)

STATEMENT OF CASH FLOWS

		Year ended 31 March	
	Note	2019	2018
Cash flows from operating activities			
Cash (used in)/generated from operations	26(a)	(36,032,865)	3,491,845
Interest received on FMO loans		551,482	513,623
Net cash (outflow)/inflow from operating activities		<u>(35,481,383)</u>	<u>4,005,468</u>
Cash flows from investing activities			
Purchases of property, plant and equipment	5	(2,002,058)	(2,563,036)
Proceeds from disposals of property, plant and equipment	26(b)	30,300	3,000
Net uplift/(placement) of bank deposits with original maturities over three months		13,680,619	(66,474,702)
Bank interest received		2,756,947	1,205,944
Net cash inflow/(outflow) from investing activities		<u>14,465,808</u>	<u>(67,828,794)</u>
Cash flows from financing activities			
New drawdown from Government Loan Fund		60,000,000	60,000,000
Repayments to Government Loan Fund		(54,290,833)	(56,149,167)
Interest paid on Government Loan Fund		(472,270)	(430,440)
Net cash inflow from financing activities		<u>5,236,897</u>	<u>3,420,393</u>
Net decrease in cash and cash equivalents		<u>(15,778,678)</u>	<u>(60,402,933)</u>
Cash and cash equivalents at beginning of the year		35,441,267	95,844,200
Cash and cash equivalents at end of the year	11	<u>19,662,589</u>	<u>35,441,267</u>

The above statement of cash flows should be read in conjunction with the accompanying notes.

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) HK\$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 and amended standards and interpretation adopted by the Organization

The Organization has applied the following standards, amendments and interpretation for the first time for its annual reporting period commencing 1 April 2018:

Annual Improvements Project – HKFRS 1 and HKAS 28 (Amendment)	Annual Improvements 2014 - 2016 cycle
HKAS 40 (Amendment)	Transfers of Investment Property
HKFRS 2 (Amendment)	Classification and measurement of share-based payment transactions
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HK(IFRIC) 22	Foreign currency transactions and advance consideration

The adoption of these standards, amendments and interpretation did not have any material impact on the current period or any prior period and is not likely to affect future periods except for disclosure set out in note 2.2.

The Organization has not applied any new or amended standard or interpretation that is not yet effective for the current accounting period.

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Organization

Certain new standards, amendments and interpretations to existing HKFRSs (collectively, the “Amendments”) have been published that are mandatory for the Organization’s reporting periods beginning on or after 1 April 2019. The following Amendments are relevant and applicable to the Organization; however, they have not been early adopted in these financial statements:

HKFRS 16	Leases ¹
HK(IFRIC) 23	Uncertainty over income tax treatments ¹
HKFRS 17	Insurance Contracts ²
HKFRS 10 and HKAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture ³

Note:

(1) Effective for financial period beginning on 1 January 2019

(2) Effective for financial period beginning on 1 January 2021

(3) Effective for financial period beginning on or after a date to be determined

The Organization has already commenced an assessment of the impact of these Amendments. According to the preliminary assessment made by the Organization, no significant impact on the financial performance and position of the Organization is expected when they become effective.

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 Changes in accounting policies

The Organization has adopted HKFRS 9 “Financial Instruments” and HKFRS 15 “Revenue from Contracts with Customers” from 1 April 2018. There was no impact to the Organization as a result of the adoption of the new standards.

HKFRS 9 “Financial instruments”

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 from 1 April 2018 resulted in changes in accounting policies. The new accounting policies are set out in note 2.7 below. In accordance with the transitional provisions in HKFRS 9 (paragraph 7.2.15 and 7.2.26), comparative figures have not been restated and any adjustments to carrying amounts of financial assets or liabilities are recognised at the beginning of the current reporting period, with the difference recognised in opening retained earnings.

The Organization considers that there is no impact on the Organization’s opening accumulated surplus as at 1 April 2018 as a result of the adoption of HKFRS 9.

On 1 April 2018 (the date of initial application of HKFRS 9), the Organization’s management assessed which business models apply to the financial assets and liabilities held by the Organization and has classified its financial instruments into the appropriate HKFRS 9 categories.

The changes on the classification and measurement models introduced by HKFRS 9 do not have material impact on the Organization’s existing financial assets and liabilities, as they are mainly comprised of loans and receivables and financial liabilities at amortised costs as determined under HKAS 39, which are similar to the financial assets and liabilities measured at amortised cost under HKFRS 9, and are expected to continuously be initially recognised at fair value and subsequently measured at amortised cost.

