

**VEGETABLE MARKETING ORGANIZATION**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 MARCH 2021**



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

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

**Opinion**

*What we have audited*

The financial statements of Vegetable Marketing Organization (the "Organization") set out on pages 4 to 47, which comprise:

- the balance sheet as at 31 March 2021;
- 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; and
- the 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 2021, 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 ("HKSAs") 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.



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

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

**Responsibilities of the Director of Marketing for the Financial Statements**

The Agricultural Products (Marketing) Ordinance, Chapter 277, requires the Director of Marketing (the "Director") to keep proper accounts. 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.

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 Director 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 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.



羅兵咸永道

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Director.
- 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, 09 SEP 2021

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

**BALANCE SHEET**

	Note	As at 31 March	
		2021	2020
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	13,741,603	11,597,651
Right-of-use assets	6	564,542	1,201,448
Assets under defined benefit plan	20	10,975,762	6,573,314
Total non-current assets		<u>25,281,907</u>	<u>19,372,413</u>
<b>Current assets</b>			
Inventories	10(a)	275,896	282,993
Biological assets	10(b)	-	-
VMO Loans	7(a)	1,787,503	1,466,487
Trade and other receivables	11	7,270,282	7,918,842
Bank deposits with original maturities over three months	12	215,950,000	203,876,907
Cash and cash equivalents	13	15,136,602	30,610,513
Total current assets		<u>240,420,283</u>	<u>244,155,742</u>
<b>Total assets</b>		<u>265,702,190</u>	<u>263,528,155</u>
<b>FUNDS</b>			
VMO General Fund			
Accumulated surplus	14	206,158,305	204,615,134
Specific funds			
VMO Loan Fund	7(a)	13,070,356	12,891,304
VMO Agricultural Development Fund	8	14,335,144	16,243,291
Funds provided from external sources for capital expenditure	15	1,764,104	1,764,104
<b>Total funds</b>		<u>235,327,909</u>	<u>235,513,833</u>


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

**BALANCE SHEET (CONTINUED)**

		As at 31 March	
	Note	2021	2020
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities	17	-	128,529
Provisions for other liabilities	18	-	639,225
Long service payment obligations	20	4,157,848	6,361,035
Deferred income	19	8,521,620	3,396,594
		<u>12,679,468</u>	<u>10,525,383</u>
<b>Current liabilities</b>			
Trade and other payables	16	8,677,932	8,984,886
Lease liabilities	17	128,529	749,130
Provisions for other liabilities	18	1,321,463	1,187,437
Long service payment obligations	20	483,289	615,895
Deferred income	19	962,287	371,092
Vegetable buyers' deposits		6,121,313	5,580,499
		<u>17,694,813</u>	<u>17,488,939</u>
<b>Total current liabilities</b>		<u>17,694,813</u>	<u>17,488,939</u>
<b>Total liabilities</b>		<u>30,374,281</u>	<u>28,014,322</u>
<b>Total funds and liabilities</b>		<u>265,702,190</u>	<u>263,528,155</u>

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

The financial statements on pages 4 to 47 were approved by the Director of Marketing on **09 SEP 2021**

  
LEUNG Siu-fai  
Director of Marketing

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

**STATEMENT OF COMPREHENSIVE INCOME**

	Note	Year ended 31 March	
		2021	2020
<b>INCOME</b>			
<b>Operating income</b>			
Commission		65,262,143	64,088,257
Rebates		(22,834,792)	(22,365,651)
		<u>42,427,351</u>	<u>41,722,606</u>
<b>Net income from sales of premium vegetables</b>	21	<u>5,100,519</u>	<u>6,954,869</u>
<b>Other operating income</b>			
Rental income		953,788	785,510
Parking permit fee income		1,062,375	1,027,625
Other income		1,305,348	643,768
		<u>3,321,511</u>	<u>2,456,903</u>
<b>Non-trading income</b>			
Interest income on bank deposits		2,443,717	4,033,497
Gain on disposals of property, plant and equipment	29(b)	125,729	-
		<u>2,569,446</u>	<u>4,033,497</u>
<b>Total income</b>		<u>53,418,827</u>	<u>55,167,875</u>
<b>EXPENDITURE</b>			
<b>Operating expenditure</b>			
Employee benefit expenditure	22(a)	(36,582,291)	(37,678,661)
<b>General working expenses</b>			
Rent, rates and permit fees		(1,616,791)	(1,821,969)
Printing and stationery		(459,045)	(491,745)
Utility services		(1,379,465)	(1,294,730)
Maintenance and minor improvements		(2,266,648)	(2,480,148)
Vegetable baskets		2,367	(17,416)
Stores and equipment		(431,625)	(428,397)
Miscellaneous expenses		(405,123)	(282,325)
Staff welfare		(304,801)	(290,109)
Staff training		(2,330)	(2,210)
Travelling expenses		(92,020)	(96,893)
Protective clothing and uniforms		(15,817)	(19,351)
Insurance		(765,103)	(1,145,861)
Auditor's remuneration		(414,900)	(403,900)
Market security		(336,064)	(236,061)
Transportation expenses		(2,736,373)	(2,931,441)
Depreciation of			
- Markets and depots	5	(953,802)	(1,116,543)
- Right-of-use assets	6	(636,906)	(694,267)
<b>Balance carried forward</b>		<u>(12,814,446)</u>	<u>(13,753,366)</u>

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

**STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)**

	Note	Year ended 31 March	
		2021	2020
<b>Operating expenditure (Continued)</b>			
<b>General working expenses (Continued)</b>			
Balance brought forward		(12,814,446)	(13,753,366)
Subsidy to federation and co-operative societies		(1,114,354)	(1,124,650)
Grants-in-aid		(30,000)	-
Publication and publicity		(17,540)	(25,526)
Bank charges		(16,252)	(10,579)
Interest expense		(26,870)	(60,534)
		<u>(14,019,462)</u>	<u>(14,974,655)</u>
<b>Total operating expenditure</b>		<u>(50,601,753)</u>	<u>(52,653,316)</u>
<b>Other expenditure</b>			
Loss on disposals of property, plant and equipment	29(b)	-	(38,530)
		<u>(50,601,753)</u>	<u>(52,691,846)</u>
<b>Total expenditure</b>		<u>(50,601,753)</u>	<u>(52,691,846)</u>
<b>Operating surplus for the year</b>		<u>2,817,074</u>	<u>2,476,029</u>
Net (deficit)/surplus from:			
- VMO Agricultural Development Fund	23	(10,037,477)	(13,205,353)
- VMO Loan Fund	24	179,052	254,090
		<u>(9,858,425)</u>	<u>(12,951,263)</u>
<b>Deficit for the year</b>		<u>(7,041,351)</u>	<u>(10,475,234)</u>
<b>Other comprehensive income/(loss) for the year</b>			
<u>Items that will not be reclassified subsequently to surplus or deficit</u>			
Remeasurements for defined benefit plan	20(a)	4,639,851	(2,436,867)
Remeasurements for long service payment obligations			
- VMO General Fund		2,086,246	(1,729,115)
- VMO Agricultural Development Fund		129,330	(220,389)
	20(b)	<u>2,215,576</u>	<u>(1,949,504)</u>
<b>Total comprehensive loss for the year</b>		<u>(185,924)</u>	<u>(14,861,605)</u>

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



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

**STATEMENT OF CHANGES IN FUNDS**

	Note	Total funds	
		2021	2020
<b>At 1 April</b>		235,513,833	250,375,438
Deficit for the year		(7,041,351)	(10,475,234)
Other comprehensive income/(loss)			
- Remeasurements for defined benefit plan	20(a)	4,639,851	(2,436,867)
- Remeasurements for long service payment obligations:	20(b)		
- VMO General Fund		2,086,246	(1,729,115)
- VMO Agricultural Development Fund		129,330	(220,389)
<b>Total comprehensive loss</b>		(185,924)	(14,861,605)
<b>At 31 March</b>		235,327,909	235,513,833

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

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

**STATEMENT OF CASH FLOWS**

	Note	Year ended 31 March	
		2021	2020
<b>Cash flows from operating activities</b>			
Net cash used in operations	29(a)	(589,218)	(8,792,257)
Interest received on VMO Loans		2,064	9,608
Net cash outflow from operating activities		<u>(587,154)</u>	<u>(8,782,649)</u>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment	5	(6,357,804)	(4,480,718)
Proceeds from disposals of property, plant and equipment	29(b)	439,600	38,000
Net (placement)/uplift of bank deposits with original maturities over three months		(12,073,093)	7,762,284
Bank interest received		3,298,540	4,442,607
Net cash (outflow)/inflow from investing activities		<u>(14,692,757)</u>	<u>7,762,173</u>
<b>Cash flows from financing activities</b>			
Principal elements of lease payments	29(c)	(167,130)	(521,467)
Interest elements of lease payments	29(c)	(26,870)	(60,534)
Net cash outflow from financing activities		<u>(194,000)</u>	<u>(582,001)</u>
<b>Net decrease in cash and cash equivalents</b>		<u>(15,473,911)</u>	<u>(1,602,477)</u>
Cash and cash equivalents at beginning of the year		30,610,513	32,212,990
<b>Cash and cash equivalents at end of the year</b>	13	<u>15,136,602</u>	<u>30,610,513</u>

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

## **VEGETABLE MARKETING ORGANIZATION**

(All amounts in Hong Kong dollars unless otherwise stated)

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

#### **1 General information**

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

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

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

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

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

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 term collectively includes all applicable individual HKFRS, Hong Kong Accounting Standard ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants and accounting principles generally accepted in Hong Kong and under the historical cost convention, except for biological assets which have been measured at fair value less costs to sell and defined benefit pension plans – plan assets which are measured at fair value.

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.

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

**NOTES TO THE FINANCIAL STATEMENTS**

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

**2.1 Basis of preparation (Continued)**

- (a) New and amended standards and interpretations to the existing HKFRSs (collectively, the “Amendments”) adopted by the Organization

The Organization has applied the following Amendments for the first time for its annual reporting period commencing 1 April 2020:

Conceptual framework for financial reporting 2018	Revised Conceptual Framework for Financial Reporting
HKAS 1 and HKAS 8 (Amendments)	Definition of Material
HKFRS 3 (Amendments)	Definition of a Business
HKFRS 9, HKAS 39 and HKFRS 7 (Amendments)	Interest Rate Benchmark Reform

The Organization also elected to adopt Covid-19-related Rent Concessions – HKFRS 16 (Amendments) early.

The adoption of these Amendments did not have any material impact on the current period or any prior period and is not likely to affect future periods, except for the Amendment to HKFRS 16 set out above.

- (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 reporting periods beginning on or after 1 April 2021. The following Amendments are relevant and applicable to the Organization; however, they have not been early adopted in these financial statements:

HKFRS 16 (Amendments)	Covid-19-related Rent Concessions beyond 30 June 2021 <sup>1</sup>
HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 (amendments) <sup>1</sup>
Annual Improvements Project	Annual Improvements to HKFRSs 2018-2020 (Amendments) <sup>2</sup>
HKFRS 3 (Amendments)	Reference to the Conceptual Framework <sup>3</sup>
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before Intended Use <sup>3</sup>
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract <sup>3</sup>
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current <sup>3</sup>
HKFRS 17	Insurance Contracts <sup>3</sup>
HK Int5 (2020)	Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayments on Demand Clause <sup>3</sup>
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>

Note:

- (1) Effective for the Organization’s financial period beginning on 1 April 2021
- (2) Effective for the Organization’s financial period beginning on 1 April 2022
- (3) Effective for the Organization’s financial period beginning on 1 April 2023
- (4) Effective for the Organization’s financial period beginning 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.

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

**NOTES TO THE FINANCIAL STATEMENTS**

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

**2.2 Changes in accounting policies**

The Organization has early adopted Amendment to HKFRS 16 - Covid-19-Related Rent Concessions retrospectively from 1 April 2020. The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID19 is a lease modification. Lessees adopting this election may account for qualifying rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; b) any reduction in lease payments affects only payments due on or before 30 June 2021; and c) there is no substantive change to other terms and conditions of the lease.

The Organization has applied the practical expedient to all qualifying COVID-19-related rent concessions. Rent concessions totalling HK\$582,000 have been accounted for as negative variable lease payments and recognised in other income in the statement of comprehensive income for the year ended 31 March 2021, with a corresponding adjustment to the lease liability. There is no impact on the opening balance of funds at 1 April 2020.

**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 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 generally recognised in profit or loss.

**2.4 Property, plant and equipment**

Buildings comprise mainly offices and market buildings. Property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items, and contingent price, if any.

Subsequent costs are included in the asset's carrying amount or 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.

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

**NOTES TO THE FINANCIAL STATEMENTS**

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

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

Depreciation on 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 improvements	Shorter of the lease period and the useful lives of 10 years
Buildings	
- Cheung Sha Wan Vegetable Market	20 years
- Buildings at depots	10 years
Furniture, fixtures and computer equipment	5 to 10 years
Motor vehicles	5 years
Machinery and others	5 to 10 years

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

**2.5 Construction in progress**

Construction in progress represents leasehold improvements under construction. Construction in progress is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction and acquisition, and capitalized costs attributable to the construction during the period of construction. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are available for use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated in note 2.4.

**2.6 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.

**2.7 Inventories**

Inventories comprise seeds and vegetables and 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.

## **VEGETABLE MARKETING ORGANIZATION**

(All amounts in Hong Kong dollars unless otherwise stated)

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

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

##### **2.8 Biological assets**

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

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

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

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

##### **2.9 Financial assets**

###### **(a) Classification**

The Organization classifies its financial assets as 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.

###### **(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, transaction costs that are directly attributable to the acquisition of the financial asset.

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.

###### **(d) Impairment**

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 VMO 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.

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

**NOTES TO THE FINANCIAL STATEMENTS**

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

**2.9 Financial assets (Continued)**

(d) Impairment (Continued)

Impairment on other financial assets is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

**2.10 VMO 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.

Vegetable Marketing Organization Loans ("VMO 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.

**2.11 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 realize 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.

**2.12 Cash and cash equivalents**

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

**2.13 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.

**2.14 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.



## VEGETABLE MARKETING ORGANIZATION

(All amounts in Hong Kong dollars unless otherwise stated)

### NOTES TO THE FINANCIAL STATEMENTS

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

##### 2.14 Employee benefits (Continued)

###### (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 plans define an amount of retirement benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

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 actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds or government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related 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.

## **VEGETABLE MARKETING ORGANIZATION**

(All amounts in Hong Kong dollars unless otherwise stated)

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

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

##### **2.14 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 payment 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.

##### **2.15 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.

##### **2.16 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 relating to the provision of services to the vegetable sellers is recognised at a point in time based on a percentage of the price of the vegetable transactions concluded in the Organization's market when the transactions are completed, and is reduced by rebates which are recognised at a rate of 3.5% based on the price of the same vegetable transactions.
- (b) Sales of premium vegetables is recognised at a point in time upon delivery of vegetables to the customer, who has accepted the vegetables and collectability of the related receivables is reasonably assured.
- (c) Commission income relating to the sales of premium vegetables is recognised at a point in time when the relevant sales transactions have been concluded.
- (d) Management service income relating to production of hydroponic vegetables and the service income relating to research activities are recognised over time when the related services are rendered and the Government receives and uses the benefits simultaneously.
- (e) Interest income on bank deposits and VMO Loans are recognised on a time proportion basis using the effective interest method.