The new forward-looking expected credit loss model, which replaces the incurred loss impairment model, has not resulted in a material change to the Organization’s impairment provisions.

The Organization does not have any hedging instruments.

HKFRS 15 “Revenue from Contracts with Customers”

The Organization has adopted HKFRS 15 “Revenue from Contracts with Customers” from 1 April 2018 which resulted in changes in accounting policies. The Organization considers the change in revenue recognition does not have material impact on the amounts recognised in the financial statements as at 1 April 2018.

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 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 profit or loss.

2.4 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 the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting 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 end of each reporting period.

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.

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount. These are included in profit or loss.

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 Impairment of non-financial assets

Non-financial 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 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 which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.6 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises cost of purchase and direct materials. 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.

2.7 Investments and other financial assets

(a) Classification

From 1 April 2018, the Organization classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value either through other comprehensive income ("OCI") or through profit or loss, and
- those to be measured at amortised cost

The classification depends on the Organization's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Organization has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Organization reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Organization commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Organization has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Organization measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

FISH MARKETING ORGANIZATION

(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.7 Investments and other financial assets (Continued)

(c) Measurement (Continued)

Subsequent measurement of debt instruments depends on the Organization's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Organization classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other income/(expenditure), net using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other income/(expenditure), net together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of comprehensive income.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other income/(expenditure), net. Interest income from these financial assets is included in other income/(expenditure), net using the effective interest rate method. Foreign exchange gains and losses are presented in general working expenses and impairment expenses are presented as separate line item in the statement of comprehensive income.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other income/(expenditure), net in the period in which it arises.

(d) Impairment

From 1 April 2018, the Organization assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables and FMO Loans, the Organization applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

For impairment of other financial assets at amortised cost, they are measured as either the 12 month expected credit loss or the lifetime expected credit loss depending on whether there has been a significant increase in credit risk since initial recognition.

(e) Accounting policies applied until 31 March 2018

The Organization has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Organization's previous accounting policy.

Until 31 March 2018, the Organization classifies its financial assets as loans and receivables.

FISH MARKETING ORGANIZATION

(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.7 Investments and other financial assets (Continued)

(e) Accounting policies applied until 31 March 2018 (Continued)

(i) Subsequent measurement

The measurement at initial recognition did not change on adoption of HKFRS 9, see description above.

Subsequent to the initial recognition, loans and receivables were subsequently carried at amortised cost using the effective interest method.

(ii) Impairment of assets carried at amortised cost

The Organization assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was 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) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated.

The amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that had not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset was reduced and the amount of the loss was recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreased and the decrease could 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 was recognised in profit or loss.

2.8 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.

Fish Marketing Organization Loans ("FMO Loans"), Co-operative for American Relief Everywhere 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.

2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet where the Organization currently has 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 Organization has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

FISH MARKETING ORGANIZATION

(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.10 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 profit or loss 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 profit or loss 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.

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.

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 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 expenses 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.

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.

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)

(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 at a point in time based on the price or quantity of the fish transactions concluded in the Organization's markets when the transactions are completed.
- (b) Sales of marine fish/produce/sea water is recognised at a point in time 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 recognised over time on a straight-line basis over the respective period of the leases of market premises.
- (d) Cold storage income is recognised at a point in time based on the weight and period of fish stored.
- (e) Berthing income is recognised at a point in time 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 at a point in time upon loading of fisheries products in the markets.
- (h) Other income is recognised at a point in time when the right to receive income is established.

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

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.16 Operating leases

(a) As the lessee

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Organization as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss 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

The Fish Marketing Organization Loan Fund ("FMO Loan Fund") was set up for making loans to fishermen for productive purposes.

The Co-operative for American Relief Everywhere Loan Fund ("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 Fish Marketing Organization General Fund ("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 risks. 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.

(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, receivables from co-operative societies and fishermen, trade and other receivables and deposits placed with banks.

The Organization's financial assets are subject to the expected credit loss model. While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial as they are mainly deposited in reputable banks in Hong Kong.

FISH MARKETING ORGANIZATION

(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

3 Financial and fund risks management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

The Organization applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and FMO Loans.

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 customers, the Organization has policies in place to ensure they are with appropriate credit history and to limit the amount of credit exposure to customers so as to minimise credit risk resulting from counterparties default. In respect of FMO Loans, individual evaluations are performed on all borrowers. For each loan granted, the Organization has policies to assess the eligibility of the granting to fishermen and request each borrower to provide surety for the loan. The Organization will also make specific provision for those balances which cannot be recovered. The Organization does not hold any collateral from customers.