## **VEGETABLE MARKETING ORGANIZATION**

(All amounts in Hong Kong dollars unless otherwise stated)

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

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

##### **2.16 Revenue and other income recognition (Continued)**

- (f) FarmFest income, other income and parking permit fee income are recognised at a point in time when the services are rendered.
- (g) Rental income is recognised on a straight line basis over the period of the relevant lease agreement.

##### **2.17 Grants from government**

Government grants relating to the purchase of property, plant and equipment are recognised as deferred income and are credited to the statement of comprehensive income on a straight-line basis over the expected lives of the related assets.

Government grants relating to costs are deferred and recognised in the statement of comprehensive income over the period necessary to match them with the costs they are intended to compensate.

##### **2.18 VMO Loan Fund and VMO Agricultural Development Fund**

The Vegetable Marketing Organization Loan Fund ("VMO Loan Fund") was set up for making loans to farmers for productive purposes.

The Vegetable Marketing Organization Agricultural Development Fund ("VMO Agricultural Development Fund") was set up for promoting local agriculture.

The income and expenditure relating to these funds are dealt with as a single line item in the statement of comprehensive income of the Organization and the details are disclosed in notes 23 and 24. Any net surplus or deficit relating to these funds is transferred from Vegetable Marketing Organization General Fund ("VMO General Fund") to the respective funds.

##### **2.19 Leases**

- (a) As a lessor

Rental income from operating leases in respect of market premises where the Organization is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as rental income. The respective leased assets are included in balance sheet based on their nature.

- (b) As a lessee

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Organization.

Contracts may contain both lease and non-lease components. The Organization allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

## VEGETABLE MARKETING ORGANIZATION

(All amounts in Hong Kong dollars unless otherwise stated)

### NOTES TO THE FINANCIAL STATEMENTS

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

##### 2.19 Leases (Continued)

###### (b) As a lessee (Continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- the exercise price of a purchase option if the Organization is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Organization exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Organization, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Organization:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Organization, which does not have recent third party financing; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Organization is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in comprehensive income. Short-term leases are leases with a lease term of 12 months or less.

## VEGETABLE MARKETING ORGANIZATION

(All amounts in Hong Kong dollars unless otherwise stated)

### NOTES TO THE FINANCIAL STATEMENTS

#### 3 Financial and fund risks management

##### 3.1 Financial risk factors

The Organization's activities expose it to a variety of financial risks: 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 Director of Marketing, the Organization has minimal exposure to foreign exchange risk as its transactions are mainly denominated in Hong Kong dollars.

(b) Credit risk

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

The Organization's financial assets are subject to the expected credit loss model. While bank balances 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.

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 VMO Loans.

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

**3 Financial and fund risks management (Continued)**

**3.1 Financial risk factors (Continued)**

(b) Credit risk (Continued)

On that basis, the loss allowance as at 31 March 2021 and 2020 was determined as follows for trade and receivables and VMO Loans:

	Current	Past due 1 to 60 days	61 to 90 days past due	More than 90 days past due	Total
<b>31 March 2021</b>					
Expected loss rate					
– trade receivables	0%	0%	0%	100%	
– VMO loans	0.12%	0%	100%	100%	
Gross carrying amount					
– trade receivables	2,642,136	759,435	196	113,157	3,514,924
– VMO loans	1,881,214	-	39,800	39,800	1,960,814
<b>Provision for impairment</b>					
– trade receivables	-	-	-	113,157	113,157
– VMO loans	2,257	-	39,800	39,800	81,857
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>31 March 2020</b>					
Expected loss rate					
– trade receivables	0%	0%	0%	100%	
– VMO loans	0.17%	100%	100%	100%	
Gross carrying amount					
– trade receivables	3,462,905	709,396	-	113,157	4,285,458
– VMO loans	1,542,459	19,900	65,100	94,981	1,722,440
<b>Provision for impairment</b>					
– trade receivables	-	-	-	113,157	113,157
– VMO loans	2,648	19,900	65,100	94,981	182,629
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

Trade receivables and VMO 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.

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.

For other financial assets at amortised cost, the Organization applies the HKFRS 9 general approach to measuring expected credit losses. The impairment provision is determined as 12-month expected credit losses as there was no significant increase in credit risk on these assets since initial recognition and reflected the forward-looking information on macroeconomic factors affecting the ability of the debtors to settle the receivables. No loss allowance provision was determined as at 31 March 2021 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.

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

**NOTES TO THE FINANCIAL STATEMENTS**

**3 Financial and fund risks management (Continued)**

**3.1 Financial risk factors (Continued)**

(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 Director of Marketing, the Organization does not have any significant liquidity risk.

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

As at 31 March 2021 and 2020, the maturity analysis of the financial liabilities is as follows:

	2021	2020
<b>Less than one year</b>		
Trade and other payables (note 16)	8,501,095	8,941,329
Vegetable buyers' deposits	6,121,313	5,580,499
Undiscounted lease liabilities (note 17)	129,333	776,000
	<u>14,751,741</u>	<u>15,297,828</u>
<b>More than one year and less than five years</b>		
Undiscounted lease liabilities (note 17)	-	129,333
	<u>14,751,741</u>	<u>15,427,161</u>

(d) Cash flow and fair value interest rate risks

The Organization's cash flow and fair value interest rate risk is primarily arisen from bank deposits which carry interest at market interest rates and VMO Loans which carry interests at fixed rates. Other than these, the Organization has no other significant interest-bearing assets or liabilities.

As at 31 March 2021, if interest rate on the bank deposits had been 25 basis points (2020: 25 basis points) higher/lower with all other variables held constant, deficit for the year would have been approximately HK\$540,000 (2020: HK\$514,000) lower/higher, as a result of higher/lower interest income on the bank deposits.

In respect of the VMO Loans, the fair value interest rate risk is considered to be low due to the short maturity period.

**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 operations. The Organization's overall strategy remains unchanged from prior years.

The total funds of the Organization comprises VMO General Fund, VMO Loan Fund, VMO Agricultural Development Fund and Funds provided from external sources for capital expenditure.

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

**NOTES TO THE FINANCIAL STATEMENTS**

**3 Financial and fund risks management (Continued)**

**3.3 Fair value estimation**

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

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

**3.4 Offsetting financial assets and financial liabilities**

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

**4 Critical accounting estimates and judgements**

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

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

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 20.



## VEGETABLE MARKETING ORGANIZATION

(All amounts in Hong Kong dollars unless otherwise stated)

### NOTES TO THE FINANCIAL STATEMENTS

#### 5 Property, plant and equipment

	Markets and depots				Vegetable Marketing Organisation Agricultural Development Fund (note 8)				Total	
	Furniture, fixtures and computer equipment	Motor vehicles	Machinery and others	Subtotal	Leasehold improvements	Furniture, fixtures and computer equipment	Machinery and others	Construction in progress		Subtotal
<b>At 1 April 2019</b>										
Cost	2,953,430	5,450,164	18,098	35,991,358	4,126,083	10,935,843	7,124,385	-	22,186,311	58,177,669
Accumulated depreciation	(2,953,430)	(5,348,750)	(18,098)	(32,231,855)	(4,126,083)	(7,700,254)	(4,455,344)	-	(16,281,681)	(48,513,536)
Net book amount	-	101,414	-	3,759,503	-	3,235,589	2,669,041	-	5,904,630	9,664,133
<b>Year ended 31 March 2020</b>										
Opening net book amount	-	101,414	-	3,759,503	-	3,235,589	2,669,041	-	5,904,630	9,664,133
Additions	-	84,492	-	584,492	-	114,690	13,850	3,767,686	3,896,226	4,480,718
Disposals (note 29(b))	-	(76,530)	-	(76,530)	-	(14,010)	(1,773)	-	(15,783)	(92,313)
- Cost	-	(471,972)	(845)	(1,244,772)	-	(152,880)	(3,800)	-	(156,680)	(1,401,452)
- Accumulated depreciation	-	395,442	845	1,168,242	-	138,870	2,027	-	140,897	1,309,139
Adjustments	-	-	-	-	-	-	(15,725)	-	(15,725)	(15,725)
- Cost (note 18)	-	-	-	-	-	-	(60,873)	-	(60,873)	(60,873)
- Accumulated depreciation (note 23)	-	-	-	-	-	-	45,148	-	45,148	45,148
Depreciation	-	(915,129)	-	(1,116,543)	-	(615,590)	(707,029)	-	(1,322,619)	(2,439,162)
Closing net book amount	-	2,750,922	400,000	3,150,922	-	2,720,679	1,958,364	3,767,686	8,446,729	11,597,651
<b>At 31 March 2020</b>										
Cost	2,953,430	5,178,209	17,253	35,331,078	4,126,083	10,897,653	7,073,562	3,767,686	25,864,984	61,196,062
Accumulated depreciation	(2,953,430)	(4,778,209)	(17,253)	(32,180,156)	(4,126,083)	(8,176,974)	(5,115,198)	-	(17,418,255)	(49,598,411)
Net book amount	-	2,750,922	400,000	3,150,922	-	2,720,679	1,958,364	3,767,686	8,446,729	11,597,651

## VEGETABLE MARKETING ORGANIZATION

(All amounts in Hong Kong dollars unless otherwise stated)

### NOTES TO THE FINANCIAL STATEMENTS

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

	Markets and depots					Vegetable Marketing Organisation Agricultural Development Fund (note 8)				Total	
	Furniture, fixtures and computer equipment	Buildings	Motor vehicles	Machinery and others	Subtotal	Leasehold improvements	Furniture, fixtures and computer equipment	Machinery and others	Construction in progress		Subtotal
<b>Year ended 31 March 2021</b>											
Opening net book amount	-	2,750,922	400,000	-	3,150,922	-	2,720,679	1,958,364	3,767,686	8,446,729	11,597,651
Transfer	-	-	-	-	-	2,942,080	825,606	-	(3,767,686)	-	-
Additions	-	239,390	-	-	239,390	4,222,900	1,794,128	101,386	-	6,118,414	6,357,804
Disposals (note 29(b))	-	(83,871)	-	-	(83,871)	-	(1,384,436)	(18,160)	-	(1,402,596)	(1,486,467)
- Cost	-	(1,573,057)	(639,375)	(4,220)	(2,216,652)	-	(6,146,202)	(47,390)	-	(6,193,592)	(8,410,244)
- Accumulated depreciation	-	1,489,186	639,375	4,220	2,132,781	-	4,761,766	29,230	-	4,790,996	6,923,777
Depreciation	-	(853,802)	(100,000)	-	(953,802)	(331,611)	(735,780)	(706,192)	-	(1,773,583)	(2,727,385)
Closing net book amount	-	2,052,639	300,000	-	2,352,639	6,833,369	3,220,197	1,335,398	-	11,388,964	13,741,603
<b>At 31 March 2021</b>											
Cost	2,953,430	25,848,519	4,538,834	13,033	33,353,816	11,291,063	7,371,185	7,127,558	-	25,789,806	59,143,622
Accumulated depreciation	(2,953,430)	(23,795,880)	(4,238,834)	(13,033)	(31,001,177)	(4,457,694)	(4,150,988)	(5,792,160)	-	(14,400,842)	(45,402,019)
Net book amount	-	2,052,639	300,000	-	2,352,639	6,833,369	3,220,197	1,335,398	-	11,388,964	13,741,603

Depreciation expenses of HK\$953,802 and HK\$1,773,583 (2020: HK\$1,116,543 and HK\$1,322,619) have been charged in the operating expenditure and net deficit from VMO Agricultural Development Fund respectively on page 6 and note 23, respectively.

**VEGETABLE MARKETING ORGANIZATION**  
 (All amounts in Hong Kong dollars unless otherwise stated)  
**NOTES TO THE FINANCIAL STATEMENTS**

**6 Right-of-use assets**

	Land interests on owned properties	Leased market premises	Total
<b>At 1 April 2019</b>			
Cost	1,492,700	1,590,328	3,083,028
Accumulated depreciation	(996,111)	-	(996,111)
Net book amount	<u>496,589</u>	<u>1,590,328</u>	<u>2,086,917</u>
<b>Year ended 31 March 2020</b>			
Opening net book amount	496,589	1,590,328	2,086,917
Lease modification	-	(191,202)	(191,202)
Depreciation	(17,630)	(676,637)	(694,267)
Closing net book amount	<u>478,959</u>	<u>722,489</u>	<u>1,201,448</u>
<b>At 31 March 2020</b>			
Cost	1,492,700	1,399,126	2,891,826
Accumulated depreciation	(1,013,741)	(676,637)	(1,690,378)
Net book amount	<u>478,959</u>	<u>722,489</u>	<u>1,201,448</u>
<b>Year ended 31 March 2021</b>			
Opening net book amount	478,959	722,489	1,201,448
Depreciation	(17,630)	(619,276)	(636,906)
Closing net book amount	<u>461,329</u>	<u>103,213</u>	<u>564,542</u>
<b>At 31 March 2021</b>			
Cost	1,492,700	1,399,126	2,891,826
Accumulated depreciation	(1,031,371)	(1,295,913)	(2,327,284)
Net book amount	<u>461,329</u>	<u>103,213</u>	<u>564,542</u>

Depreciation expenses of HK\$636,906 (2020: HK\$694,267) have been charged in the operating expenditure on page 6.

The Organization's right-of-use assets consist of leasehold land in Hong Kong and leased market premises. For the leasehold land, the Organization is the registered owner of this property interests. Upfront payments were made to acquire these land interests and there are no ongoing payments to be made under the terms of the land lease (i.e. no lease liabilities are recognised), other than government rents and rates and other payments to the relevant government authorities, which may vary from time to time. For the leased market premises, rental contract is typically made for a fixed period of 2 to 3 years with no extension option. Lease term is negotiated on an individual basis and contain a range of different terms and conditions.

Details of the maturity analysis of lease liabilities and total cash outflow for leases in 2021 and 2020 are set out in notes 17 and 29(c) respectively.

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

**NOTES TO THE FINANCIAL STATEMENTS**

7 **VMO Loan Fund**

(a) Balance sheet

The VMO 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	2021	2020
<b>ASSETS</b>			
<b>Current assets</b>			
VMO Loans			
- Loans to farmers		1,960,700	1,710,740
- Interest receivable		114	11,700
		<u>1,960,814</u>	<u>1,722,440</u>
Less: Provision for impairment of VMO Loans		(81,857)	(182,629)
		<u>1,878,957</u>	<u>1,539,811</u>
Less: Accumulated amortisation at 1 April (Discount on amortisation)/amortisation of premium on VMO Loans	24	(73,324) (18,130)	(102,410) 29,086
Accumulated amortisation at 31 March		<u>(91,454)</u>	<u>(73,324)</u>
VMO Loans – net		1,787,503	1,466,487
Other receivables		4,590	34,689
Bank deposits with original maturities over three months	12	11,100,000	11,100,000
Cash and cash equivalents	13	178,263	290,128
		<u>13,070,356</u>	<u>12,891,304</u>
<b>Total assets</b>		<u>13,070,356</u>	<u>12,891,304</u>
<b>FUNDS</b>			
Capital account transferred from VMO General Fund		2,608,000	2,608,000
Accumulated surplus at 1 April		10,283,304	10,029,214
Net surplus for the year transferred from VMO General Fund	14 & 24	179,052	254,090
Accumulated surplus at 31 March		<u>10,462,356</u>	<u>10,283,304</u>
<b>Total funds</b>		<u>13,070,356</u>	<u>12,891,304</u>
<b>LIABILITIES</b>			
Current and total liabilities		-	-
<b>Total funds and liabilities</b>		<u>13,070,356</u>	<u>12,891,304</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**

**7 VMO Loan Fund (Continued)**

(b) VMO Loans

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

The VMO Loans bear interests at rates from 0.001% to 0.125% (2020: 0.001% to 0.3%) per annum and are repayable within one year (2020: within one year) with third party personal guarantees. As at 31 March 2021, the weighted average effective interest rate of the VMO Loans is 0.0030 % (2020: 0.0612%) per annum.