The expected loss rates are based on the payment profiles of sales/loans and the corresponding historical credit losses experienced over a period of past 12 months. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the end customers and fishermen to settle the receivables.

On that basis, the loss allowance as at 31 March 2019 was determined as follows for trade and receivables and FMO loans:

	Current	Past due 1 to 60 days	61 to 90 days past due	More than 90 days past due	Total
31 March 2019					
Expected loss rate	0.57%	0%	0%	0%	
Gross carrying amount – trade receivables	2,446,977	593,964	7,361	17,314	3,065,616
Gross carrying amount – FMO loans	94,517,118	-	-	-	94,517,118
Provision for impairment	553,618	-	-	-	553,618
1 April 2018					
Expected loss rate	0%	0%	0%	56.74%	
Gross carrying amount – trade receivables	2,283,435	384,366	16,556	33,603	2,717,960
Gross carrying amount – FMO loans	43,467,710	-	-	324,635	43,792,345
Provision for impairment	-	-	-	203,278	203,278

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

NOTES TO THE FINANCIAL STATEMENTS

3 Financial and fund risks management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

The closing loss allowance for trade receivables and FMO Loans as at 31 March 2019 is reconciled to the opening loss allowance as follows:

At 31 March 2018 – calculated under HKAS 39	203,278
Amounts restated through opening retained earnings*	-
	<hr/>
Opening loss allowance as at 1 April 2018 – calculated under HKFRS 9	203,278
Increase in loss allowance recognised in profit or loss during the year	350,340
	<hr/>
At 31 March 2019	553,618
	<hr/> <hr/>

*The restatement on transition to HKFRS 9 as a result of applying the expected credit loss model was immaterial.

Trade receivables and FMO Loans are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Organization, and a failure to make contractual payments for a period of greater than 90 days past due.

For other financial assets at amortised cost, including receivables from co-operative societies and fishermen, the Organization applies the HKFRS 9 general approach to measuring expected credit losses, no loss allowance provision was determined for these financial assets as at 31 March 2019 as the Organization considered that the expected credit loss was immaterial.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Impairment losses on debtors are presented as general working expenses in the statement of comprehensive income. Subsequent recoveries of amounts previously written off are credited against the same line item.

Previous accounting policy for impairment of trade and other receivables

In prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment. The Organization considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or late payments (more than 90 days overdue).

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

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

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.

As at 31 March 2019 and 2018, the maturity analysis of the financial liabilities is as follows:

	2019	2018
Less than one year		
Trade and other payables	6,817,011	11,493,194
Fish buyers' deposits	537,123	509,674
Savings held on behalf of co-operative societies and fishermen	3,535,248	4,042,895
Amounts due to Government Loan Fund (note 16)	19,107,500	13,398,333
Interest payable on amounts due to Government Loan Fund over the loan period	264,320	184,689
	<u>30,261,202</u>	<u>29,628,785</u>
More than one year		
Non-current deposits from licensees of market premises (note 15)	16,548,861	10,913,571
Total	<u>46,810,063</u>	<u>40,542,356</u>

(d) Cash flow and fair value interest rate risks

The Organization's cash flow and fair value interest rate risks are primarily arisen from bank deposits which carry interest at prevailing market interest rates and FMO Loans and amounts due to Government Loan Fund which carry interests at fixed rates. Other than these, the Organization has no other significant interest-bearing assets or liabilities.

As at 31 March 2019, if interest rates on the bank deposits had been 25 basis points (2018: 25 basis points) higher/lower with all other variables held constant, surplus for the year would have been approximately HK\$449,000 (2018: approximately HK\$518,000) higher/lower, as a result of higher/lower net interest income on the bank deposits.

In respect of the FMO Loans and amounts due to Government Loan Fund, the fair value interest rate risk is considered to be low due to the short maturity period.

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

NOTES TO THE FINANCIAL STATEMENTS

3 Financial and fund risks management (Continued)

3.2 Funds risk management

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

Total funds of the Organization comprise FMO General Fund, FMO Loan Fund, 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.