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 VMO Loans. To measure the expected credit losses, VMO Loans have been grouped based on shared credit risk characteristics and the days past due. Note 3.1 (b) provides for details about the calculation of the loss allowance.

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

	2021	2020
Opening loss allowance at 1 April	182,629	182,629
Provision written-off	(12,361)	-
Credited to the statement of comprehensive income		
- Write-back of provision for impairment (note 24)	(88,411)	-
Closing loss allowance at 31 March	<u>81,857</u>	<u>182,629</u>

The maximum exposure to credit risk at the balance sheet date is the carrying values of the VMO Loans. The carrying values of VMO Loans approximate their fair values at 31 March 2021 and 2020 and are denominated in Hong Kong dollars.

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

**NOTES TO THE FINANCIAL STATEMENTS**

**8 VMO Agricultural Development Fund**

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

	Note	2021	2020
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	11,388,964	8,446,729
<b>Current assets</b>			
Inventories	10(a)	26,179	57,371
Biological assets	10(b)	-	-
Trade and other receivables		1,157,457	1,599,986
Bank deposits with original maturities over three months	12	7,400,000	9,004,315
Cash and cash equivalents	13	4,814,043	2,798,042
Total current assets		13,397,679	13,459,714
<b>Total assets</b>		<b>24,786,643</b>	<b>21,906,443</b>
<b>FUNDS</b>			
Capital account			
At 1 April			
Transfer from VMO General Fund	14	410,000,000	400,000,000
		8,000,000	10,000,000
At 31 March		418,000,000	410,000,000
Accumulated deficit at 1 April			
Net deficit for the year transferred from VMO General Fund	14 & 23	(393,756,709)	(380,330,967)
		(9,908,147)	(13,425,742)
Accumulated deficit at 31 March		(403,664,856)	(393,756,709)
<b>Total funds</b>		<b>14,335,144</b>	<b>16,243,291</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Provisions for other liabilities		-	639,225
Long service payment obligations		125,945	296,453
Deferred income	19	8,521,620	3,396,594
Total non-current liabilities		8,647,565	4,332,272
<b>Current liabilities</b>			
Other payables		748,602	776,477
Provisions for other liabilities		93,045	151,287
Long service payment obligations		-	32,024
Deferred income	19	962,287	371,092
Total current liabilities		1,803,934	1,330,880
<b>Total liabilities</b>		<b>10,451,499</b>	<b>5,663,152</b>
<b>Total funds and liabilities</b>		<b>24,786,643</b>	<b>21,906,443</b>

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

**NOTES TO THE FINANCIAL STATEMENTS**

**8 VMO Agricultural Development Fund (Continued)**

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

**9 Financial instruments by category**

The Organization's financial instruments include the following:

	Note	2021	2020
<b>Financial assets at amortised cost</b>			
VMO Loans	7(a)	1,787,503	1,466,487
Trade and other receivables	11	5,290,249	6,653,242
Bank deposits with original maturities over three months	12	215,950,000	203,876,907
Cash and cash equivalents	13	15,136,602	30,610,513
		<u>238,164,354</u>	<u>242,607,149</u>
<b>Financial liabilities at amortised cost</b>			
Trade and other payables	16	8,501,095	8,941,329
Lease liabilities	17	128,529	877,659
Vegetable buyers' deposits		6,121,313	5,580,499
		<u>14,750,937</u>	<u>15,399,487</u>

**10 Inventories and biological assets**

(a) Inventories

	2021	2020
Premium vegetables	155,486	125,876
Others	120,410	157,117
	<u>275,896</u>	<u>282,993</u>
Represented by:		
- VMO General Fund	249,717	225,622
- VMO Agricultural Development Fund (note 8)	26,179	57,371
	<u>275,896</u>	<u>282,993</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**

**10 Inventories and biological assets (Continued)**

(b) Biological assets

	2021	2020
At 1 April	-	-
Additions	879,619	898,457
Harvested hydroponic vegetable produce	(879,619)	(898,457)
	<u>                    </u>	<u>                    </u>
At 31 March	<u>                    </u>	<u>                    </u>

During the year, the quantity of hydroponic vegetable produce harvested for sales is 1,897 (2020: 1,968) kilogram.

**11 Trade and other receivables**

	2021	2020
Trade receivables	3,514,924	4,285,458
Less: Provision for impairment of trade receivables	(113,157)	(113,157)
	<u>                    </u>	<u>                    </u>
Trade receivables, net	3,401,767	4,172,301
Interest receivables	558,156	1,157,302
Other receivables	1,330,326	1,323,639
	<u>                    </u>	<u>                    </u>
Financial assets	5,290,249	6,653,242
Prepayments for:		
- Insurance expense	15,180	28,513
- Other operating expenses	1,964,853	1,237,087
	<u>                    </u>	<u>                    </u>
Total	<u>7,270,282</u>	<u>7,918,842</u>

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. Note 3.1(b) provides more details about the calculation of loss allowance.

As at 31 March 2021, the Organization considered that the expected credit loss for other receivables was immaterial thus no loss allowance was made (2020: 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 2021 and 2020 and are denominated in Hong Kong dollars.



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

**NOTES TO THE FINANCIAL STATEMENTS**

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

	Note	2021	2020
VMO General Fund		197,450,000	183,772,592
VMO Loan Fund	7(a)	11,100,000	11,100,000
VMO Agricultural Development Fund	8	7,400,000	9,004,315
		<u>215,950,000</u>	<u>203,876,907</u>
Maximum exposure to credit risk		<u>215,950,000</u>	<u>203,876,907</u>

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

**13 Cash and cash equivalents**

	Note	2021	2020
<u>VMO General Fund</u>			
Cash at banks and in hand		10,144,296	27,522,343
<u>VMO Loan Fund</u>			
Cash at banks	7(a)	178,263	290,128
<u>VMO Agricultural Development Fund</u>			
Cash at banks and in hand		4,814,043	1,098,042
Bank deposits with original maturities of three months or less		-	1,700,000
	8	<u>4,814,043</u>	<u>2,798,042</u>
Total		<u>15,136,602</u>	<u>30,610,513</u>
Maximum exposure to credit risk		<u>14,420,244</u>	<u>30,118,079</u>

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

**14 VMO General Fund - Accumulated Surplus**

	Note	2021	2020
<b>At 1 April</b>		204,615,134	216,305,087
Deficit for the year		(7,041,351)	(10,475,234)
Surplus/(deficit) on remeasurements for:			
- Defined benefit plan	20	4,639,851	(2,436,867)
- Long service payment obligations			
- VMO General Fund	20	2,086,246	(1,729,115)
- VMO Agricultural Development Fund	20	129,330	(220,389)
Net surplus transferred from VMO Loan Fund	7(a)	(179,052)	(254,090)
Net deficit transferred from VMO Agricultural Development Fund	8	9,908,147	13,425,742
Transferred to capital account of VMO Agricultural Development fund	8	(8,000,000)	(10,000,000)
		<u>206,158,305</u>	<u>204,615,134</u>
<b>At 31 March</b>		<u>206,158,305</u>	<u>204,615,134</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**

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

	2021	2020
Colonial Development Welfare Fund Grants		
- Scheme D994-Village agricultural depots	144,000	144,000
- Scheme D1066-Purchase of lorries	150,000	150,000
- Scheme D5250-Cheung Sha Wan Vegetable Market	1,470,104	1,470,104
	<u>1,764,104</u>	<u>1,764,104</u>

**16 Trade and other payables**

	2021	2020
Trade payables	5,443,700	5,597,951
Other payables	2,078,740	2,398,723
Vegetable sellers' and other deposits	978,655	944,655
	<u>8,501,095</u>	<u>8,941,329</u>
Financial liabilities	176,837	43,557
Receipts in advance	<u>8,677,932</u>	<u>8,984,886</u>

The carrying values of trade and other payables approximate their fair values at 31 March 2021 and 2020 and are denominated in Hong Kong dollars.

**17 Lease liabilities**

	2021	2020
Current	128,529	749,130
Non-current	-	128,529
	<u>128,529</u>	<u>877,659</u>
Minimum lease payments		
- Within one year	129,333	776,000
- Over one year and less than five years	-	129,333
	<u>129,333</u>	<u>905,333</u>
Less: total future interest expenses	(804)	(27,674)
	<u>128,529</u>	<u>877,659</u>

The nature of the Organization's leasing activities by type of right-of-use assets recognised on the balance sheet is detailed in note 6.

Interest expenses of HK\$26,870 (2020: HK\$60,534) has been charged in the statement of comprehensive income.

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

**NOTES TO THE FINANCIAL STATEMENTS**

**18 Provisions for other liabilities**

	Unused annual leave	Contingent price of equipment (note)	Total
<b>At 1 April 2019</b>	1,189,161	784,803	1,973,964
Payments for the year	(147,166)	-	(147,166)
	<u>1,041,995</u>	<u>784,803</u>	<u>1,826,798</u>
(Reversal of provision)/provision for the year			
- VMO General Fund (note 22(a))	87,243	-	87,243
- VMO Agricultural Development Fund	10,241	(36,747)	(26,506)
- Property, plant and equipment (note 5)	-	(60,873)	(60,873)
	<u>97,484</u>	<u>(97,620)</u>	<u>(136)</u>
<b>At 31 March 2020</b>	<u>1,139,479</u>	<u>687,183</u>	<u>1,826,662</u>
<b>At 1 April 2020</b>	1,139,479	687,183	1,826,662
Payments for the year	(160,216)	(132,340)	(292,556)
	<u>979,263</u>	<u>554,843</u>	<u>1,534,106</u>
(Reversal of provision)/provision for the year			
- VMO General Fund (note 22(a))	289,453	-	289,453
- VMO Agricultural Development Fund	52,747	(554,843)	(502,096)
	<u>342,200</u>	<u>(554,843)</u>	<u>(212,643)</u>
<b>At 31 March 2021</b>	<u>1,321,463</u>	<u>-</u>	<u>1,321,463</u>
Analysis of total provisions:			
	Unused annual leave	Contingent price of equipment (note)	Total
<u>At 31 March 2021</u>			
Current	<u>1,321,463</u>	<u>-</u>	<u>1,321,463</u>
<u>At 31 March 2020</u>			
Non-current	-	639,225	639,225
Current	<u>1,139,479</u>	<u>47,958</u>	<u>1,187,437</u>
	<u>1,139,479</u>	<u>687,183</u>	<u>1,826,662</u>

## VEGETABLE MARKETING ORGANIZATION

(All amounts in Hong Kong dollars unless otherwise stated)

### NOTES TO THE FINANCIAL STATEMENTS

#### 18 Provisions for other liabilities (Continued)

Note:

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

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

On 30 October 2015, the Organization entered into a supplementary agreement (the "Supplementary Agreement") with the Third Party in relation to the operation of the Vegetable Factory, whereby the clause of Guarantee Output was abandoned. The duration of the Supplementary Agreement is five years from 1 November 2015. The daily production output of hydroponic vegetables was reduced because of more research activities were undertaken. Due to reassessment of the present value of costs of Free Hydroponic Vegetables and the Continuous Consideration (collectively, the "contingent price of equipment") at 31 March 2020, downward adjustment on cost of HK\$60,873 was resulted.

As at 31 March 2021, no provision is recognised for the contingent price of equipment (2020 HK\$687,183). During the year, the balance has been fully utilised or paid upon the duration of the Agreement.

#### 19 Deferred income

	2021	2020
At 1 April	3,767,686	-
Government grant received (note)	6,303,858	3,790,381
Amount utilised and released to profit or loss (note 28(c))	(587,637)	(22,695)
At 31 March	<u>9,483,907</u>	<u>3,767,686</u>
Non-current	8,521,620	3,396,594
Current	962,287	371,092
Total	<u>9,483,907</u>	<u>3,767,686</u>

Note:

During the year ended 31 March 2021 and 2020, the Organization developed the second phase of Controlled Environment Hydroponic Research and Development Centre. The cost of development, including the leasehold improvement, furniture and fixtures and machinery, were fully subsidised by the Government.

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

**NOTES TO THE FINANCIAL STATEMENTS**

**20 Retirement benefit obligations**

	Note	2021	2020
<b>Balance sheet assets for:</b>			
- Defined benefit plan	(a)	<u>10,975,762</u>	<u>6,573,314</u>
<b>Balance sheet obligations for:</b>			
- Long service payment obligations			
- Non-current portion		(4,157,848)	(6,361,035)
- Current portion		(483,289)	(615,895)
	(b)	<u>(4,641,137)</u>	<u>(6,976,930)</u>
<b>Statement of comprehensive income charged for:</b>			
- Defined benefit plan	22(a)	<u>237,403</u>	<u>151,819</u>
- Long service payment obligations			
- VMO General Fund	22(a)	391,623	331,288
- VMO Agricultural Development Fund	22(b)	23,604	18,132
		<u>415,227</u>	<u>349,420</u>
		<u>652,630</u>	<u>501,239</u>
<b>Remeasurements for:</b>			
- Defined benefit plan	(a)	<u>(4,639,851)</u>	<u>2,436,867</u>
- Long service payment obligations			
- VMO General Fund		(2,086,246)	1,729,115
- VMO Agricultural Development Fund		(129,330)	220,389
	(b)	<u>(2,215,576)</u>	<u>1,949,504</u>
		<u>(6,855,427)</u>	<u>4,386,371</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 2021 and 2020 carried out by Milliman Limited, who holds a recognised professional qualification.

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

	2021	2020
Present value of the funded obligations	(9,582,313)	(10,512,518)
Fair value of plan assets	<u>20,558,075</u>	<u>17,085,832</u>
Assets in the balance sheet	<u>10,975,762</u>	<u>6,573,314</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**

**20 Retirement benefit obligations (Continued)**

(a) Defined benefit plan (Continued)