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 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>
Year ended 31 March 2018					
Opening net book amount	5,199,811	12,254,012	4,587,586	-	22,041,409
Additions	-	1,900,835	662,201	-	2,563,036
Disposals (note 26(b))	-	-	(173,051)	-	(173,051)
- Cost	-	-	(1,113,131)	-	(1,113,131)
- Accumulated depreciation	-	-	940,080	-	940,080
Depreciation	(176,559)	(4,110,788)	(1,205,089)	-	(5,492,436)
Closing net book amount	<u>5,023,252</u>	<u>10,044,059</u>	<u>3,871,647</u>	<u>-</u>	<u>18,938,958</u>
At 31 March 2018					
Cost	35,037,605	54,429,727	15,467,300	876,758	105,811,390
Accumulated depreciation	(30,014,353)	(44,385,668)	(11,595,653)	(876,758)	(86,872,432)
Net book amount	<u>5,023,252</u>	<u>10,044,059</u>	<u>3,871,647</u>	<u>-</u>	<u>18,938,958</u>
Year ended 31 March 2019					
Opening net book amount	5,023,252	10,044,059	3,871,647	-	18,938,958
Additions	-	1,068,950	933,108	-	2,002,058
Disposals (note 26(b))	-	-	(124,410)	-	(124,410)
- Cost	-	-	(808,483)	(382,984)	(1,191,467)
- Accumulated depreciation	-	-	684,073	382,984	1,067,057
Depreciation	(176,558)	(3,515,798)	(949,156)	-	(4,641,512)
Closing net book amount	<u>4,846,694</u>	<u>7,597,211</u>	<u>3,731,189</u>	<u>-</u>	<u>16,175,094</u>
At 31 March 2019					
Cost	35,037,605	55,498,677	15,591,925	493,774	106,621,981
Accumulated depreciation	(30,190,911)	(47,901,466)	(11,860,736)	(493,774)	(90,446,887)
Net book amount	<u>4,846,694</u>	<u>7,597,211</u>	<u>3,731,189</u>	<u>-</u>	<u>16,175,094</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 HK\$4,641,512 (2018: HK\$5,492,436) 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	2019	2018
Financial assets at amortised cost			
FMO Loans	7(a)	93,669,682	43,332,681
Receivables from co-operative societies and fishermen		148,522	101,946
Trade and other receivables	9	6,748,660	5,942,689
Bank deposits with original maturities over three months	10	173,558,999	187,239,618
Cash and cash equivalents	11	19,662,589	35,441,267
		<u>293,788,452</u>	<u>272,058,201</u>
Financial liabilities at amortised cost			
Trade and other payables	15	23,365,872	22,406,765
Amounts due to Government Loan Fund	16	19,143,826	13,342,840
Fish buyers' deposits		537,123	509,674
Savings held on behalf of co-operative societies and fishermen	18	3,535,248	4,042,895
		<u>46,582,069</u>	<u>40,302,174</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	2019	2018
ASSETS			
Non-current assets			
FMO Loans			
- Loans to fishermen		93,241,210	42,895,491
- Interest receivable		1,275,908	896,854
		<u>94,517,118</u>	<u>43,792,345</u>
Less: Provision for impairment of FMO Loans	(b)	(553,618)	(203,278)
		<u>93,963,500</u>	<u>43,589,067</u>
Less: Accumulated amortisation at 1 April		(256,386)	(322,153)
Amortisation of (discount)/premium on FMO Loans	24	(37,432)	65,767
		<u>(293,818)</u>	<u>(256,386)</u>
FMO Loans - net		<u>93,669,682</u>	<u>43,332,681</u>
Less: Current portion		(93,221,217)	(42,797,270)
Non-current portion		<u>448,465</u>	<u>535,411</u>
Current assets			
Current portion of FMO Loans		93,221,217	42,797,270
Interest receivable on bank deposits		4,373	87,432
Bank deposits with original maturities over three months	10	-	28,555,540
Cash and cash equivalents	11	12,679,287	28,440,627
		<u>105,904,877</u>	<u>99,880,869</u>
Total assets		<u>106,353,342</u>	<u>100,416,280</u>
FUNDS			
Capital account		57,000,000	57,000,000
Accumulated surplus at 1 April		30,073,440	29,777,553
Net surplus for the year transferred from FMO General Fund	12 & 24	136,076	295,887
		<u>30,209,516</u>	<u>30,073,440</u>
Accumulated surplus at 31 March		<u>30,209,516</u>	<u>30,073,440</u>
Total funds		<u>87,209,516</u>	<u>87,073,440</u>
LIABILITIES			
Current and total liabilities			
Amounts due to Government Loan Fund	16	19,143,826	13,342,840
Total funds and liabilities		<u>106,353,342</u>	<u>100,416,280</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% (2018: 1% to 3%) per annum and are repayable over a period up to five years (2018: up to five years). As at 31 March 2019, the weighted average effective interest rate of the FMO Loans is 1.0145% (2018: 1.0482%) 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.

The Organization does not hold any collateral as security. The Organization applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for FMO Loans. To measure the expected credit losses, FMO Loans have been grouped based on shared credit risk characteristics and the days past due. On that basis, a loss allowance of HK\$350,340 (2018: HK\$167,304) was made for the year ended 31 March 2019 and disclosed in note 3.1(b).

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 2019 and 2018 and are denominated in Hong Kong dollars.

8 Inventories

	Note	2019	2018
Marine fish/produce	19	541,503	396,725
Plastic containers		704	704
Printing forms		197,463	218,712
Neckties		-	3,864
Plastic rollers		3,654	7,454
Sea water	20	15,044	9,676
Fish tag		94,133	62,533
Souvenir		10,112	11,877
		<u>862,613</u>	<u>711,545</u>

Cost of inventories recognised as expenditures amounted to HK\$17,588,503 (2018: HK\$16,659,834).

9 Trade and other receivables

	2019	2018
Trade receivables	3,065,616	2,717,960
Interest receivables	824,385	459,069
Other receivables	1,665,026	1,601,020
Utility deposits	1,193,633	1,164,640
	<u>6,748,660</u>	<u>5,942,689</u>
Financial assets	1,540,784	932,092
Prepayments		
Total	<u>8,289,444</u>	<u>6,874,781</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 Organization does not hold any collateral as security. The Organization applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. On that basis, no allowance was determined as at 31 March 2019 and 2018 and disclosed in note 3.1(b).

During the year, trade receivables of HK\$nil (2018: HK\$71,502) was directly written off as bad debts and has been expensed in general working expenses.

As at 31 March 2019, the Organization considered that the expected credit loss for other receivables and deposits was immaterial thus no loss allowance was made (2018: nil).

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 2019 and 2018 and are denominated in Hong Kong dollars.

10 Bank deposits with original maturities over three months

	Note	2019	2018
FMO General Fund		173,558,999	158,684,078
FMO Loan Fund	7(a)	-	28,555,540
Maximum exposure to credit risk		<u>173,558,999</u>	<u>187,239,618</u>

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

11 Cash and cash equivalents

	Note	2019	2018
<u>FMO General Fund</u>			
Cash at banks and in hand		6,817,488	5,684,826
Bank deposits with original maturities of three months or less		-	1,150,000
		<u>6,817,488</u>	<u>6,834,826</u>
<u>FMO Loan Fund</u>			
Cash at banks and in hand		6,679,287	9,474,729
Bank deposits with original maturities of three months or less		6,000,000	18,965,898
	7(a)	<u>12,679,287</u>	<u>28,440,627</u>
<u>CARE Loan Fund</u>			
Cash at banks	14(a)	165,814	165,814
Total		<u>19,662,589</u>	<u>35,441,267</u>
Maximum exposure to credit risk		<u>18,607,948</u>	<u>34,968,132</u>

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	2019	2018
At 1 April		162,061,177	148,970,251
Surplus for the year		13,589,269	10,584,800
(Deficit)/surplus from remeasurements for			
- Defined benefit plan	17(a)	(550,000)	2,139,000
- Long service payment obligations	17(b)	(909,307)	663,013
Net surplus transferred to FMO Loan Fund	7(a)	(136,076)	(295,887)
Net surplus transferred to CARE Loan Fund	14(a)	-	-
		<u>174,055,063</u>	<u>162,061,177</u>

13 Funds provided from external sources for capital expenditure

	2019	2018
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>

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	2019	2018
ASSETS			
Non-current assets			
CARE Loan:			
- Loan issued to fishermen		-	-
Current assets			
Cash and cash equivalents	11	165,814	165,814
Total assets		<u>165,814</u>	<u>165,814</u>
FUNDS			
Accumulated surplus at 1 April		165,814	165,814
Net surplus for the year	12&25	-	-
Accumulated surplus at 31 March		<u>165,814</u>	<u>165,814</u>
Liabilities			
Current and total liabilities		-	-
Total funds and liabilities		<u>165,814</u>	<u>165,814</u>

FISH MARKETING ORGANIZATION

(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS**14 CARE Loan Fund (Continued)****(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 2018 and 2019, there is no CARE Loan.