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

	Present value of defined benefit obligations	Fair value of plan assets	Total
At 1 April 2019	(11,194,000)	20,356,000	9,162,000
Current service costs	(281,000)	-	(281,000)
Interest (expense)/income	(160,000)	295,000	135,000
	<u>(11,635,000)</u>	<u>20,651,000</u>	<u>9,016,000</u>
<b>Remeasurements:</b>			
- Return on plan assets (excluding interest income)	-	(2,144,858)	(2,144,858)
- Deficit from change in financial assumption changes	(427,609)	-	(427,609)
- Experience gains	135,600	-	135,600
	<u>(292,009)</u>	<u>(2,144,858)</u>	<u>(2,436,867)</u>
Plan participants contributions	(126,643)	126,643	-
Benefit payments	1,541,134	(1,541,134)	-
Administrative cost	-	(5,819)	(5,819)
	<u>1,414,491</u>	<u>(1,420,310)</u>	<u>(5,819)</u>
At 31 March 2020	<u>(10,512,518)</u>	<u>17,085,832</u>	<u>6,573,314</u>
At 1 April 2020	(10,512,518)	17,085,832	6,573,314
Current service costs	(271,427)	-	(271,427)
Interest (expense)/income	(60,514)	99,960	39,446
	<u>(10,844,459)</u>	<u>17,185,792</u>	<u>6,341,333</u>
<b>Remeasurements:</b>			
- Return on plan assets (excluding interest income)	-	4,244,513	4,244,513
- Deficit from change in financial assumption changes	(42,903)	-	(42,903)
- Experience gains	438,241	-	438,241
	<u>395,338</u>	<u>4,244,513</u>	<u>4,639,851</u>
Plan participants contributions	(113,994)	113,994	-
Benefit payments	980,802	(980,802)	-
Administrative cost	-	(5,422)	(5,422)
	<u>866,808</u>	<u>(872,230)</u>	<u>(5,422)</u>
At 31 March 2021	<u>(9,582,313)</u>	<u>20,558,075</u>	<u>10,975,762</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**

**20 Retirement benefit obligations (Continued)**

(a) Defined benefit plan (Continued)

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

	2021 %	2020 %
Equities	58	55
Bonds	35	36
Money instruments	7	9
	<u>100</u>	<u>100</u>

(b) Long service payment obligations

The long service payment 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 payment, 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 2019	4,925,933
Current service costs	276,538
Interest expense	72,882
	<u>5,275,353</u>
Remeasurements:	
- Experience losses	1,949,504
Benefit payments	(247,927)
	<u><u>6,976,930</u></u>
At 31 March 2020	

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

**NOTES TO THE FINANCIAL STATEMENTS**

**20 Retirement benefit obligations (Continued)**

(b) Long service payment obligations (Continued)

	Present value of long service payment obligations
At 1 April 2020	6,976,930
Current service costs	368,926
Interest expense	46,462
	<u>7,392,318</u>
Remeasurements:	
- Experience gains	(2,215,576)
Benefit payments	(535,605)
	<u>4,641,137</u>
At 31 March 2021	<u>4,641,137</u>

(c) The principal actuarial assumptions used as follows:

	<u>Defined benefit obligations</u>		<u>Long service payment obligations</u>	
	2021 %	2020 %	2021 %	2020 %
Discount rate	0.5	0.6	1.3	0.7
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 2.2%	Increase by 2.3%	Decrease by 9.4%	Increase by 10.9%
Salary growth rate	0.5%	Increase by 2.1%	Decrease by 2.0%	Increase by 1.4%	Decrease by 2.0%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit 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.



**VEGETABLE MARKETING ORGANIZATION**

(All amounts in Hong Kong dollars unless otherwise stated)

**NOTES TO THE FINANCIAL STATEMENTS**

**20 Retirement benefit obligations (Continued)**

- (e) The expected contributions by the Organization and by the employees for the year ended 31 March 2021:

	<u>Defined benefit obligations</u>		<u>Long service payment obligations</u>	
	2021	2020	2021	2020
Expected contributions by:				
- Organization	-	-	-	-
- Employees	105,692	121,284	-	-
	<u>105,692</u>	<u>121,284</u>	<u>-</u>	<u>-</u>

- (f) The weighted average duration of the defined benefit obligations and long service payment obligations is around 4 years and 9 years (2020: 5 years and 11 years) respectively.
- (g) The expected maturity analysis without taking into consideration of early retirement of undiscounted benefit payments is as follows:

	<u>Defined benefit obligations</u>		<u>Long service payment obligations</u>	
	2021	2020	2021	2020
Less than 1 year	1,423,000	973,000	678,000	679,000
Between 1 and 2 years	79,000	1,468,000	196,000	861,000
Between 2 and 5 years	5,486,000	3,077,000	1,392,000	1,698,000
More than 5 years	4,044,000	4,737,000	21,023,000	24,817,000
	<u>11,032,000</u>	<u>10,255,000</u>	<u>23,289,000</u>	<u>28,055,000</u>

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

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

	2021	2020
Sales of premium vegetables	20,861,536	24,995,536
Cost of inventories sold	(16,148,651)	(18,761,078)
<b>Gross profit</b>	<u>4,712,885</u>	<u>6,234,458</u>
Commission income relating to sales of premium vegetables	519,198	790,528
<b>Direct operating expenses</b>		
Sales commission	(6,618)	(4,411)
Sundry expenses	(124,946)	(65,706)
	<u>(131,564)</u>	<u>(70,117)</u>
<b>Net income for the year</b>	<u>5,100,519</u>	<u>6,954,869</u>

The cost of inventories sold includes inventory written-off of HK\$1,383,555 (2020: HK\$1,567,642).

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

**NOTES TO THE FINANCIAL STATEMENTS**

**22 Employee benefit expenditure**

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

	Note	2021	2020
Salaries and wages		33,761,461	35,168,684
Provision for unused annual leave	18	289,453	87,243
Retirement benefit costs			
- Defined contribution plan and MPF scheme		1,902,351	1,939,627
- Defined benefit plan	20	237,403	151,819
- Long services payment obligations	20	391,623	331,288
		<u>36,582,291</u>	<u>37,678,661</u>

(b) In addition to the above, employee benefit expenditure amounting to HK\$3,557,821 (2020: HK\$4,666,353) as listed below has been included in various expenditure items in the VMO Agricultural Development Fund in note 23.

	Note	2021	2020
Salaries and wages		3,327,945	4,428,987
Provision for unused annual leave	18	52,747	10,241
Retirement benefit costs			
- MPF scheme		153,525	208,993
- Long services payment obligations	20	23,604	18,132
		<u>3,557,821</u>	<u>4,666,353</u>

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

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

	2021	2020
<b>Income</b>		
FarmFest income	1,423,013	4,569,603
Interest income on bank deposits	149,639	312,279
Other income	507,785	185,455
	<u>2,080,437</u>	<u>5,067,337</u>

**VEGETABLE MARKETING ORGANIZATION**

(All amounts in Hong Kong dollars unless otherwise stated)

**NOTES TO THE FINANCIAL STATEMENTS****23 Net deficit from VMO Agricultural Development Fund (Continued)**

	Note	2021	2020
<b>Expenditure</b>			
Land rehabilitation scheme			
- Depreciation		(77,615)	(77,615)
- Miscellaneous expenditure		(701)	(4,683)
Construction and improvement of communal agriculture facilities		-	(203,612)
Crop Development Programmes Promotion			
- Depreciation		(5,440)	(5,440)
- Net deficit from sales of accredited local vegetables	26	(232,943)	(230,743)
- Grants to a third party organization		(3,078,070)	(4,079,200)
- Other expenses		(2,158,559)	(1,927,394)
Controlled Environment Greenhouse Production			
- Depreciation		(12,169)	(12,169)
- Other expenses		11,330	(564,415)
Promotion of Organic Farming			
- Depreciation		(28,442)	(31,792)
- Net deficit from sales of organic vegetables	27	(808,884)	(548,524)
- Grants to third party organizations		-	(40,685)
- Loss on disposals of property, plant and equipment	29(b)	(2,100)	(5,350)
- Other expenses		(140,834)	(736,886)
Voluntary Registration Scheme of Local Vegetable Farms			
- Depreciation		(16,117)	(16,117)
- Other expenses		1,032	(527,963)
Promotion of Local Agricultural and Fisheries Products			
- FarmFest expenses		(2,817,950)	(6,384,026)
Improvement to VMO's wholesale marketing facilities and services			
- Depreciation		(486,881)	(470,697)
- Loss on disposals of property, plant and equipment	29(b)	(1,152,336)	(8,660)
- Other expenses		(666,733)	(1,671,764)
Controlled Environment Hydroponic Research and Development Project			
- Net deficit from the production of hydroponic vegetables in the Centre	28(a)	(295,468)	(594,932)
- Net deficit from research activities in the Centre	28(b)	(125,511)	(167,881)
- Reversal of overprovision for depreciation of property, plant and equipment		-	45,148
- Loss on disposals of property, plant and equipment	29(b)	(18,160)	(1,773)
Controlled Environment Hydroponic Research and Development Project (Phase 2)	28(c)	-	-
Miscellaneous expenses		(5,363)	(5,517)
		<u>(12,117,914)</u>	<u>(18,272,690)</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**