15 Trade and other payables

	2019	2018
Trade payables	960,238	921,665
Other payables	3,925,744	4,568,272
Deposits from licensees of market premises	17,645,491	16,169,737
Utility and other deposits	834,399	747,091
	<u>23,365,872</u>	<u>22,406,765</u>
Financial liabilities	23,365,872	22,406,765
Receipts in advance	178,035	179,062
Provision for unused annual leave (note (a))	1,454,859	1,412,973
	<u>24,998,766</u>	<u>23,998,800</u>
Less: Non-current deposits from licensees of market premises	(16,548,861)	(10,913,571)
	<u><u>8,449,905</u></u>	<u><u>13,085,229</u></u>

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

	Note	2019	2018
At 1 April		1,412,973	1,378,007
Charged to the statement of comprehensive income			
- Provision for the year	21	176,525	132,176
- Utilised during the year		(134,639)	(97,210)
		<u>1,454,859</u>	<u>1,412,973</u>
At 31 March		<u><u>1,454,859</u></u>	<u><u>1,412,973</u></u>

(b) The carrying values of trade and other payables approximate their fair values at 31 March 2019 and 2018 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	2019	2018
Amount due to Government Loan Fund (2017)		-	13,398,333
Amount due to Government Loan Fund (2018)		19,107,500	-
		<u>19,107,500</u>	<u>13,398,333</u>
Interest payable to Government Loan Fund (2017)		-	12,922
Interest payable to Government Loan Fund (2018)		19,362	-
		<u>19,362</u>	<u>12,922</u>
		<u>19,126,862</u>	<u>13,411,255</u>
Less: Accumulated amortisation at 1 April		(68,415)	(77,396)
Amortisation of premium on amounts due to Government Loan Fund	24	85,379	8,981
Accumulated amortisation at 31 March		<u>16,964</u>	<u>(68,415)</u>
Total	7(a)	<u>19,143,826</u>	<u>13,342,840</u>

The amounts due to Government Loan Fund are unsecured and interest-bearing at rates set by the Government periodically. At 31 March 2019, the prevailing interest rate of the amounts due is 1.257% (2018: 1.132%) per annum. The principal and the interest payable are repayable by 4 quarterly installments from the initial drawdown date.

The carrying values of the amounts due to Government Loan Fund approximate their fair values at 31 March 2019 and 2018 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	2019	2018
Balance sheet assets for:			
Defined benefit plan	(a)	<u>3,435,000</u>	<u>4,010,000</u>
Balance sheet obligations for:			
Long service payment obligations			
- Non-current portion		(4,158,169)	(3,183,081)
- Current portion		(219,777)	(494,434)
	(b)	<u>(4,377,946)</u>	<u>(3,677,515)</u>
Statement of comprehensive income charged for:			
- Defined benefit plan	21	25,000	57,000
- Long service payment obligations	21	377,839	465,475
		<u>402,839</u>	<u>522,475</u>
Remeasurements for:			
- Defined benefit plan	(a)	550,000	(2,139,000)
- Long service payment obligations	(b)	909,307	(663,013)
		<u>1,459,307</u>	<u>(2,802,013)</u>

(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 2019 and 2018 carried out by Milliman Limited, who holds a recognised professional qualification.

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

	2019	2018
Present value of the funded obligations	(3,678,000)	(5,859,000)
Fair value of plan assets	<u>7,113,000</u>	<u>9,869,000</u>
Assets in the balance sheet	<u>3,435,000</u>	<u>4,010,000</u>

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 2017	(10,814,000)	12,604,000	1,790,000
Current service costs	(71,000)	-	(71,000)
Interest (expense)/income	(59,000)	79,000	20,000
	<u>(10,944,000)</u>	<u>12,683,000</u>	<u>1,739,000</u>
Remeasurements:			
- Return on plan assets (excluding interest income)	-	1,800,000	1,800,000
- Surplus from change in financial assumption changes	48,000	-	48,000
- Experience gains	291,000	-	291,000
	<u>339,000</u>	<u>1,800,000</u>	<u>2,139,000</u>
Plan participants contributions	(77,000)	77,000	-
Employer contributions	-	138,000	138,000
Benefit payments	4,823,000	(4,823,000)	-
Administrative cost	-	(6,000)	(6,000)
	<u>4,746,000</u>	<u>(4,614,000)</u>	<u>132,000</u>
At 31 March 2018	<u>(5,859,000)</u>	<u>9,869,000</u>	<u>4,010,000</u>
At 1 April 2018	(5,859,000)	9,869,000	4,010,000
Current service costs	(75,000)	-	(75,000)
Interest (expense)/income	(61,000)	113,000	52,000
	<u>(5,995,000)</u>	<u>9,982,000</u>	<u>3,987,000</u>
Remeasurements:			
- Return on plan assets (excluding interest income)	-	(427,000)	(427,000)
- Experience losses	(123,000)	-	(123,000)
	<u>(123,000)</u>	<u>(427,000)</u>	<u>(550,000)</u>
Plan participants contributions	(43,000)	43,000	-
Benefit payments	2,483,000	(2,483,000)	-
Administrative cost	-	(2,000)	(2,000)
	<u>2,440,000</u>	<u>(2,442,000)</u>	<u>(2,000)</u>
At 31 March 2019	<u>(3,678,000)</u>	<u>7,113,000</u>	<u>3,435,000</u>

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:

	2019 %	2018 %
Equities	57	59
Bonds	37	34
Money instruments	6	7
	<u>100</u>	<u>100</u>

(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 2017	4,268,334
Current service costs	399,377
Interest expense	66,098
	<u>4,733,809</u>
Remeasurements:	
- Gain from change in financial assumption changes	(52,510)
- Experience gains	(610,503)
	<u>(663,013)</u>
Benefit payments	<u>(393,281)</u>
At 31 March 2018	<u><u>3,677,515</u></u>

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 2018	3,677,515
Current service costs	315,118
Interest expense	62,721
	<u>4,055,354</u>
Remeasurements:	
- Loss from change in financial assumption changes	246,786
- Experience losses	662,521
	<u>909,307</u>
Benefit payments	<u>(586,715)</u>
At 31 March 2019	<u><u>4,377,946</u></u>

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

	<u>Defined benefit obligations</u>		<u>Long service payment obligations</u>	
	2019 %	2018 %	2019 %	2018 %
Discount rate	1.25	1.25	1.5	1.75
Expected rate of future salary increases	<u>3.5</u>	<u>3.5</u>	<u>3.5</u>	<u>3.5</u>

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

	Change in assumption	<u>Impact on defined benefit obligations</u>		<u>Impact on long service payment obligations</u>	
		Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.5%	Decrease by 0.9%	Increase by 0.9%	Decrease by 12.47%	Increase by 14.28%
Salary growth rate	0.5%	Increase by 0.8%	Decrease by 0.8%	Increase by 6.03%	Decrease by 6.34%

The above sensitivity analysis 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

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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 2019 and 2018:

	<u>Defined benefit obligations</u>		<u>Long service payment obligations</u>	
	2019	2018	2019	2018
Expected contributions by:				
- Organization	-	138,000	-	-
- Employees	34,000	77,000	-	-
	<u>34,000</u>	<u>77,000</u>	<u>-</u>	<u>-</u>

- (f) The weighted average duration of the defined benefit obligations and long service payment obligations is around 2.4 years and 9.0 years (2018: 2.4 years and 7.7 years), respectively.
- (g) The expected maturity analysis without taking into consideration of early retirement of undiscounted benefit payments over the next 10 years is as follows:

	<u>Defined benefit obligations</u>		<u>Long service payment obligations</u>	
	2019	2018	2019	2018
Less than 1 year	492,000	2,520,000	87,000	187,000
Between 1 and 2 years	222,000	88,000	320,000	382,000
Between 2 and 5 years	3,229,000	3,421,000	2,312,000	1,085,000
Between 5 to 10 years	195,000	195,000	5,918,000	1,529,000
	<u>4,138,000</u>	<u>6,224,000</u>	<u>8,637,000</u>	<u>3,183,000</u>

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	2019	2018
Gross sales			
Sales of marine fish/produce		19,409,589	18,999,340
		<u>19,409,589</u>	<u>18,999,340</u>
Cost of inventories sold			
Opening inventories		396,725	280,184
Purchases		15,698,875	15,122,326
Freight charges		410,280	-
Closing inventories	8	(541,503)	(396,725)
		<u>15,964,377</u>	<u>15,005,785</u>
		<u>15,964,377</u>	<u>15,005,785</u>
Net income for the year		<u>3,445,212</u>	<u>3,993,555</u>

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(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

20 Net income from sales of sea water

	Note	2019	2018
Sales of sea water		1,616,884	1,581,013
Cost of inventories sold			
Opening inventories		9,676	12,306
Purchases		1,359,306	1,411,448
Closing inventories	8	(15,044)	(9,676)
		<u>1,353,938</u>	<u>1,414,078</u>
Net income for the year		<u>262,946</u>	<u>166,935</u>

21 Employee benefit expenditure

	Note	2019	2018
Salaries and wages		33,138,316	33,054,312
Provision for unused annual leave	15(a)	176,525	132,176
Retirement benefit costs			
- Defined contribution plan and MPF scheme		1,683,721	1,672,614
- Defined benefit plan	17(a)	25,000	57,000
- Long service payment obligations	17(b)	377,839	465,475
		<u>35,401,401</u>	<u>35,381,577</u>