**23 Net deficit from VMO Agricultural Development Fund (Continued)**

	Note	2021	2020
<b>Deficit for the year</b>		(10,037,477)	(13,205,353)
Remeasurements for long service payment obligations	20	129,330	(220,389)
<b>Net deficit for the year</b>	8	(9,908,147)	(13,425,742)

**24 Net surplus from VMO Loan Fund**

	Note	2021	2020
<b>Income</b>			
Interest on bank deposits		106,038	223,831
Interest on VMO Loans		299	1,713
Amortisation of premium on VMO Loans	7(a)	-	29,086
Reversal of provision for impairment of VMO Loans	7(b)	88,411	-
Sundry income		2,855	-
		197,603	254,630
<b>Expenditure</b>			
Bank charges		(421)	(540)
Discount on amortisation of VMO Loans	7(a)	(18,130)	-
		(18,551)	(540)
<b>Net surplus for the year</b>		179,052	254,090

**25 Taxation**

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

**26 Crop Development Programmes Promotion**

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

	Note	2021	2020
<b>Sales of accredited local vegetables</b>		261,677	207,142
Cost of inventories sold		(102,104)	(100,710)
<b>Gross profit</b>		<u>159,573</u>	<u>106,432</u>
<b>Direct operating expenses</b>			
Employee benefit expenditure		(225,267)	(222,859)
Sales commission		(76,194)	(60,684)
Transportation charges		(68,988)	(40,163)
Miscellaneous expenses		(22,067)	(13,469)
		<u>(392,516)</u>	<u>(337,175)</u>
<b>Net deficit for the year</b>	23	<u>(232,943)</u>	<u>(230,743)</u>

**27 Promotion of Organic Farming**

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

	Note	2021	2020
<b>Sales of organic vegetables</b>		4,357,864	4,345,422
Cost of inventories sold		(1,563,547)	(1,460,015)
<b>Gross profit</b>		<u>2,794,317</u>	<u>2,885,407</u>
<b>Direct operating expenses</b>			
Employee benefit expenditure		(2,047,911)	(1,977,065)
Sales commission		(938,718)	(953,349)
Transportation charges		(206,964)	(120,488)
Stores and equipment		(102,874)	(105,482)
Miscellaneous expenses		(304,974)	(275,787)
Depreciation		(1,760)	(1,760)
		<u>(3,603,201)</u>	<u>(3,433,931)</u>
<b>Net deficit for the year</b>	23	<u>(808,884)</u>	<u>(548,524)</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**

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

- (a) The income and expenditure in relation to the production of hydroponic vegetables for the year are as follows:

	Note	2021	2020
Management service income, recognised over time		1,105,411	641,477
<b>Gross profit</b>		<u>1,105,411</u>	<u>641,477</u>
<b>Other income</b>		<u>39,068</u>	<u>-</u>
<b>Direct operating expenses</b>			
Publication and publicity		(159,050)	(8,450)
Packing materials		-	(6,100)
Employee benefit expenditure		-	(43,204)
Miscellaneous expenses		(701,756)	(598,443)
Depreciation		(579,141)	(580,212)
		<u>(1,439,947)</u>	<u>(1,236,409)</u>
<b>Net deficit for the year</b>	23	<u>(295,468)</u>	<u>(594,932)</u>

- (b) The income and expenditure in relation to the research activities for the year are as follows:

	Note	2021	2020
Service income, recognised over time		367,995	376,496
Other production cost		(268,618)	(359,717)
Depreciation		(127,051)	(126,817)
Other expenses		(97,837)	(57,843)
Total expenses		<u>(493,506)</u>	<u>(544,377)</u>
<b>Net deficit for the year</b>	23	<u>(125,511)</u>	<u>(167,881)</u>

- (c) The income and expenditure in relation to the operating activities (Phase 2) for the year are as follows:

	Note	2021	2020
Income		587,637	22,695
Depreciation		(438,967)	-
Other expenses		(148,670)	(22,695)
Total expenses		<u>(587,637)</u>	<u>(22,695)</u>
<b>Net surplus for the year</b>	23	<u>-</u>	<u>-</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**

**29 Cash flow information**

(a) Cash used in operations

	2021	2020
Deficit for the year	(7,041,351)	(10,475,234)
Adjustments for:		
- Interest income on bank deposits	(2,699,394)	(4,569,607)
- Interest income on VMO Loans (note 24)	(299)	(1,713)
- Depreciation of property, plant and equipment (note 5)	2,727,385	2,439,162
- Depreciation of right-of-use assets (note 6)	636,906	694,267
- Inventories written off (note 21)	1,383,555	1,567,642
- Reversal of provision for impairment of VMO Loans (note 7(b))	(88,411)	-
- Loss on disposals of property, plant and equipment (note (b) below)	1,046,867	54,313
- Reversal of overprovision for depreciation of property, plant and equipment (note 23)	-	(45,148)
- Discount on amortisation/(premium on amortisation) on VMO Loans (note 24)	18,130	(29,086)
- Provision for unused annual leave (note 18)	342,200	97,484
- Rental concession	(582,000)	-
- Reversal of provision of contingent price of equipment (note 18)	(554,843)	(36,747)
- Retirement benefit costs for defined benefit plan (note 20)	237,403	151,819
- Retirement benefit costs for long service payment (note 20)	415,227	349,420
- Interest expenses on lease liabilities	26,870	60,534
	<u>(4,131,755)</u>	<u>(9,742,894)</u>
Changes in working capital:		
- Inventories	(1,376,458)	(1,475,503)
- VMO Loans	(252,500)	602,900
- Trade and other receivables	49,414	2,754,616
- Trade and other payables	(306,954)	(4,458,644)
- Provisions for other liabilities	(292,556)	(147,166)
- Vegetable buyers' deposits	540,814	154,675
- Long service payment obligations	(535,444)	(247,927)
- Deferred income	5,716,221	3,767,686
Net cash used in operations	<u>(589,218)</u>	<u>(8,792,257)</u>

**VEGETABLE MARKETING ORGANIZATION**

(All amounts in Hong Kong dollars unless otherwise stated)

**NOTES TO THE FINANCIAL STATEMENTS****29 Cash flow information (Continued)**

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

	Note	2021	2020
Net book amount	5	1,486,467	92,313
Gain/(loss) on disposals of property, plant and equipment recognised in:			
- Non-trading income/(other expenditure)		125,729	(38,530)
- Net deficit from VMO Agricultural Development Fund		(1,172,596)	(15,783)
		(1,046,867)	(54,313)
Proceeds from disposals of property, plant and equipment		439,600	38,000

(c) Reconciliation of liabilities arising from financing activities

	Lease liabilities
<b>At 1 April 2019</b>	
Non-cash flow	1,590,328
- Derecognition	(191,202)
- Accrued interest	60,534
Cash flow	
- Payment for lease liabilities	(582,001)
<b>At 31 March 2020 and 1 April 2020</b>	877,659
Non-cash flow	
- Rent concession	(582,000)
- Accrued interest	26,870
Cash flow	
- Payment for lease liabilities	(194,000)
<b>At 31 March 2021</b>	128,529

**30 Key management compensation**

	2021	2020
Salaries and other employee benefits	662,970	636,911