22 Publicity and sales promotion

	2019	2018
Share of expenses for a promotion event co-organised by the Organization and the Vegetable Marketing Organization	1,760,798	1,749,908
Others	1,677,210	935,509
	<u>3,438,008</u>	<u>2,685,417</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	2019	2018
Income			
Interest on FMO Loans		930,536	527,237
Interest on bank deposits		157,806	312,420
Amortisation of premium on FMO Loans	7(a)	-	65,767
Miscellaneous income		-	45
		<u>1,088,342</u>	<u>905,469</u>
Expenditure			
Interest expense for amounts due to Government Loan Fund		(478,710)	(433,162)
Amortisation of premium on amounts due to Government Loan Fund	16	(85,379)	(8,981)
Amortisation of discount on FMO Loans	7(a)	(37,432)	-
Provision for impairment of FMO Loans	3.1(b)	(350,340)	(167,304)
Bank charges		(405)	(135)
		<u>(952,266)</u>	<u>(609,582)</u>
Net surplus for the year	7(a)	<u>136,076</u>	<u>295,887</u>

25 Net surplus from CARE Loan Fund

	2019	2018
Income		
Net surplus for the year	-	-
	<u>-</u>	<u>-</u>

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NOTES TO THE FINANCIAL STATEMENTS**26 Cash flows information**

(a) Cash (used in)/generated from operations

	2019	2018
Surplus for the year	13,589,269	10,584,800
Adjustments for:		
- Interest income on bank deposits	(3,122,263)	(1,435,131)
- Interest income on FMO Loans (note 24)	(930,536)	(527,237)
- Depreciation (note 5)	4,641,512	5,492,436
- Provision for impairment of FMO Loans (note 3.1(b))	350,340	167,304
- Loss on disposals of property, plant and equipment (see (b) below)	94,110	170,051
- Amortisation of discount/(premium) on FMO Loans (note 7(a))	37,432	(65,767)
- Interest expense for amounts due to Government Loan Fund (note 24)	478,710	433,162
- Amortisation of premium on amounts due to Government Loan Fund (note 24)	85,379	8,981
- Bad debt written off (note 9)	-	71,502
- Provision for unused annual leave (note 21)	176,525	132,176
- Retirement benefit costs for defined benefit plan (note 17)	25,000	57,000
- Retirement benefit costs for long service payments (note 17)	377,839	465,475
	<u>15,803,317</u>	<u>15,554,752</u>
Changes in working capital:		
- FMO Loans	(50,345,719)	(13,994,136)
- Inventories	(151,068)	(177,139)
- Receivables from co-operative societies and fishermen	(46,576)	(50,098)
- Trade and other receivables	(1,049,347)	(178,494)
- Long service payment obligations	(586,715)	(393,281)
- Defined benefit plan	-	(138,000)
- Trade and other payables	823,441	2,703,564
- Fish buyers' deposits	27,449	(214,197)
- Savings held on behalf of co-operative societies and fishermen	(507,647)	378,874
	<u>(36,032,865)</u>	<u>3,491,845</u>

FISH MARKETING ORGANIZATION
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NOTES TO THE FINANCIAL STATEMENTS

26 Cash flows information (Continued)

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

	Note	2019	2018
Net book amount	5	124,410	173,051
Loss on disposals of property, plant and equipment		(94,110)	(170,051)
		<u> </u>	<u> </u>
Proceeds from disposals of property, plant and equipment		<u>30,300</u>	<u>3,000</u>

- (c) Reconciliation of liabilities arising from financing activities

This section sets out an analysis of the movements in liabilities arising from financing activities for each of the periods.

	Government loan fund	
	2019	2018
Balance as at 1 April	13,342,840	9,480,304
Cash inflow	60,000,000	60,000,000
Cash outflow	(54,290,833)	(56,149,167)
Interest paid	(472,270)	(430,440)
Interest expenses	478,710	433,162
Amortisation of premium	85,379	8,981
	<u> </u>	<u> </u>
Balance as at 31 March	<u>19,143,826</u>	<u>13,342,840</u>

27 Commitments

- (a) Capital commitments

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

	2019	2018
Property, plant and equipment	<u>547,500</u>	<u>7,500</u>

- (b) Non-cancellable operating leases 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:

	2019	2018
No later than one year	<u>12,110,948</u>	<u>11,134,632</u>

28 Key management compensation

	2019	2018
Salaries and other employee benefits	<u>583,176</u>	<u>1,492,199</u>